



Changes to MLC's fixed income strategy for financial advisers

June 2023

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Important information



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The following funds are affected by the changes to MLC's fixed income strategy. These funds appear on MLC's platforms, in addition to a number of external platforms:

MLC Fixed Interest	MLC Wholesale Horizon 1 Bond Portfolio	MLC Wholesale Diversified Debt Fund
MLC Stable	MLC Wholesale Horizon 2 Income Portfolio	MLC MySuper
MLC Conservative Balanced	MLC Wholesale Horizon 3 Conservative Growth Portfolio	
MLC Balanced Portfolio	MLC Wholesale Horizon 4 Balanced Portfolio	
MLC Growth Portfolio	MLC Wholesale Horizon 5 Growth Portfolio	
MLC Flexible Moderate Portfolio	MLC Wholesale Inflation Plus Conservative Portfolio	
MLC Flexible Assertive Portfolio	MLC Wholesale Inflation Plus Moderate Portfolio	
	MLC Wholesale Inflation Plus Assertive Portfolio	



What's changed and why?

What's changed?

- Appointed managers Bentham Asset Management and Stone Harbor Investment Partners in the extended credit strategy.
- Funds affected are:
 - MLC: Fixed Interest, Stable, Conservative Balanced, Balanced, Growth, Flexible Moderate, Flexible Assertive
 - MLC Wholesale Diversified Debt Fund
 - MLC Wholesale Horizon 1 to 5
 - MLC Wholesale Inflation Plus
 - MySuper
- There's no impact on fees as a result of these changes.

Client benefits

- We believe the changes will provide better risk-adjusted return outcomes for the extended credit strategy.
- We have greater conviction the new mix of managers can provide diversification of returns.

Why?

- The role of the extended credit strategy is to provide a return enhancement to the traditional duration based and investment grade fixed income allocation, by accessing attractive risk-adjusted returns available in non-investment grade credit and other non-core fixed income markets.
- The benchmark for the strategy is 50% High Yield Bonds and 50% High Yield Leveraged Loans.
- The new investment manager strategies we've chosen have diversity of investment approach, insight, and demonstrated ability at outperforming their market indices.
- We're familiar with the new managers as they're already used in other MLC or IOOF portfolios.

New target manager allocations



MLC extended credit*

Manager	Updated	Change
Bentham	25.0%	+25.0%
Loomis Sayles	-	-25.0%
Muzinich	25.0%	-
Oaktree	15.0%	-5.0%
Shenkman	30.0%	-
Stone Harbor	5.0%	+5.0%
Total	100.0%	-

*The same manager mix applies to MLC MasterKey Super and Pension Fundamentals and Business Super

MLC Extended Credit

Target manager allocations, MLC Wholesale

MLC extended credit managers	Horizon 1	Horizon 2	Horizon 3	Horizon 4	Horizon 5		Inflation Plus Conservative	Inflation Plus Moderate	Inflation Plus Assertive		Diversified Debt
Bentham	1.88%	1.00%	1.00%	0.75%	0.50%		1.25%	1.25%	1.75%		1.25%
Muzinich	1.88%	1.00%	1.00%	0.75%	0.50%		1.25%	1.25%	1.75%		1.25%
Oaktree	1.13%	0.60%	0.60%	0.45%	0.30%		0.75%	0.75%	1.05%		0.75%
Shenkman	2.25%	1.20%	1.20%	0.90%	0.60%		1.50%	1.50%	2.10%		1.50%
Stone Harbor	0.38%	0.20%	0.20%	0.15%	0.10%		0.25%	0.25%	0.35%		0.25%
Total	7.50%	4.00%	4.00%	3.00%	2.00%		5.00%	5.00%	7.00%		5.00%

Profile of Bentham Asset Management

Global Opportunities Fund

About Bentham Asset Management

- Bentham Asset Management (Bentham) is a specialist global credit and fixed income manager based in Sydney, Australia. The Bentham business was spun out of Credit Suisse Asset Management in May 2010.
- Manages \$7bn (at May 2023).
- Bentham believes global credit markets represent a valuable diversifying asset class to traditional asset classes (bonds and shares). Global credit tends to offer higher income than traditional fixed income and lower levels of correlation with shares and government bonds, which can improve the risk-return profile of a balanced investment portfolio.



Why we've appointed Bentham

- The Bentham Global Opportunities Fund (GOF) aims to deliver positive absolute returns by identifying the best return potential after adjusting for risk within the different fixed income credit sectors (including syndicated loans and high yield).
- GOF is active and has wide allocation ranges and many instruments with which to manage interest rate and credit risk. Bentham's approach has robust risk management and implements active risk mitigation (in the form of tail risk hedges).
- Bentham is a manager in the MLC Premium and Value Model Portfolios (SMAs). These portfolios invest in the Bentham Syndicated Loan Fund and the Bentham Global Income Fund.

Profile of Stone Harbor Investment Partners

Emerging Markets Explorer Strategy

About Stone Harbor Investment Partners

- Stone Harbor Investment Partners (Stone Harbor) is a global emerging markets debt (EMD) specialist investment manager, with expertise across all EMD public market sectors.
- The firm is headquartered in New York, with offices in London and Singapore.
- Stone Harbor became a wholly owned subsidiary of Virtus Investment Partners in January 2022.
- Manages \$10.7 bn (at 31 March 2023).
- Stone Harbor's established track record span over 30 years in a broad array of credit and asset allocation strategies.
- Stone Harbor is a division of Virtus Fixed Income Advisers, LLC ("VFIA"), an SEC registered investment adviser.



Why we've appointed Stone Harbor

- Stone Harbor has one of the longest running track records in the EMD asset class.
- The Emerging Markets Explorer Strategy (Strategy) is a concentrated total return portfolio of high-conviction ideas from the emerging markets debt asset classes, including sovereign credit, corporate credit, local duration, and foreign currency.
- The Strategy is intended to capture the expected return from the high-conviction positions held among the various emerging market portfolios that Stone Harbor manages globally. The Strategy is driven by fundamental analysis and complemented by top-down macro views.
- Stone Harbor has managed portfolios for IOOF since 2019.

Communication plan

When	Who	What	Where
June	Advisers	This presentation outlining the changes	<ul style="list-style-type: none"> • Internal mlcamcomms email to BDMs • Included in Adviser Bulletin email to advisers • Published in adviser sections of mlc.com.au and mlcam.com.au (in 'Strategy updates' section)
Late July	Advisers	Investment update for financial advisers MLC's scenario insights & portfolio positioning MLC wholesale fixed income funds update	<ul style="list-style-type: none"> • Published on mlc.com.au (in Fund Commentaries, under Prices and Performance accessed from Adviser tab) and mlcam.com.au (under 'Latest quarterly reporting resources' in 'Adviser only' section)
Late July	Advisers and clients	Fund commentaries	<ul style="list-style-type: none"> • mlc.com.au/fundprofiletool • mlcam.com.au/MLCWholesale, select Fund Profile Tool