



Changes to MLC's Australian shares strategies for financial advisers

May 2024

This material is not for circulation to
retail investors

Important information



ASSET MANAGEMENT

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

MLC MultiActive Trusts:

MLC MultiActive Capital Stable
MLC MultiActive Conservative
MLC MultiActive Moderate
MLC MultiActive Balanced
MLC MultiActive Growth
MLC MultiActive High Growth
MLC MultiActive Geared

MLC MultiSeries Trusts:

MLC MultiSeries 30
MLC MultiSeries 50
MLC MultiSeries 70
MLC MultiSeries 90

MLC Investment Trusts:

MLC Wholesale Horizon 2 Income Portfolio
MLC Wholesale Horizon 3 Conservative Growth Portfolio
MLC Wholesale Horizon 4 Balanced Portfolio
MLC Wholesale Horizon 5 Growth Portfolio
MLC Wholesale Australian Share Fund

MLC Pre Select:

Conservative
Balanced
Growth
High Growth

Introduction

- The combining of our investment teams, philosophy and processes has created an opportunity to align and further enhance our investment strategies – as part of our continuing pursuit of high performance.
- We are pleased to announce that this has now been completed for Australian shares.
 - There is now alignment in the Australian shares strategies within MLC MultiActive*, MLC Wholesale and Pre-Select.
 - Enhancements have been made to the Australian shares strategy in MLC MultiSeries.
- This alignment and enhancement has already been applied to our fixed income and global shares strategies.

Australian shares: strategy change



- **Wholesale Australian Shares**
- **Wholesale Horizon 2-5**
- **MultiActive High Growth & Geared**
- **Pre-select**



Australian shares strategy: MLC MultiActive*, MLC Wholesale, Pre Select

What's changed and why?

What's changed?

We've made some changes to our Australian shares investment strategy

Appointed

- All Cap: Martin Currie, Quest Asset Partners.
- Mid Cap: OC Funds Management, Selector.
- Small Cap: OC Funds Management.
- Micro Cap: Acorn Capital, Boutique Manager Portfolio, OC Funds Management.

Retained:

- All Cap: Alphinity, Antares, Northcape

Removed:

- All Cap: Vinva.

Why?

- We are constantly looking to optimise managers within the Australian shares strategies on a risk and return basis
 - **The changes now align the manager structure in the active Australian shares strategies** across MLC MultiActive and MLC Wholesale.
 - Investors will now have access to mid, small and micro cap segments of the share market. These segments provide more excess return opportunities due to greater market inefficiencies.
 - The boutique manager portfolio provides investors with a unique exposure to a potential source of value add.
 - The strategy is expected to have a better balance of investment style.
- We have a long track record investing with the appointed investment managers via the MLC MultiActive funds (formerly known as IOOF MultiMix).
- There's no impact on fees as a result of these changes.

Australian shares strategy

New target manager allocations

Manager	Target	Market Cap	Style	Initial Investment*
Alphinity	19%	Large cap	Growth	2012
Antares	19%	Large cap	Core	2012
Martin Currie	15%	Large cap	Value	2013
Northcape	15%	Large cap	Quality	2005
OC Funds Management^	11%	Mid / Small / Micro	Quality	2012
Quest Asset Partners	10%	All cap	Quality	2019
Selector	5%	Mid cap	Quality	2013
Acorn Capital	3%	Micro cap	Quality	2016
Boutique Manager Portfolio	3%			
Total	100%			

Aligns with Australian shares in MLC MultiActive (previously IOOF MultiMix)

Changes to MLC's Australian shares strategies, for financial advisers. ^OC Funds Management: 7% Mid Cap, 3% Small Cap, 1% Micro Cap

* By MLC Asset Management.

Australian shares: strategy changes



- **MultiActive Australian Shares**
- **MultiActive Capital Stable, Conservative, Moderate, Balanced & Growth**

Australian shares strategy: MLC MultiActive*

What's changed and why?

What's changed?

We've made some changes to our Australian shares investment strategy

Appointed

- All Cap: Alphinity, Antares
- Mid Cap: OC Funds Management

Retained:

- All Cap: Martin Currie, Northcape, Quest Asset Partners
- Mid Cap: Selector
- Small Cap: OC Funds Management
- Micro Cap: Acorn Capital, Boutique Manager Portfolio, OC Funds Management

Removed:

- All Cap: AllianceBernstein, Invesco, Vinva

Why?

- We are constantly looking to optimise managers within the Australian shares strategies on a risk and return basis
 - **The changes now align the manager structure in the active Australian shares strategies** across MLC MultiActive and MLC Wholesale.
 - The strategy is expected to have a better balance of investment style.
 - The OC Funds Management midcap strategy will be managed with the same investment philosophy and quality investment style as the small cap strategy.
- We have a long track record investing with the newly appointed investment managers via the MLC Wholesale funds.
- There's no impact on fees as a result of these changes.

Australian shares strategy

New target manager allocations



Manager	Target	Market Cap	Style	Initial Investment*
Alphinity	19%	Large cap	Growth	2012
Antares	19%	Large cap	Core	2012
Martin Currie	15%	Large cap	Value	2013
Northcape	15%	Large cap	Quality	2005
OC Funds Management^	11%	Mid / Small / Micro	Quality	2012
Quest Asset Partners	10%	All cap	Quality	2019
Selector	5%	Mid cap	Quality	2013
Acorn Capital	3%	Micro cap	Quality	2016
Boutique Manager Portfolio	3%			
Total	100%			

Aligns with Australian shares in MLC Wholesale and Pre Select

Changes to MLC's Australian shares strategies, for financial advisers. ^OC Funds Management: 7% Mid Cap, 3% Small Cap, 1% Micro Cap

* By MLC Asset Management.

Australian shares: strategy changes



MLC MultiSeries

Australian shares strategy: MLC MultiSeries

What's changed and why?

What's changed?

We've made some changes to our Australian shares investment strategy

Appointed

- All Cap: Alphinity, Antares, Martin Currie
- Mid Cap: OC Funds Management

Retained:

- All Cap: Northcape, Northern Trust, Quest Asset Partners
- Small Cap: Acadian

Removed:

- All Cap: AllianceBernstein, Insignia Financial Quant Plus

Why?

- We are constantly looking to optimise managers within the Australian shares strategies on a risk and return basis
 - Changes in the All Cap component is expected to provide excess return consistency through time.
 - The All Cap changes are expected to complement the strong longer-term value potential from the new Mid Cap and existing Small Cap managers.
 - The strategy is managed to a style neutral manner, with stock specific risk being the dominant active risk driver.
- We have a long track record investing with the appointed investment managers via the MLC MultiActive and MLC Wholesale funds.
- There's no impact on fees as a result of these changes.

Australian shares strategy

New target manager allocations



Manager	Target	Manager focus	Initial Investment*
Northern Trust	18%	Large cap core / quant	2019
Antares	15%	Large cap core	2012
Martin Currie	15%	Large cap core / value	2013
Northcape	15%	Large cap / quality	2005
Alphinity	12%	Large cap core / growth	2012
Quest Asset Partners	10%	All cap / quality	2019
Acadian	10%	Small cap / quant	2015
OC Funds Management	5%	Mid cap / quality	2012
Total	100%		

Changes to MLC's Australian shares strategies, for financial advisers
 * By MLC Asset Management.



- **Why introduce Mid, Small and Micro Caps?**

Why introduce mid, small and micro caps into Australian shares?



ASSET MANAGEMENT

	Market Cap	Why?
Mid Caps	ASX 50-100 (\$2bn to \$4bn)	<ul style="list-style-type: none"> Generally successful companies with strong growth profiles, which can offer attractive diversification benefits to Australian share portfolios. The concentrated nature of Australia's share market, means that an investment in the broad-based index would provide about 49% exposure to just the top 10 companies.
Small Caps	ASX 100 to 300 (\$500m to \$2bn)	<ul style="list-style-type: none"> Many small cap companies tend to be under-researched and therefore have the potential to offer investors significant upside. In the Mercer survey of Australian Small Companies managers, the median manager over the 10 years to December 2023 outperformed the index by 4.1%pa.
Micro Caps	ASX 300+ (Less than \$500m)	<ul style="list-style-type: none"> Typically younger, faster growing, and more innovative. Provide exposure to different investment themes than large cap companies. Greater industry diversity and is less concentrated in Financial and Resources companies than large caps. In the Mercer survey of Australian Small Companies (Microcap) managers, the median manager over the 10 years to December 2023 outperformed the index by 7.5%pa.



- **Manager Profiles**

Profile of Alphinity Investment Management

About Alphinity



- Alphinity Investment Management (Alphinity) is an Australian and global shares manager based in Sydney, Australia.
- It was established in 2010 and is majority employee-owned.

Why we've appointed Alphinity

- Alphinity seeks to produce sustainable outperformance by identifying and investing in attractively valued, quality companies with underestimated forward earnings expectations that are entering an earnings upgrade cycle.
- We believe their competitive advantage comes from:
 - A well-defined investment process with a belief that earnings and earnings expectations drive share prices over time.
 - The ability to identify opportunities through a combination of deep fundamental analysis and objective quantitative signals. This can allow the team to build a portfolio that avoids traditional 'value' and 'growth' traps and can perform across investment regimes.
 - A focus on quality and valuation when determining allocation to companies in an earnings upgrade cycle.
- We are familiar with Alphinity as they were appointed by MLC Asset Management to manage Australian shares in 2012.

Profile of Antares Capital Partners

About Antares Equities



- Antares Capital Partners Limited (Antares Equities) is a specialist Australian shares manager based in Melbourne, Australia.
- It was established in 1994 as Portfolio Partners and became the Antares Equities team in 2012.
- It is a member of the Insignia Financial Group.

Why we've appointed Antares Equities

- MLC Asset Management appointed Antares Equities to our Australian shares strategies to balance the insights of our other managers and provide increased diversity of stock selection and managers' views, as well as the range of investments in these strategies.
- Antares Equities believes in bottom up stock-picking. A consistent process and detailed, quality research executed by a highly experienced, stable and diverse team underpin this approach.
- The investment philosophy is based on the belief that markets can misprice stocks and these opportunities can be identified using the proven, proprietary Antares research process.
- We are familiar with Antares Capital Partners as they are an existing manager in MLC Wholesale.

Profile of Martin Currie

About Martin Currie



- Martin Currie is a value biased manager with a very experienced team and a strong long-term record managing Australian shares.
- They are a Specialist Investment Manager within Franklin Templeton.
- The team is based in Melbourne.

Why we've appointed Martin Currie

- Martin Currie complement the growth bias in the All Cap and Mid Cap managers in the strategy.
- They have demonstrated the ability to manage a dynamic value strategy, that can move between a core and deeper value portfolio, depending on the investing environment which is driven by both bottom-up company micro factors as well as the macroeconomic environment.
- We are familiar with Martin Currie as they are already used in other MLC MultiActive and Managed Account strategies.

Profile of Quest Asset Partners

About Quest Asset Partners



- Quest Asset Partners have a quality bias with a long-term track record of outperformance.
- Stable and experienced investment team.
- Proven investment process.
- Quest is owned by the investment team.
- The team is based in Sydney.

Why we've appointed Quest Asset Partners

- Quest Asset Partners with a quality bias and mid-cap tilt are complementary to Alphinity and Antares.
- We are familiar with Quest Asset Partners as they are an existing manager in MLC MultiActive funds.

Profile of Acorn Capital

About Acorn Capital



- Established in 1998.
- Acorn Capital Ltd is a specialist Australian microcap emerging companies manager focused on ASX listed and unlisted securities.
- Owned by its management and Australian Unity.
- The team is based in Melbourne.

Why we've appointed Acorn Capital

- The allocation to Acorn Capital's Emerging Growth Strategy provides access to attractive investments across all industries and in developing or early/expansion situations, outside the top 250 companies on the ASX.
- A product of Acorn Capital's investment process is that it is continually seeking those companies that will outperform their industry sectors. As a result of the investment process, the portfolio will tend to have exposure to thematic areas that are not as prevalent in larger capitalisation securities.
- Acorn Capital also invests in unlisted securities, providing access to some of Australia's most innovative companies.
- We are familiar with Acorn Capital as they are an existing manager in MLC MultiActive funds.

Profile of OC Funds Management

About OC Funds Management



- Established in 2000.
- Led by Rob Frost, Head of Investments, OC Funds Management comprises six seasoned investors and combines over 80 years of investment management experience.
- The team is based in Melbourne.

Why we've appointed OC Funds Management

- The OC Funds Management investment philosophy incorporates a strong focus on risk management as part of a disciplined and sustainable investment process.
- The process involves generally screening for unprofitable and cashflow negative businesses, complex and opaque business models, single commodity stocks, and inaccessible and untrustworthy management.
- We are familiar with OC Funds Management as they are an existing manager in MLC MultiActive funds.

Profile of Selector

About Selector



- Established in 2002.
- Founders and Portfolio Managers Tony Scenna and Corey Vincent are major shareholders of Selector Funds Management Limited (Selector).
- The team is based in Sydney.

Why we've appointed Selector

- Selector who have a midcap quality growth bias will complement the OC Funds Management midcap strategy.
- Selector seek businesses with leadership qualities, run by competent management teams, underpinned by strong balance sheets and with a focus on capital management.
- We are familiar with Selector as they have been a manager in MLC MultiActive funds since 2013.

Communication plan

When	Who	What	Where
May 2024	Advisers	This presentation outlining the changes	<ul style="list-style-type: none"> • Included in Adviser Bulletin email to advisers • Published in adviser sections of mlc.com.au and mlcam.com.au (in 'Strategy updates' section)
July 2024	Advisers and clients	Fund commentaries	<ul style="list-style-type: none"> • mlc.com.au/fundprofiletool • mlcam.com.au select Fund Profile Tool
July 2024	Advisers	Investment update for financial advisers MLC's insights & portfolio positioning	<ul style="list-style-type: none"> • Published on mlc.com.au (in Fund Commentaries, under Prices and Performance > Latest reporting resources accessed from Adviser tab) • Published on mlcam.com.au (under 'Latest reporting resources' accessed from Our investment managers > MLC > Resources > Adviser only section)