ASSET MANAGEMENT

# MLC Wholesale Horizon 1 - Bond Portfolio

Investment report | 31 May 2026

**Investment objective –** The portfolio aims to outperform its benchmark, after fees, over 2 year periods. The return is also expected to be higher than cash investments. At the same time, the portfolio aims to preserve your investment over 1 year periods.

**Benchmark –** Composite

## Performance as at 31 May 2026

| | 1m % | 3 m % | 1 yr % | 3 yrs % pa | 5 yrs % pa | 7 yrs % pa | 10 yrs % pa | Inception % pa |
|---|---|---|---|---|---|---|---|---|
| Income[1] | 0.00 | 0.75 | 3.82 | 4.59 | 3.78 | 3.14 | 2.98 | 3.49 |
| Growth | 0.64 | 0.05 | 0.99 | 1.37 | -0.40 | -0.39 | -0.37 | -0.02 |
| **Total Net[2]** | **0.64** | **0.80** | **4.80** | **5.96** | **3.38** | **2.76** | **2.60** | **3.47** |
| Total Gross | 0.77 | 0.95 | 5.10 | 6.39 | 3.82 | 3.24 | 3.11 | 4.13 |
| Benchmark[3] | 0.93 | 0.32 | 3.64 | 4.73 | 2.79 | 2.34 | 2.31 | 3.67 |

Inception date
December 2005

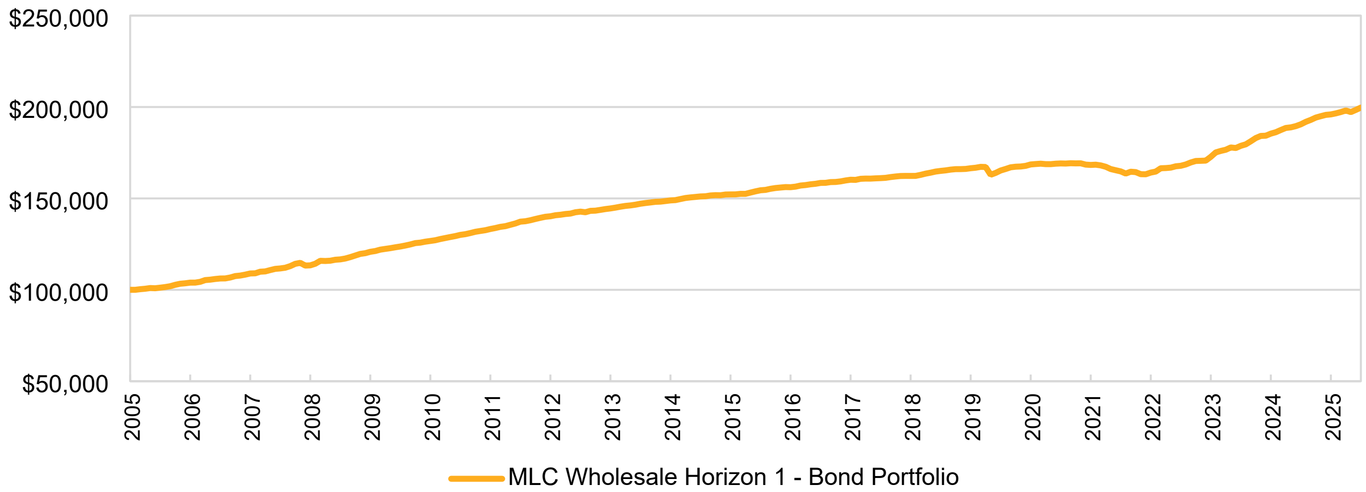
APIR
MLC0669AU

Risk/return
High

Distribution
Quarterly

Estimated ICR
0.50%

## Value of $100,000 invested since October 2016




*Past performance is not a reliable indicator of future performance. The portfolio's performance objective changed from gross of fees to net of fees from December 2023.*
*[1]Income includes, but is not limited to, dividends, interest, realised capital gains that has been distributed to investors in the portfolio. [2]Net returns assumes reinvestment of all distributions and is calculated after deducting management fees and costs, performance fees and transaction costs. [3]The benchmark is a combination of market indices, weighted according to the portfolio's benchmark asset allocation.*

## Market overview

Global markets were shaped by elevated geopolitical uncertainty in May, particularly around the US-Iran negotiations. Risk sentiment weakened early in the month as tensions drove oil prices higher, before improving into month end on growing expectations of a diplomatic resolution, supporting bond market performance.

Global government bond markets generally rallied as oil prices declined, and inflation concerns eased. However, performance diverged with US Treasury yields rising, amid firmer inflation data and more restrictive Federal Reserve messaging, while other developed market bonds posted gains.

In contrast, Australian bond markets rallied as expectations for further policy tightening were scaled back. Following three consecutive rate increases, financial conditions have tightened and recent data, including moderating inflation and a softer labour market, contributed to a decline in short-term bond yields, reflecting eased expectations for further interest rate hikes.

The Reserve Bank of Australia (RBA) increased the cash rate by 25bps to 4.35%, returning policy to its previous peak. While the move was described as precautionary, forward guidance shifted toward a more cautious and data-dependent stance amid rising downside risks to growth.

Credit markets remained relatively resilient despite the volatility in rates. Australian spreads were broadly stable, while US and European spreads tightened over the month. However, valuations remain historically tight and combined with rising default rates and ongoing geopolitical risks, this underpins a more cautious outlook for credit sectors.

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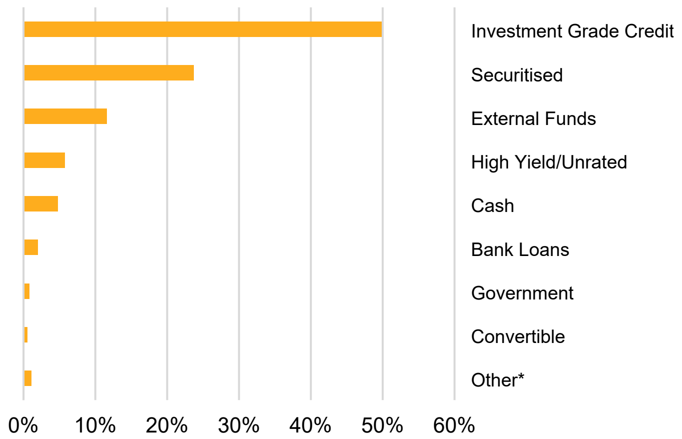
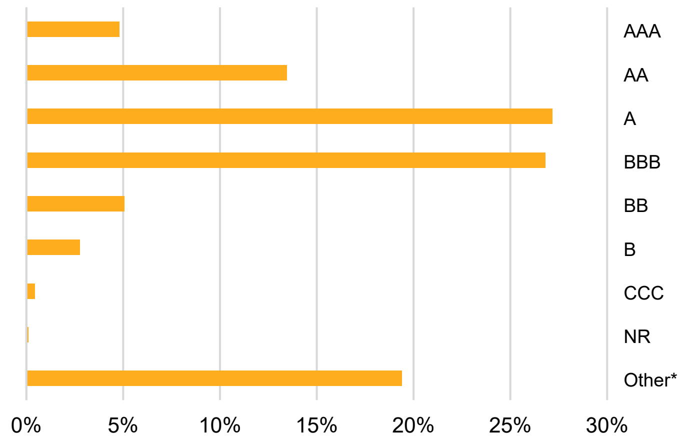
### Current sector allocation




### Current rating allocation




**Other can include unclassified holdings, derivatives/overlays, foreign exchange positions, small holdings and operational cash balances.*

## Quarter highlights - Quarter ending 31 March 2026

- The portfolio delivered a return of 0.4% for the quarter and 4.4% in the year to 31 March 2026 (after fees). There was an encouraging outperformance of 0.3% for the past quarter and 1% for the year.
- Recent high Australian inflation results have seen bond markets push yields higher and the Reserve Bank of Australia (RBA) raised the cash interest rate in both February and March 2026.
- Global bonds also delivered a negative quarterly return. The Iran War that began on 28 February 2026 has caused large increases in global oil prices. This has generated concerns over inflation risks and the potential that major central banks may consider raising interest rates this year.
- Credit markets have proven more resilient with the continued strong appetite for absolute yields.

Note: Returns for the asset classes above are before fees and tax.

## Manager weightings

| Manager | Manager style | % |
|---|---|---|
| **Australian fixed interest** | | **47.03** |
| Janus Henderson Australia | Active Australian fixed interest | 24.63 |
| Antares Fixed Income | Short duration investment grade Australian credit | 11.95 |
| Metrics Credit Partners | Australian corporate loans and Australian senior secured corporate and real estate debt | 10.45 |
| **Global fixed interest** | | **41.24** |
| Western Asset Management Company | Global high-grade multi-asset credit | 16.23 |
| TCW Asset Management Company, LLC | Global Securitised Debt | 14.37 |
| Wellington Management Australia Pty Ltd | Short duration investment grade credit | 3.54 |
| Shenkman Capital Management, Inc | Global bank loans | 2.18 |
| Oaktree Capital Management, LP | Global high yield bonds and loans | 1.91 |
| Barings, LLC | Global high yield bonds, loans and NCLOs | 1.45 |
| Bentham Asset Management Pty Ltd | Syndicated loans | 0.80 |
| Stone Harbor Investment Partners, LP | Emerging markets debt | 0.76 |
| **Cash and short-term securities** | | **11.73** |
| Cash | Short-term money market securities | 11.73 |

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## Research house ratings

[1]

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