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MLC's insights & portfolio positioning

April 2025

MLC Asset Management
Investment Team

MLC's wholesale investment portfolios
MLC MultiActive, MLC MultiSeries, MLC Horizon, MLC Real Return and MLC Index Plus

MLC's Managed Account Strategies
MLC Premium and Value model portfolios

Important information

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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 30
MLC MultiSeries 50
MLC MultiSeries 70
MLC MultiSeries 90
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 Inflation Plus Conservative Portfolio
MLC Real Return Moderate
MLC Real Return Assertive
MLC Index Plus Conservative
MLC Index Plus Balanced
MLC Index Plus Growth
MLC Premium Conservative 30 Model Portfolio
MLC Premium Moderate 50 Model Portfolio
MLC Premium Balanced 70 Model Portfolio
MLC Premium Growth 85 Model Portfolio
MLC Premium High Growth 98 Model Portfolio
MLC Value Conservative 30 Model Portfolio
MLC Value Moderate 50 Model Portfolio
MLC Value Balanced 70 Model Portfolio
MLC Value Growth 85 Model Portfolio
MLC Value High Growth 98 Model Portfolio

Contents

Update for the quarter ending 31 March 2025.

Quarterly insights

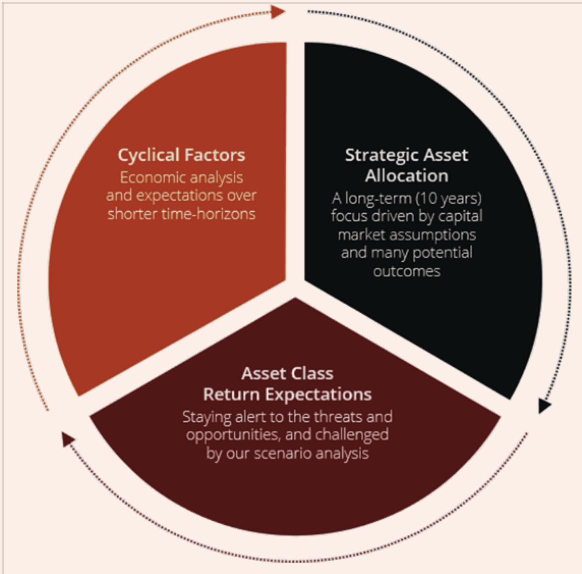
Highlights

- Global share prices, including Australia, declined during the March 2025 quarter. Concerns over US President Donald Trump's tariff proposals generated large declines across most global share markets.
- US share prices were in a tailspin with President Trump intensifying the tariff war. President Trump proposed a 25% tariff on automobile imports and threatened the imposition of "reciprocal tariffs" on those countries that impose any taxes that challenge US exports. More tariff proposals were expected from the US President on 2 April 2025. Investors perceived the current tariff proposals as a threat to global trade relationships as well as raising prices for American consumers. US consumers have begun to respond with rising inflation expectations and a slowdown in spending this year.
- Australia's economic data remains modest. There was positive news with the monthly inflation indicator showing annual inflation declining to 2.4% in February. Consumer sentiment in March also posted an encouraging rise in response to milder inflation and the Reserve Bank of Australia (RBA) cutting interest rates in February. However, the previous strength in the labour market appears to be fading with February recording a sharp decline in jobs. Notably the business surveys also suggest subdued confidence given the 'global tariff war' and caution over Australia's prospects with a federal election on 3 May.
- Risks to the cyclical outlook are balanced and we retain a neutral position to most risk assets. Neutral risk allocations remain appropriate as risk assets still contain positive return potential despite the deteriorating economic outlook. Risk asset prices are not sufficiently attractive to warrant aggressive overweights as the downside outcomes remain elevated and material. However, what does remain certain is the wealth created from disciplined asset allocation over a long-term investment horizon.

MLC Asset Management's active investment approach

Long-term returns matter, but we remain agile to adjust for emerging threats.

Our asset allocation process gives life to our investment beliefs.



More information about our investment philosophy is available on our **website** and in Appendix 2.

Key economic events driving markets over the March 2025 quarter

Global investment markets

Global shares (unhedged) posted a disappointing -2% return over the March quarter. The previous optimism over Artificial Intelligence (AI) and President Trump's agenda for lower taxes and less regulation peaked in February. March provided a sharp 'wake-up call' with the realisation that the US President is threatening a 'global trade war'.

Wall Street's benchmark S&P 500 Index briefly made historic highs during the quarter but these gains were fully reversed by tariff concerns and the potential for higher consumer inflation. Technology shares which had been a key tailwind behind Wall Street's ascent for the past two years suffered sharp falls. The NASADAQ 100 which is heavily weighted to technology declined by -10.3% over the past three months.

European shares surprised by making very strong returns of 7.2% (EuroSTOXX 50) with the benefit of the European Central Bank cutting interest rates and Germany announcing major stimulus measures to revive their economy.

Asian share markets delivered mixed performances. Chinese shares delivered a very strong return over the past three months with more supportive financial measures from the government. However, Japanese share markets have declined with the central bank still signalling the need to raise interest rates to limit inflation.

Global bonds (hedged) delivered a modest 1.1% quarterly return. While lower interest rate settings in Europe are positives, investors have taken a more cautious outlook on inflation prospects given that tariffs initially raise consumer prices. Australian bonds delivered a solid 1.3% return given that recent lower inflation results allowed the RBA to cut interest rates in February 2025.

Australia's investment market

Australian shares initially made strong gains and historic highs until the middle of February but then hit reverse gear. Australian shares delivered a disappointing return of -2.9% over the past three months. The Information Technology sector was a key negative contributor with a -18.2% return. There were notable declines in property securities as a subdued Australian economy weighed on investor confidence. There were also sharp falls in the Health Care and Financial sectors.

Australia's economy is experiencing mild economic activity but is seeing lower inflation. The negative impact of high consumer prices and mortgage interest rates as well as rising rents continues to squeeze budgets. Yet there has been some more encouraging news on inflation and interest rates. Australia's annual inflation rate declined to 2.4% in February according to the Australian Bureau of Statistics monthly indicator. This moderation in price rises reflects the benefit of government electricity rebates and lower automotive fuel costs. Given modest Australian economic activity and milder inflation results, the RBA cut interest rates in February 2025.

Global prospects

Global share prices have made very strong gains in the past two years of 2023 and 2024. The enthusiasm for AI and technology have been the key factors supporting global rising share prices. There was also the benefit that with global inflation gradually falling, central banks could continue to make further cuts to interest rates. Typically, a lower interest rate environment should be more supportive of corporate profits and thereby share prices in the long run.

However, global share markets are now being challenged by considerable global political risks. The return of Donald Trump to the White House has generated alarm over the imposition of large tariffs for America's key trading partners as well as smaller players like Australia. Also concerning is the way President Trump is communicating these decisions. There has been an 'on again - off again' sequence of tariff announcements with President Trump as part of his negotiating tactics. Clearly President Trump's aggressive policy agenda - higher tariffs that impose more difficult trading conditions for the global economy, lower US immigration and population growth with "mass deportations," more restrictive US fiscal policy with cuts to government jobs and spending, as well as less regulation - is not a recipe for stability. The continuing Russian-Ukraine war and conflict in the Middle East also provides a troubling environment.

Given these complex and significant risks, investors should maintain a disciplined and diversified strategy.

Cyclical factors influencing our asset allocation process

Global financial markets have briefly become chaotic this year with investors alarmed about the consequences of President Trump's tariff increases. **Global share prices** have fallen sharply from their highs in mid-February to their lows in early April, credit spreads have widened and sovereign bond yields have gyrated. Financial markets are worried about the negative impact of higher tariffs on global economic activity and corporate profits as well as the potential spike in inflationary pressures. The large rise in US tariffs will both directly and indirectly hit economic activity. The direct impact is that a tariff is a tax on consumption and labour. This will hit demand, reduce consumer spending and lower corporate profit margins. The indirect impact of rising tariffs comes through lower business and consumer sentiment via a tightening in financial conditions. This leads to lower business investment and housing construction as many put on hold their long-term plans.

Clearly the **US economy** has moved from a strong expansion last year to a slowdown in 2025. The large tariff impost has already seen sharp falls in US consumer sentiment and tighter financial conditions for business and consumers. The risk of US recession is now very elevated. If President Trump were to implement effective tariff rates as announced on 2 April for an extended period, the US economy would likely tip into a mild recession.

Whether the current US economic slowdown transforms into a recession will depend on President Trump's pain point, whether trading partners respond with higher tariffs and how rapidly the US central bank responds. The White House announcement of a '90 day pause' on tariffs for the rest of the world on 9 April suggest that a pain point may have been reached. Yet the US central bank appears unlikely to come to the immediate rescue as soon as the market hopes. The policy binds of higher inflation but weakening growth, ie 'stagflation-lite', suggest the US central bank ('Fed' henceforth) needs to see much weaker employment before lowering interest rates. The Fed will cut US interest rates when US employment cracks and come to the view that higher inflation with tariffs is only 'transitory'. For other central banks, the inflation impact is lower than the US, but the economic growth hit could be higher. Therefore, other central banks such as the RBA are likely to cut interest rates earlier than the US.

Global growth should also surprise to the downside in 2025, but whether this is a 'global recession' is hard to ascertain in an environment of rapidly changing tariff policy. Our current view is that the risk of a severe global recession typified by deleveraging remains low given that corporate and household balance sheets are strong. Yet we still need to be vigilant given the risks of contagion and spill-over across the world.

The recent trend towards lower **inflation** is over. US inflation should spike higher in 2025 due to the delayed impact of last year's strong US economic growth performance as well as higher tariffs. Much of this should be considered temporary as softening consumer demand will progressively provide some offset to tariff induced price increases. Essentially, the business sector may not be able to fully pass on all input price increases from tariffs to an already fragile consumer base. In this environment, higher input costs are more likely to show up as margin contraction. For other regions beyond the US, inflation will spike by less as weaker economic activity outweighs price pressures. There is some risk of higher inflation expectations becoming embedded in the psyche of consumers, which would result in a more sustained period of elevated inflation. This is not the central case but needs to be actively monitored given how fluid the current economic and political situation is.

Risks to the cyclical outlook appear balanced. An earlier than expected policy pivot towards lower interest rates by central banks or President Trump reversing the tariff announcements would provide stability for financial markets and the global economy. This could see a rapid recovery in global confidence and financial markets. Moreover, the potential for continued exuberance in Artificial Intelligence (AI) could continue to drive share markets higher even as economies slow down.

Conversely, further financial market disorder would raise the odds of financial contagion and banking issues emerging. This would also raise the risk of a balance sheet recession where business and consumer feel compelled to sharply lower their spending and borrowings. Other risks centre around the potential for a true stagflationary spiral of rapidly rising inflation and unemployment (like the 1970s) and geopolitical brinkmanship from China and the US.

What could cause a deviation from the most likely path?

The above stated central case represents the most obvious near term future, however the inherent complexity of markets makes it difficult to predict a path with any consistency. Because the potential for deviation from the most likely path will always exist, investment consequences of less-obvious futures must also be considered and understood, as illustrated in the following examples.

Global events over the year argue for investor humility, however decisions still need to be made and therefore require a sound framework for managing the risks and uncertainty that can often be forgotten, underestimated or perhaps simply unknowable. Our forward-looking scenarios based investment approach continues to guide the positioning of our portfolios by ensuring investment decisions embed the uncomfortable reality that the future is uncertain, sometimes more than it may conveniently seem.

Considering different scenarios is a valuable tool in mapping uncertainty. Below are two overarching tariff related scenarios that highlight the wide range of potential futures and investment outcomes investors currently face.

Tariffs revert but damage has been done...

The postponed tariffs threatened by the US on its trading partners (ex-China) has triggered a flurry of trade negotiations that usually take years to initiate and conclude through normal diplomatic channels. Despite not actually having been implemented, the elevation of risks associated with the new US trade objectives has accelerated global supply chain uncertainty. Corporates have been forced to acknowledge the fragility and narrow reliance associated with their sourcing of goods from offshore, driving a search for more secure sources, most likely at a higher price if at all. This reaction has already occurred and will influence global trade decisions regardless where negotiations ultimately land. The escalation of China and US tariffs are currently disrupting trade and will weigh on growth. In the scenario the entire tariff episode results in nothing more than a disruptive exercise in trade policy bluster, the dent put in trade confidence will endure, driving supply chain re-tooling, weighing on profits and capital management decisions tasked with deploying capex for new projects. The experience may well avoid a global recession, but would trigger lower confidence in corporate profit expectations and be reflected in higher equity risk premiums, sending share prices lower.

Full throttle protectionism...

While the risk is remote, it remains plausible that the current trade dispute remains a partial embargo of trade between China and the US, the world's two largest economies. Both sides believe they have a rationale to resist taking pragmatic steps to reach a compromise and both seem willing to suffer an economic cost in the short-term to achieve a longer-term objective. If this remains the case, then the global economy is at risk of experiencing a full-blown bout of protectionism, provoking a drop in productivity, stoking stagflation and driving up the risk premium of most mainstream asset classes, including the 'risk-free' assets that underpin diversification in a standard diversified portfolio.

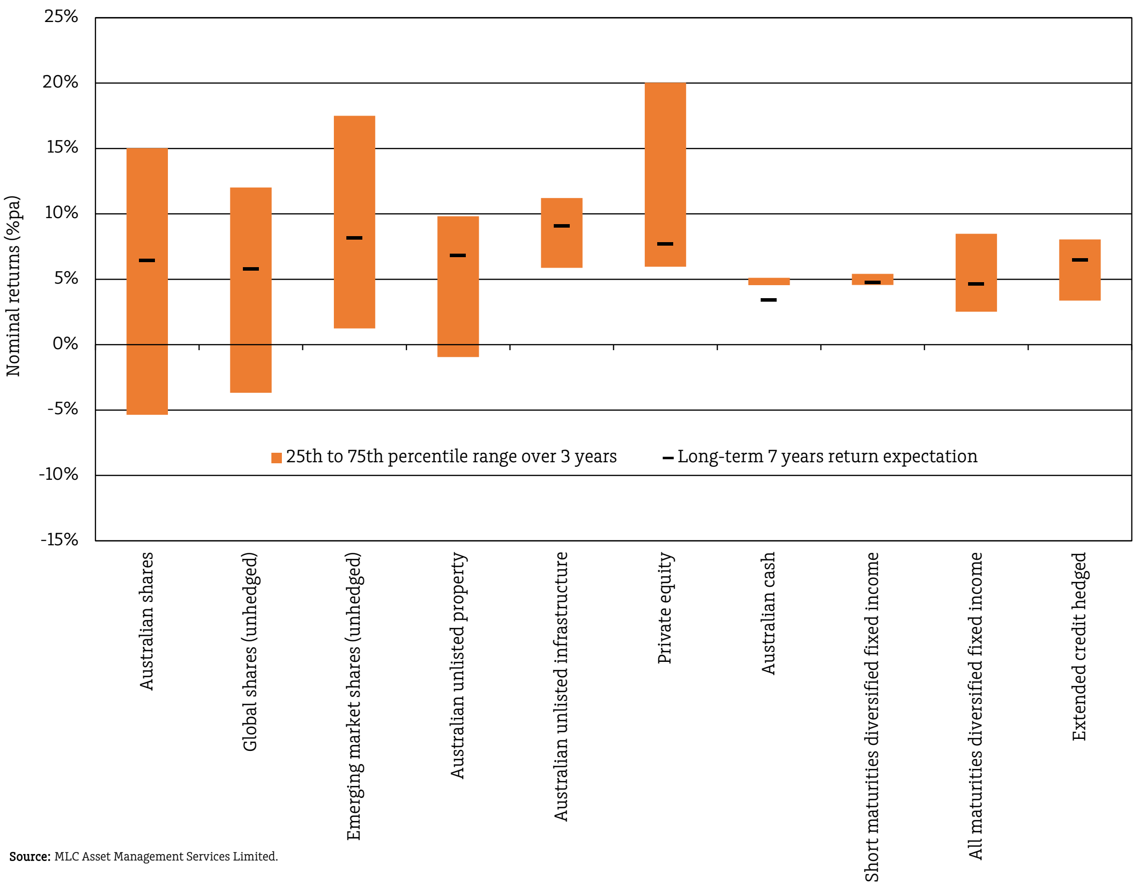
Central banks were nearing victory in the long battle with COVID-borne inflation, but are now faced with growth concerns that seemed unrealistic at the turn of the year due to the US injecting trade policy uncertainty into all its trading partners. The impact of weaker global trade has increased inflationary fears due to scarcity concerns of what were recently considered abundant goods. Neutral risk allocations remain appropriate as risk assets still contain positive return potential despite the deteriorating economic outlook. Risk asset prices are not sufficiently attractive to warrant aggressive overweights as the downside outcomes remain elevated and material.

However what does remain certain is the wealth created from disciplined asset allocation over a long-term investment horizon.

Asset class return expectations

Longer period return expectations for key asset classes are shown in Chart 1, along with shorter term return uncertainty attributable to the current environment and the possible futures that could eventuate.

Chart 1: Nominal returns for the key asset classes (March 2025)



Source: MLC Asset Management Services Limited.

Notes: The nominal returns for each asset class are shown above. Black horizontal bars represent 7 year long-term return expectations. Orange vertical bars represent the 25th to 75th probability percentile range for each asset class over 3 years. All returns are nominal, pre-tax and pre-fees. Portfolios with wider ranges could have more extreme return outcomes than those with narrow ranges.

The below insights into the attractiveness of key assets classes, reflect our consideration of the cyclical outlook and alternative scenarios:

Shares	Shares continue to present as an asset class with both upside and downside risks. These risks appear more acute given the recent sell-off in global markets. Share valuations are becoming cheaper, but not yet at outright attractive levels. Overly euphoric positioning and sentiment seen after President Trump's election in November 2024 have made way to fear and diminished risk taking. Despite this, the market is not yet showing signs of full capitulation typically witnessed at share market lows. US economic policy decision making also remains in considerable flux. Whilst President Trump has eased back on the tariff announcements by calling for a '90 day pause' on 9 April, it is too soon to suggest a clear lowering of tariffs. The Fed also confront a 'stagflationary-lite bind' of downside risks to economic growth but upside risks to inflation. This suggests caution by the Fed to immediately lower interest rates. Yet the Fed will need to do so as by their own measures, US interest rates are still restrictive and serve to slow the US economy. Given lower interest rates are also needed for US share markets to stabilise, some caution is still warranted on US shares. Finally, the fundamentals have materially softened even though resilient balance sheets provide some cushion. Extreme volatility will continue in this highly uncertain policy environment. Our framework suggests an attractive entry point for a more positive share market view is approaching, particularly as we entered this period with timely neutral positioning. However, we wait for further valuation and positioning support alongside a clearer turn in the policy cycle to add share risk.
Fixed income	Global sovereign yields are caught between expectations for higher near-term inflation pressure and a rapidly deteriorating growth environment. Real bond yields have fallen materially but break-evens inflation have not. However, whilst the inflation shock will be temporary, the economic growth impact will continue to mount until the Fed acts. The risk to global sovereign yields is now to the downside as the Fed is likely to cut interest rates from still restrictive levels as weaker employment begins to outweigh inflation concerns. Valuations, fundamentals, policy, and market dynamics are aligning to suggest a modest overweight to fixed income is prudent in this macro and policy environment.
Credit	We downgraded the view of credit last quarter expecting a period of credit and share market weakness in 2025. Given spread widening over the quarter, credit is looking more attractive than it was previously on a valuation basis. The long-term view of credit remains robust as strong corporate balance sheets and higher quality fundamentals imply resilient returns even amidst macro weakness. However as per our share market view, credit is not yet clearly attractive enough across policy and market dynamics to consider adding to our current credit exposure.
Currency	As the Australian dollar (AUD) weakened towards 60c as President Trump escalated tariffs, we downgraded the AUD view from modest underweight to neutral and took the opportunity to capitalise. This was based on better valuation support at these levels, a turn in relative fundamentals and policy between Australia and the US, a potentially improving backdrop out of China, and an investor base that had capitulated on AUD positioning. Furthermore, the US dollar cycle has peaked. As per the equity and credit view, the opportunity to increase AUD exposure is building, but we wait for clearer catalysts to align.

Our cyclical outlook is cautious and we retain a neutral position to most risk assets. Our view of asset class attractiveness is summarised below.

Asset class	Attractiveness -				+	Comments
Australian shares			Current			• We have a neutral view on growth assets. • Australian and global shares are neutral acknowledging softening fundamentals and a cautious outlook against improving valuations. • Unlisted infrastructure continues to offer attractive yields, but unlisted property is a modest underweight due to weak valuations. • Credit remains a modest overweight given the high all-in yields, resilient fundamentals, and strong balance sheets. • We prefer fixed income (all maturity) to cash in an environment where growth is slowing and the potential for central bank interest rate rises increases.
Global shares			Current			
Emerging market shares			Current			
Foreign currency			Current	Previous quarter		
Private equity			Current			
Unlisted infrastructure				Current		
Unlisted property		Current				
Credit				Current		
Fixed income (all maturity)		Previous quarter		Current		
Fixed income (short maturity)				Current		
Cash		Current				

Current   Previous quarter

MLC MultiActive

The main positions of the funds at the end of the March 2025 quarter were:

- Australian and global shares have drifted underweight with the recent sell-off. An underweight to the US has helped recent performance vs benchmark and we have been using cashflows to add to shares opportunistically.
- Underweight position to unlisted property. Whilst unlisted property provides a relatively stable income yield, some inflation protection and the potential for capital growth, the shorter-term return outlook for some sectors is below long-term averages.
- The overweight to fixed income includes an overweight to credit via short maturities and private debt. A modest overweight to credit remains one of our highest conviction positions. Given the stage of the cycle, we prefer higher quality and shorter duration credit.

MLC MultiActive are our flagship active, fully diversified multi-manager portfolios with defined asset allocations for differing risk profiles. These portfolios may suit clients who value higher active management to enhance returns and manage volatility.

- Duration positioning within fixed income has increased to provide additional protection to the portfolio.
- Underweight position to cash and all maturities to fund the fixed income overweights.

Here is a summary of the positioning of MLC MultiActive Balanced. Refer to Appendix 1 for performance to 31 March 2025.

Asset allocation	Actual (%)	Strategic asset allocation (%)	Difference (%)
Australian shares	**24.1**	**25**	**-0.9**
Global shares	**28.8**	**29**	**-0.2**
Global shares (unhedged)	16.9	17	-0.1
Global shares (hedged)	11.9	12	-0.1
Property	**5.6**	**7**	**-1.4**
Unlisted property	2.9	4	-1.1
Listed property	2.7	3	-0.3
Infrastructure	**4**	**4**	**-**
Listed infrastructure	1.9	2	-0.1
Unlisted infrastructure	2.1	2	0.1
Alternatives	**8.6**	**8**	**0.6**
Private equity	8.6	8	0.6
Fixed income	**25.7**	**21**	**4.7**
All maturities	11.7	13	-1.3
Short maturities	2.7	-	2.7
Australian inflation-linked bonds	1.0	-	1.0
High yield bonds and loans	2.5	2	0.5
Private debt	2.8	1	1.8
MLC opportunistic capital solutions	2.8	3	-0.2
Insurance-related investments	2.2	2	0.2
Cash	**3.2**	**6**	**-2.8**

MLC MultiSeries

Flag Asset Management Pty Ltd was appointed as a global shares manager. We believe this manager will improve the risk-adjusted returns for investors in these portfolios. More details are available at **Investment Central.**

The main positions of the funds at the end of the March 2025 quarter were:

- Australian and global shares have drifted underweight with the recent sell-off. An underweight to the US has helped recent performance vs benchmark and we have been using cashflows to add to shares opportunistically.
- Underweight position to unlisted property given the shorter-term return outlook for some sectors is below long-term averages.
- The overweight to fixed income includes an overweight to credit via short maturities. A modest overweight to credit remains one of our highest conviction positions.
- Duration positioning within fixed income has increased to provide additional protection to the portfolio.

MLC MultiSeries are diversified multi-manager portfolios with predominantly active exposures at an attractive price point with defined asset allocations for differing risk profiles. These portfolios may suit clients who value low-cost and active management. These investment strategies are predominantly active and blend factor-based and passive investment strategies.

- Allocations to private debt continue to be a strong contributor to the portfolio. The private debt portfolio is predominately Australian and provides a strong volatility dampener to the portfolio.
- The recently introduced exposure to insurance-related investments benefits the portfolio in the current environment. It provides an attractive source of diversification with performance not related to share markets.

Here is a summary of the positioning of MLC MultiSeries 70. Refer to Appendix 1 for performance to 31 March 2025.

Asset allocation	Actual (%)	Strategic asset allocation (%)	Difference (%)
Australian shares	**23.3**	**24**	**-0.7**
Global shares	**29.4**	**30**	**-0.6**
Global shares (unhedged)	19.1	19.5	-0.4
Global shares (hedged)	10.3	10.5	-0.2
Property	**8.1**	**10**	**-1.9**
Unlisted property	4.2	6	-1.8
Listed property	3.9	4	-0.1
Infrastructure	**1.2**	**1**	**0.2**
Listed infrastructure	1.2	1	0.2
Alternatives	**4.9**	**5**	**-0.1**
Fixed income	**28.7**	**26**	**2.7**
All maturities	16.2	16	0.2
Short maturities	2.3	-	2.3
Private debt	8.2	8	0.2
Insurance-related investments	2.0	2	-
Cash	**4.5**	**4**	**0.5**

MLC Horizon 2 - 5

The main positions of the funds at the end of the March 2025 quarter were:

- Australian and global shares have drifted underweight with the recent sell-off. An underweight to the US has helped recent performance vs benchmark and we have been using cashflows to add to shares opportunistically.
- Underweight position to unlisted property. Whilst unlisted property provides a relatively stable income yield, some inflation protection and the potential for capital growth, the shorter-term return outlook for some sectors is below long-term averages.
- Overweight position to alternatives. The real return strategy and derivatives provide the portfolio with more liquid sources of real asset like exposures to offset the underweight to property.

MLC Horizon are active, fully diversified multi-manager portfolios. We continue to actively manage and support the Horizon 2 – 5 suite in line with the MLC MultiActive range.

- The overweight to fixed income includes an overweight to credit via short maturities and private debt. A modest overweight to credit remains one of our highest conviction positions. Given the stage of the cycle, we prefer higher quality and shorter duration credit.
- Duration positioning within fixed income has increased to provide additional protection to the portfolio.
- Underweight position to cash and all maturities to fund the fixed income overweights.

Here is a summary of the positioning of the MLC Horizon 4 Balanced Portfolio. Refer to Appendix 1 for performance to 31 March 2025.

Asset allocation	Actual (%)	Strategic asset allocation (%)	Difference (%)
Australian shares	**24.1**	**25**	**-0.9**
Global shares	**28**	**29**	**-1**
Global shares (unhedged)	16.5	17	-0.5
Global shares (hedged)	11.5	12	-0.5
Property	**5.8**	**7**	**-1.2**
Unlisted property	3.1	4	-0.9
Global listed property	2.7	3	-0.3
Infrastructure	**3.5**	**4**	**-0.5**
Unlisted infrastructure	1.7	2	-0.3
Listed infrastructure	1.8	2	-0.2
Alternatives	**10.1**	**8**	**2.1**
Private equity	5.2	5	0.2
Real return strategy	3.5	3	0.5
Derivatives	1.4	-	1.4
Fixed income	**25.7**	**21**	**4.7**
All maturities	10.5	13	-2.5
Short maturities	3	-	3
Australian inflation-linked bonds	0.9	-	0.9
High yield bonds and loans	2.2	2	0.2
Private debt	2.3	1	1.3
MLC opportunistic capital solutions	4.6	3	1.6
Insurance-related investments	2.2	2	0.2
Cash	**2.7**	**6**	**-3.3**

MLC Real Return

The main positions of the funds at the end of the March 2025 quarter were:

- A relatively high level of diversified market exposure spread across traditional shares and fixed income assets. These exposures are supplemented by alternative sources of return such as private equity, MLC opportunistic capital solutions and insurance-related investments. We also maintain cost conscious hedging that should offset losses in the event that diversification fails.
- We have a defensive orientation to both the Australian and global share exposures. The strategies are invested in what we believe are higher quality companies protected with a level of additional risk control by hedging part of the strategy against large losses. Our focus on quality and the hedging overlay reduces the risk of large negative returns in falling markets at the expense of participating in speculative markets.
- Inflation-linked bonds provide important inflation protection, reducing the portfolios' exposure to inflationary risks and protecting against expectations of lower economic growth.

MLC Real Return are diversified multi-manager portfolios with flexible asset allocations which are different to traditional funds with defined asset allocations. These portfolios may suit clients who value a focus on real returns while limiting the possibility of negative returns.

- Within our derivatives and currency strategies we hold an exposure to Australian nominal government bonds to add additional duration. With yields elevated compared to the recent past, bonds once again provide diversification against growth risk. The derivatives strategy also holds an exposure to emerging markets.
- Combined, these exposures position the portfolios favourably against their risk and return objectives.

Here is a summary of the positioning of MLC Real Return Assertive. Refer to Appendix 1 for performance to 31 March 2025.

Actual asset allocation	31 March 2025 (%)	31 December 2024 (%)	Asset class ranges (%)
Defensive Australian shares	**17.9**	**18.3**	**0 to 40**
Global shares	**31.3**	**32.1**	**10 to 80**
Property	**-**	**-**	**0 to 20**
Infrastructure	**2.2**	**2.1**	**0 to 20**
Listed infrastructure	2.2	2.1	
Alternatives	**16.8**	**16.5**	**0 to 65**
Private equity	3.7	3.6	
Derivatives and currency strategies	13.1	12.9	
Fixed income	**30.3**	**29.4**	**0 to 50**
All maturities	5	4.9	
Short maturities	4.1	4	
Australian inflation-linked bonds	3	3	
High yield bonds and loans	7.6	7.4	
MLC opportunistic capital solutions	6.4	5.8	
Insurance-related investments	4.2	4.3	
Cash	**1.6**	**1.7**	**0 to 30**

MLC Index Plus

The main positions of the funds at the end of the March 2025 quarter were:

- Australian and global shares have drifted underweight with the recent sell-off. We have been using cashflows to add to shares opportunistically.
- Overweight position to fixed income with the overweight to short maturities and the recent addition of high yield bonds and loans, providing increased credit exposure.
- The modest overweight to credit remains one of our highest conviction positions. In the current volatile environment, we prefer higher quality and shorter duration credit.
- Underweight to cash to fund the overweights.
- The recently introduced exposure to insurance-related investments benefits the portfolio in the current environment. It provides an attractive source of diversification with performance not related to share markets.

MLC Index Plus are low-cost diversified multi-manager portfolios that are active where it matters most, namely, asset allocation, fixed income, alternatives, and currency. These portfolios may suit clients who value a low-cost approach to investing.

Here is a summary of the positioning of MLC Index Plus Balanced. Refer to Appendix 1 for performance to 31 March 2025.

Asset allocation	Actual (%)	Strategic asset allocation (%)	Difference (%)
Australian shares	**26.5**	**27**	**-0.5**
Global shares	**33.2**	**34**	**-0.8**
Global shares (unhedged)	20.6	21	-0.4
Global shares (hedged)	12.6	13	-0.4
Property	**3.7**	**4**	**-0.3**
Listed property	3.7	4	-0.3
Infrastructure	**3.1**	**3**	**0.1**
Listed infrastructure	3.1	3	0.1
Alternatives	**2.7**	**3**	**-0.3**
Index Plus Alternatives	2.7	3	-0.3
Fixed income	**27.9**	**23**	**4.9**
All maturities	16.9	17	-0.1
Short maturities	4.7	-	4.7
Australian inflation-linked bonds	3.5	3	0.5
High yield bonds and loans	1.3	1	0.3
Insurance-related investments	1.5	2	-0.5
Cash	**2.9**	**6**	**-3.1**

MLC Managed Account Strategies

The main positions of the funds at the end of the March 2025 quarter were:

- Within large-cap Australian shares, we see more subdued earnings growth on still elevated valuations. As such, they represent a likely funding source to incrementally add to global developed market shares. We maintain an exposure to Australian small and mid-caps and see these allocations aligning with superior earnings growth and over time, stronger capital growth.
- Foreign currency has a role to play during environments of market stress, and on that basis, the addition to developed market global shares is planned to be on an unhedged basis.
- We maintain a medium-term outlook of more sticky inflation and gradually easing bond yields, supporting solid underlying cash flows within global infrastructure and property.
  The allocation to alternatives provides the portfolios with diversification and versatility in downside scenarios. This resilience was clearly demonstrated over recent amplified market uncertainty and volatility.

Our Value and Premium Managed Accounts Strategies provide a range of multi-manager portfolios. These portfolios may suit clients who value the benefits of full transparency and direct equity exposure that is provided by separately managed accounts.

- We believe active management is appropriate within fixed income to effectively navigate what is likely to remain a more turbulent interest rate and yield curve environment. We see favourable risk-reward attributes with longer duration Australian and global fixed income.

Details of recent stock changes are available in the portfolio activity reports at **mlcam.com.au**.

The latest portfolio updates are available at **mlcam.com.au**.

Here is a summary of the positioning of MLC Value Balanced 70 Model Portfolio. Appendix 1 provides performance to 31 March 2025.

Asset allocation	31 March 2025 (%)	31 December 2024 (%)	Asset class ranges (%)
Australian shares	**22.5**	**23.3**	**20 to 50**
Global shares	**29.8**	**30.1**	**10 to 50**
Global shares (unhedged)	15.7	15.8	
Global shares (hedged)	14.1	14.3	
Property & infrastructure	**6.6**	**6.4**	**0 to 20**
Listed property	3.5	3.4	
Listed infrastructure	3.1	2.9	
Alternatives	**9.9**	**9.9**	**0 to 20**
Real return strategy	9.9	9.9	
Fixed income	**27.5**	**25.7**	**5 to 40**
All maturities	12.2	12.0	
Short maturities	6.1	5.3	
High yield bonds and loans	9.2	8.4	
Cash	**3.7**	**4.6**	**2 to 15**

Here is a summary of the positioning of MLC Premium Balanced 70 Model Portfolio. Appendix 1 provides performance to 31 March 2025.

Asset allocation	31 March 2025 (%)	31 December 2024 (%)	Asset class ranges (%)
Australian shares	**23.6**	**24.3**	**20 to 50**
Global shares	**28.3**	**28.3**	**10 to 50**
Global shares (unhedged)	14.6	14.5	
Global shares (hedged)	13.8	13.8	
Property & infrastructure	**6.9**	**6.7**	**0 to 20**
Listed property	3.8	3.8	
Listed infrastructure	3.1	2.9	
Alternatives	**10.2**	**10.3**	**0 to 20**
Real return strategy	10.2	10.3	
Fixed income	**27.6**	**25.8**	**5 to 40**
All maturities	12.4	12.3	
Short maturities	6.1	5.1	
High yield bonds and loans	9.2	8.4	
Cash	**3.5**	**4.7**	**2 to 15**

Appendix 1 – Performance

Performance to 31 March 2025 (net of fees)	3 mths (%)	1 year (%)	3 years (% pa)	5 years (% pa)	10 years (% pa)	15 years (% pa)	20 years (% pa)
MLC MultiActive							
MLC MultiActive – Capital Stable	0.8%	4.6%	3.6%	3.9%	3.7%	4.8%	-
MLC MultiActive – Conservative	0.4%	4.5%	4.5%	4.9%	4.4%	5.5%	-
MLC MultiActive – Moderate	-0.3%	4.4%	5.3%	7.0%	5.7%	6.5%	5.9%
MLC MultiActive – Balanced	-1.2%	4.9%	5.9%	8.6%	6.9%	7.7%	-
MLC MultiActive – Growth	-1.8%	4.8%	6.3%	10.0%	7.8%	8.4%	-
MLC MultiActive – High Growth	-2.1%	5.0%	7.1%	12.4%	7.7%	8.8%	7.6%
MLC MultiActive – Geared	-3.3%	5.1%	8.4%	16.2%	9.4%	10.4%	8.4%
MLC MultiSeries							
MLC MultiSeries – 30	0.5%	4.8%	4.3%	4.6%	-	-	-
MLC MultiSeries – 50	-0.2%	4.9%	5.2%	6.6%	-	-	-
MLC MultiSeries – 70	-1.0%	5.2%	6.6%	8.9%	6.5%	7.3%	-
MLC MultiSeries – 90	-1.5%	5.7%	7.4%	10.8%	-	-	-
MLC Horizon							
MLC Horizon 2	0.2%	4.7%	4.5%	5.2%	3.1%	4.6%	-
MLC Horizon 3	-0.4%	5.0%	5.0%	7.2%	4.7%	5.9%	5.7%
MLC Horizon 4	-1.1%	5.3%	5.5%	9.2%	5.8%	7.0%	6.5%
MLC Horizon 5	-1.7%	5.4%	6.3%	10.9%	6.7%	7.8%	6.9%
MLC Real Return							
MLC Inflation Plus - Conservative	0.1%	5.0%	5.5%	5.1%	3.6%	-	-
MLC Real Return – Moderate	-0.2%	4.5%	5.6%	5.6%	4.1%	-	-
MLC Real Return – Assertive	-0.9%	4.8%	6.0%	7.2%	5.2%	7.1%	-
MLC Index Plus							
MLC Index Plus – Conservative	-0.4%	5.4%	5.2%	7.1%	-	-	-
MLC Index Plus – Balanced	-1.1%	6.0%	6.0%	9.4%	-	-	-
MLC Index Plus – Growth	-1.7%	6.5%	6.8%	11.1%	-	-	-

Past performance is not indicative of future performance. **Sources:** MLC Investments Limited and MLC Asset Management Pty Ltd.

Performance to 31 March 2025 (net of fees)	3 mths (%)	1 year (%)	3 years (% pa)	5 years (% pa)	10 years (% pa)	15 years (% pa)	20 years (% pa)
MLC Managed Account Strategies							
MLC Premium – Conservative 30	0.9%	5.1%	-	-	-	-	-
MLC Premium – Moderate 50	0.5%	5.0%	5.2%	-	-	-	-
MLC Premium – Balanced 70	0.1%	4.9%	5.7%	-	-	-	-
MLC Premium – Growth 85	-0.1%	4.9%	6.0%	-	-	-	-
MLC Premium – High Growth 98	-0.3%	4.6%	-	-	-	-	-
MLC Value – Conservative 30	0.3%	4.9%	-	-	-	-	-
MLC Value – Moderate 50	-0.2%	5.3%	5.2%	-	-	-	-
MLC Value – Balanced 70	-0.9%	5.5%	5.8%	-	-	-	-
MLC Value – Growth 85	-1.1%	5.6%	6.2%	-	-	-	-
MLC Value – High Growth 98	-1.4%	5.5%	-	-	-	-	-

Past performance is not indicative of future performance. **Sources:** MLC Investments Limited and MLC Asset Management Pty Ltd.

* The performance is for the Model Portfolios and is not a guarantee or an indication of the actual performance of a client's portfolio due to differences in the timing and transaction prices for portfolio changes, client investments and withdrawals during the period, timing of receipt of dividends and income distributions, platform administration fees, transactional costs associated with the client's portfolio, and any portfolio exclusions required by the client. Returns are net of the model manager fee, rebates and indirect costs. Performance data is limited as inception was 1 July 2020 for Premium & Value 85, Premium & Value Balanced 70, Premium & Value Moderate 50. Inception was 1 May 2022 for Premium & Value High Growth 98, Premium & Value Conservative 30.

Appendix 2 – MLC Asset Management's investment beliefs

The core of any successful investment is a clear investment philosophy. Our investment philosophy has evolved over multiple investment cycles and guides how we manage your money.

Great culture is the foundation for great investing

A culture that fosters debate; encourages fearless enquiry; values humility; and which rests on trust and collaboration is the basis of great investing.

Consistent with this, we embrace change, and new ways of thinking and investing, recognising that what has been effective in the past, may be less so into the future.

Active management can add value

There are many factors that may lead to current market pricing not accurately reflecting the value of an asset to a long-term investor like us. This may include behavioural biases like overconfidence and herding (following the crowd), availability and access to information, and the fact that deep research and analysis can reveal the 'intrinsic value' of an asset which has been overlooked by other investors.

It's these market inefficiencies that present opportunities for skilled active management to add value, delivering stronger long-term returns than would be possible by investing in a passive manner.

Skilful diversification can deliver over the long-term

Skilfully constructed multi-manager funds made up of a wide breadth of asset classes, many assets within asset classes, risks, investment styles, and investments across many geographies maximises the odds of achieving strong long-term returns while managing risk.

Successful investing relies not just on strong performance in rising markets but also on preserving investors' capital in hostile markets. The combination of skilful diversification and active management is one of the best ways of achieving these dual objectives.

Intelligent risk taking is a must

It's understood that some risks must be taken to achieve return objectives. However, not all risks are equal.

Our role as active managers is to assess the range of possible market outcomes and position funds so that they maximise the chance of meeting clients' return expectations while minimising exposure to risks unsupported by high conviction.

The long-term matters but we remain agile

Deeply held investment convictions, sound judgments gained from navigating multiple market cycles, and structures and incentives that reward patience and perseverance, support our long-term focus.

At the same time, we are very mindful of occasions when market events can, if overlooked, undermine returns. Our risk-aware investment approach alerts us to possible threats enabling us to position funds to weather such market conditions.

More information on our investment philosophy and our investment approach is available at mlcam.com.au

For more information, visit mlcam.com.au or contact your MLC representative.

Registered office
'30 The Bond', Level 3
30 Hickson Road
Millers Point NSW 2000

mlcam.com.au
mlc.com.au

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