



MLC Wholesale Diversified Debt Fund

MLC Wholesale Horizon 1 Bond Portfolio

Update for advisers

This presentation is not for circulation to retail investors

Important information

Data as at 30 June 2024 unless otherwise stated.

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MLC's fixed income funds

Investment profile

	MLC Wholesale Horizon 1 Bond Portfolio	MLC Wholesale Diversified Debt Fund
Role in a portfolio	Capital preservation	Diversification vs growth assets
Return expectation	Outperform cash	Outperform global bond market
Investment horizon	2 years	3 years
Reference benchmark	30% Bloomberg AusBond Bank Bill Index 42% Bloomberg AusBond Credit 0+ Index 28% Bloomberg Global Aggregate Corporate Index (hedged into AUD)	50% Bloomberg AusBond Composite 0+ Yr Index 50% Bloomberg Global Aggregate Total Return Index (hedged into AUD)
Risk	Short duration bond market volatility (circa 1-2% pa) Very low probability of a negative annual return (<5%) 100% hedged into AUD	Bond market volatility (circa 3-4%pa) Low probability of a negative annual return (<10%) 99% hedged to AUD Tracking error (1-2%)
Management costs	0.50% pa	0.50% pa Class A (all investors other than MLC MasterKey Investment Service) 1.37% pa Class B (MLC MasterKey Investment Service)
Fixed income strategy changed	March 2010	March 2010
APIR code	MLC0669AU	MLC0839AU



Designed to be **100%** of the **defensive component** of a client's portfolio

MLC has a fixed income fund that may meet client needs



Diversification vs growth assets

For investors building a portfolio consisting of both growth and defensive assets.



Capital preservation

For investors seeking a low chance of negative returns over a reasonably short time horizon and higher returns than cash.



Liquidity

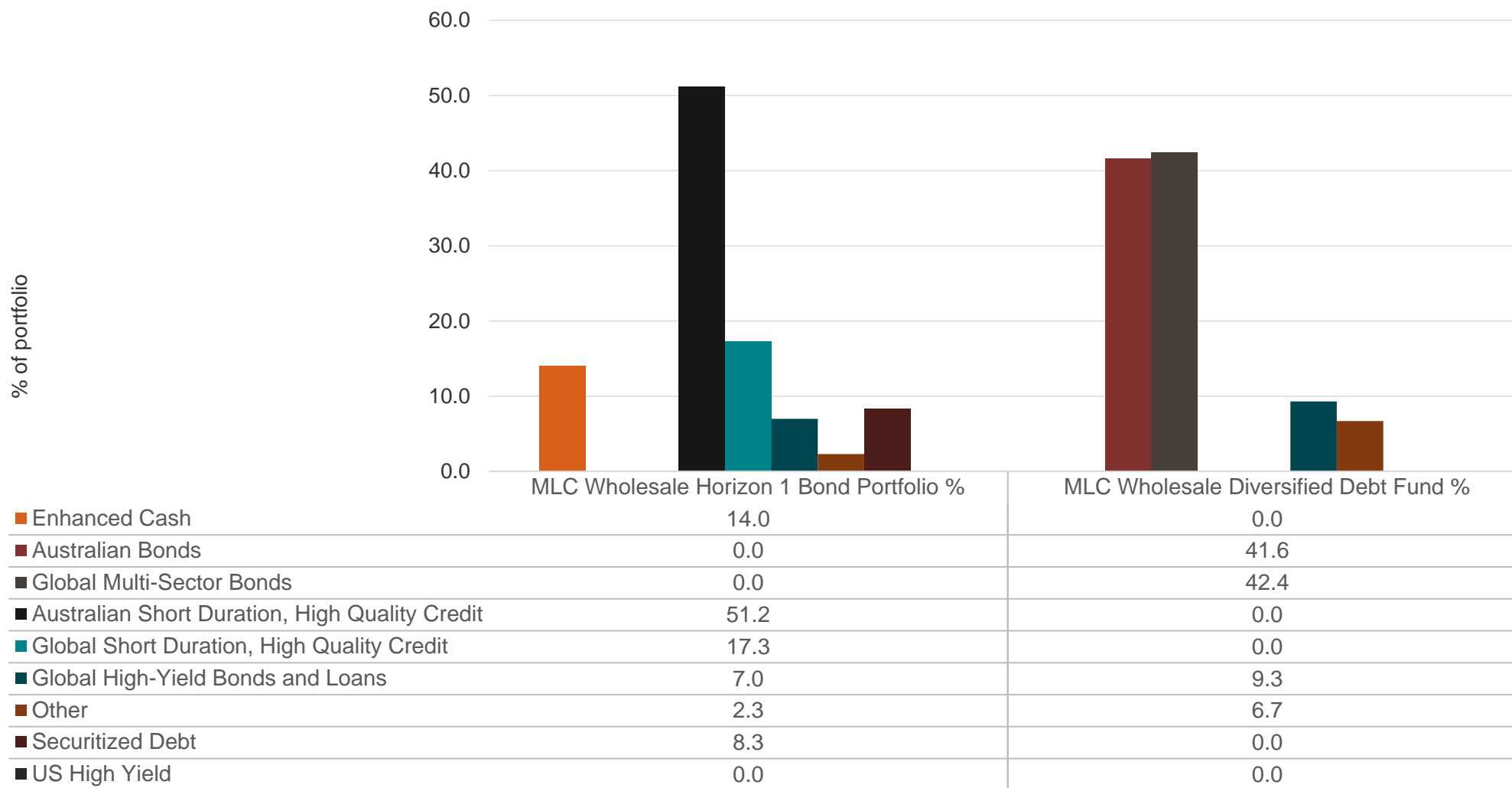
For investors wanting their defensive assets to be accessible without significant redemption costs.

Investment manager line-up

Sectors	Managers	Location	Appointed
Enhanced cash	Antares Fixed Income	Sydney, Australia	2007
Australian bonds	Antares Fixed Income	Sydney, Australia	1991
	Ardea Investment Management	Sydney, Australia	2022
	Janus Henderson Investors	Melbourne, Australia	2022
Global multi-sector bonds	Brandywine	Philadelphia, US	2022
	PGIM	Newark, US	2022
	PIMCO	Newport Beach, US	1997
Australian non-government fixed income (short duration, high quality, credit)	Antares Fixed Income	Sydney, Australia	2022
	Janus Henderson Investors	Melbourne, Australia	2022
	Metrics Credit Partners	Sydney, Australia	2022
Global non-government fixed income (short duration, high quality, credit)	Wellington Management	Boston, US	2022
	Western Asset Management	Los Angeles, US	2022
	TCW Asset Management	Los Angeles, US	2023
Global high-yield bonds and loans	Muzinich	New York, US	2017
	Shenkman Capital	New York, US	2010
	Oaktree Capital	Los Angeles, US	2019
	Bentham Asset Management	Sydney, Australia	2023
	Stone Harbor Investment Partners	New York, US	2023

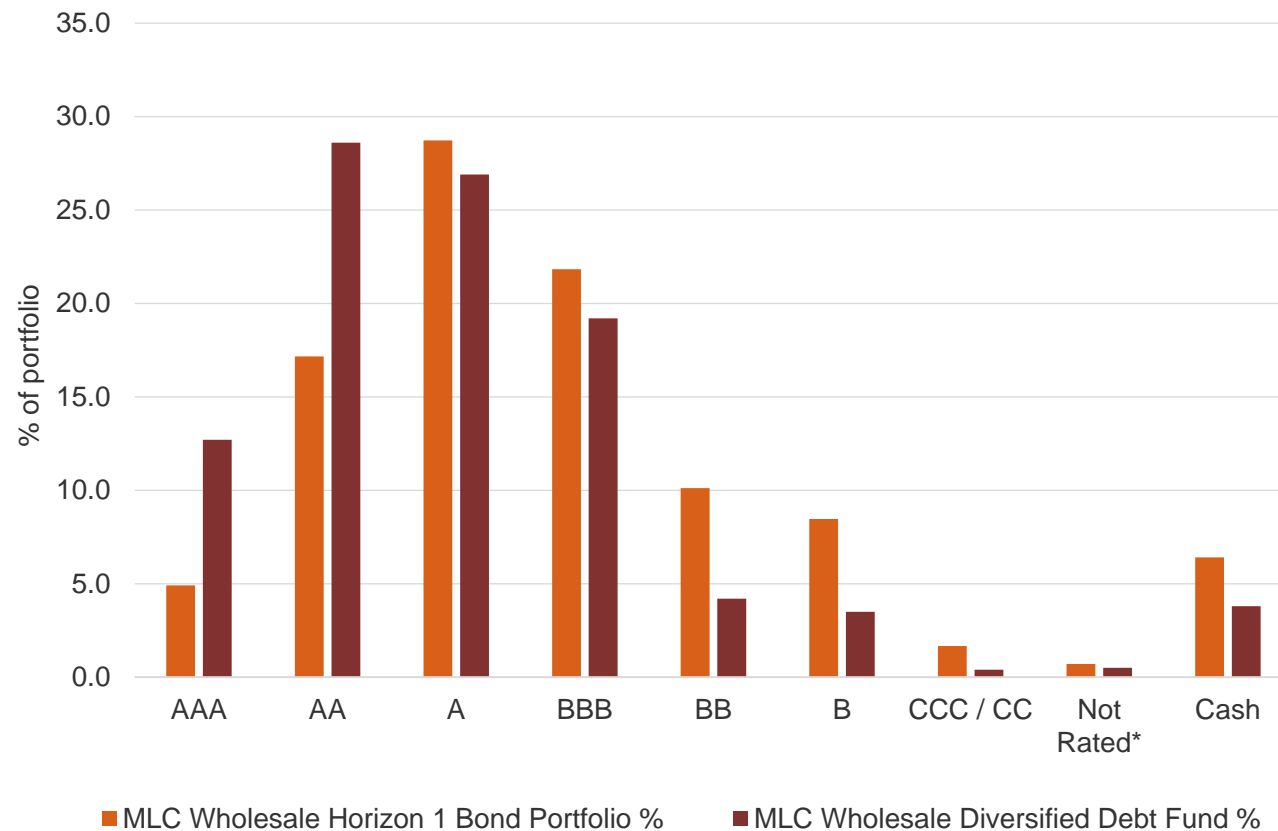
As at 30 June 2024.

Tailored allocations to fixed income sectors



As at 30 June 2024. Source: MLC Asset Management Services Limited. Figures are rounded to one decimal place.

Fixed income allocations by credit quality



	MLC Wholesale Horizon 1 Bond Portfolio	MLC Wholesale Diversified Debt Fund
AAA	4.9	12.7
AA	17.2	28.6
A	28.7	26.9
BBB	21.8	19.2
BB	10.1	4.2
B	8.5	3.5
CCC / CC	1.7	0.4
Not Rated*	0.7	0.5
Cash at bank	6.4	3.8

*Not Rated category is predominantly synthetic cash, plus securities that have been classified NR by Standard & Poor's. As at 30 June 2024. Source: MLC Asset Management Services Limited. Figures are rounded to one decimal place.

Portfolio sector allocation

As at 30 June 2024

Portfolio sector allocation	MLC Wholesale Horizon 1 Bond Portfolio		MLC Wholesale Diversified Debt Fund	
	%	Contribution to duration (yrs)	%	Contribution to duration (yrs)
Government	0.5	-0.32	30.2	1.47
Non-government investment grade	80.1	1.62	56.1	2.53
Corporate	73.3	1.58	36.8	1.62
Government related	2.8	0.02	10.1	0.77
Securitized	4.0	0.02	9.3	0.14
High yield	17.3	0.38	7.1	0.15
Bonds	11.8	0.38	4.9	0.15
Loans	5.6	0.00	2.2	0.00
Emerging markets	2.1	0.10	6.6	0.52
Total	100	1.78	100	4.67

Source: MLC Asset Management Services Limited. Portfolio sector allocation percentages are rounded to one decimal place and duration contributions are rounded to two decimal places.

Portfolio characteristics and country allocation

As at 30 June 2024

Portfolio sector allocation	MLC Wholesale Horizon 1 Bond Portfolio	MLC Wholesale Diversified Debt Fund
Duration (years)	1.78	4.67
Active duration	0.63	-1.00
Credit allocation – investment grade	83%	93%
Credit allocation – non-investment grade	17%	7%
Average credit quality	BBB	A
Yield to maturity pa (before fees)	6.48%	4.82%
FX carry pa (before fees)	-0.38%	-0.12%
Total carry pa (YTM + FX carry, before fees)	6.10%	4.70%

Source: MLC Asset Management Services Limited.
 Past performance is not indicative of future performance.
 The value of an investment may rise or fall with the changes in the market.

Definitions	
Duration	Duration is a measure of how sensitive the price of a fixed income security (or a portfolio of securities) is to a change in interest rates. The longer the time to maturity, the higher a fixed rate bond's duration. So a fixed income portfolio with a higher proportion invested in long bonds (eg 5 to 10 year maturities) has higher duration risk and more potential to underperform as interest rates rise.
Active duration	The difference between the benchmark's duration and the portfolio's duration. Lengthening and shortening duration is one investment technique used by active fixed income managers with the aim of outperforming the portfolio's benchmark.
Yield to maturity	The annual return an investor would receive if the portfolio's current securities are held until maturity. It includes all the interest payments received during the life of the portfolio and any gain or loss of capital on maturity.
FX carry	The increment to portfolio returns attributable to hedging foreign currency to the AUD.
Total carry	The income paid annually, expressed as a percentage of the portfolio's current value.

Portfolio country allocation

As at 30 June 2024

Portfolio country allocation	MLC Wholesale Horizon 1 Bond Portfolio		MLC Wholesale Diversified Debt Fund	
	%	Contribution to duration (yrs)	%	Contribution to duration (yrs)
Australia	48.0	1.18	47.5	2.21
US	34.0	0.18	24.2	0.92
Canada	1.0	0.03	1.7	0.08
Core eurozone	2.8	0.06	5.3	0.13
Peripheral eurozone	1.5	0.04	3.4	0.26
Other Europe	0.8	0.02	1.2	0.07
UK	2.0	0.12	2.6	0.26
Japan	0.3	-0.01	2.1	0.17
Emerging markets	2.1	0.10	6.6	0.52
Asia (ex Japan and Emerging Asia)	0.1	0.00	0.5	0.01
Other	1.0	0.05	1.0	0.05
Cash and cash equivalents	6.4	0.02	3.8	0.01
Total	100.0	1.78	100.0	4.67

Source: MLC Asset Management Services Limited. Portfolio country allocation percentages are rounded to one decimal place and duration contributions are rounded to two decimal places.



MLC Wholesale Horizon 1 Bond Portfolio performance

As at 30 June 2024

	1 year	3 years pa	5 years pa
MLC Wholesale Horizon 1 Bond Portfolio (before fees)	7.02%	2.50%	2.18%
Benchmark*	5.21%	1.59%	1.38%
Excess returns v Benchmark	1.81%	0.91%	0.81%
Cash^	4.37%	2.44%	1.64%
Excess returns v Cash	2.65%	0.06%	0.54%
MLC Wholesale Horizon 1 Bond Portfolio (net of fees)#	6.54%	2.03%	1.67%

Source: MLC Asset Management Services Limited. Past performance is not indicative of future performance. The value of an investment may rise or fall with the changes in the market. Figures are rounded to two decimal places.

* 30% Bloomberg AusBond Bank Bill Index, 42% Bloomberg AusBond Credit 0+ Index, 28% Bloomberg Global Aggregate Corporate Index (hedged into AUD).

^ Bloomberg AusBond Bank Bill Index.

The MLC Wholesale Horizon 1 Bond Portfolio management cost is 0.50% pa.

MLC Wholesale Horizon 1

Portfolio attribution



Manager excess returns over the past year have been strong, driven by security selection and credit rotation. The portfolio is outperforming the benchmark over the quarter, the financial year ending 30 June 2024 and the longer term.



The allocation to non-investment grade credit added value over the past 12 months.



The rise in yields over the past 12 months now sees Horizon 1 yielding a healthy 6.10% with a duration of only 1.78 years.

As at 30 June 2024.

MLC Wholesale Diversified Debt Fund performance

As at 30 June 2024

	1 year	3 years pa	5 years pa
MLC Wholesale Diversified Debt Fund Class A (before fees)	4.52%	-1.61%	0.17%
Benchmark*	3.21%	-2.35%	-0.61%
Excess returns v benchmark	1.31%	0.74%	0.78%
Cash^	4.37%	2.44%	1.64%
Excess returns v Cash	0.15%	-4.05%	-1.47%
MLC Wholesale Diversified Debt Fund Class A (net of fees)#	4.09%	-2.04%	-0.37%

Source: MLC Asset Management Services Limited. Past performance is not indicative of future performance. The value of an investment may rise or fall with the changes in the market. Figures are rounded to two decimal places.

* 50% Bloomberg AusBond Composite 0+Yr Index; 50% Bloomberg Global Aggregate Total Return Index (hedged into AUD).

^ Bloomberg AusBond Bank Bill Index.

The MLC Wholesale Diversified Debt Fund Class A management cost is 0.50% pa.

MLC Wholesale Diversified Debt Fund

Portfolio attribution



Manager excess returns over the past year have been strong, driven by duration and curve positioning as well as targeted credit allocations. The portfolio is outperforming the benchmark over the quarter, the financial year ending 30 June 2024 and the longer term.

Liquidity has been maintained in preparation for opportunities that may arise.



The June quarter saw bond yields rise globally as the market remained concerned about the path of inflation back to central bank targets. This is despite the softening economic environment as higher rates are impacting the consumer. Managers are neutral to long duration, with those countries that are most susceptible to rates higher for longer (Australia, UK, New Zealand and Canada) where long duration positions are being expressed.

On the whole managers are maintaining long credit positions, despite the tightness in spreads, looking to harvest carry and yield in portfolios. Corporate balance sheets, with the exception of a few sectors, are in pristine condition with no immediate sign of deterioration.



The allocation to non-investment grade credit added value over the past 12 months.

As at 30 June 2024.

Current positioning

Summary

MLC Wholesale Horizon 1 Bond Portfolio

- Overweight credit exposure (long spread duration)
- Overweight non-investment grade bonds



MLC Wholesale Diversified Debt Fund

- Underweight interest rate exposure (short duration)
- Overweight credit exposure (long spread duration)
- Overweight non-investment grade bonds



As at 30 June 2024. Source: MLC Asset Management Services Limited.