

MLC Opportunistic Capital Solutions strategy

Investment update to 31 December 2025

The 'MLC Opportunistic Capital Solutions strategy' is managed by the MLC Asset Management (MLCAM) Alternative Strategies Team. It is a tailored investment strategy designed to improve risk-return outcomes at the total diversified portfolio level. The Team has been successfully managing the MLC Opportunistic Capital Solutions strategy ("MOCS") for MLC's diversified funds listed in Table 1 since January 2023 and for MLC's MySuper Growth portfolio and other select superannuation clients of MLC since October 2018.

A distinctive alternative strategy, it is designed to increase the diversity of sources of return and risk in some of our diversified funds. By combining several carefully selected alternative strategies, MOCS aims to provide a pattern of returns that is mostly independent of, or 'uncorrelated' with, share market returns. We expect this will help to smooth out the pattern of returns in these funds.

MLC's diversified funds' target allocations to MOCS are shown in Table 1.¹ The MLC Premium and Value Separately Managed Account (SMA) Model Portfolios also have an indirect allocation through their investments in the MLC Real Return funds.

Table 1: MLC diversified funds with allocations to the MLC Opportunistic Capital Solutions strategy as at 31 December 2025

Fund series	% of portfolio invested in the MLC Opportunistic Capital Solutions strategy
MLC MultiActive	2-3%
MLC Wholesale Horizon [^]	3-4%
MLC Real Return	6%
MLC Wholesale Inflation Plus Conservative Portfolio	7%

Source: MLC Asset Management Services Limited. The allocations shown in Table 1 are based on the fund's target allocations. The amounts allocated to the MLC Opportunistic Capital Solutions strategy differ based on each fund's investment objective and strategy, risk profile and strategic asset allocation (SAA). [^]Excludes MLC Wholesale Horizon 1.

Investment objectives

The MLC Opportunistic Capital Solutions strategy focuses on finding attractive investment opportunities that fall outside the scope of traditional asset classes. This is reflected in its two broad investment objectives:

- **Return:** to provide returns that are different to mainstream asset classes such as shares. The return objective is to generate returns of cash² plus 5% pa, net of investment fees and indirect costs³, over rolling 5 year periods.
- **Risk:** to add diversification to MLC's multi-asset funds. The Alternative Strategies team works in close collaboration with MLC's broader diversified fund portfolio managers to ensure investment characteristics, liquidity, fees etc are optimised within the constraints of the broader fund.

¹ This update is for MLC's diversified investment funds listed in Table 1. Refer to the 'Important Information' section of this report for details about the funds. MLC offers diversified funds in investments, superannuation and pension. While there may be similarities between MLC's diversified funds offered in investments, superannuation and pension, this update is focused on the funds listed in Table 1.

² Cash benchmark is the Bloomberg AusBond Bank Bill Index.

³ An explanation of how fees are deducted from the Strategy's returns is in Appendix 1.

Asset allocation

The MLC Opportunistic Capital Solutions strategy has a deliberately flexible mandate that can invest across multiple asset classes (eg bonds, loans, shares) in both public and private markets.

It is currently focused predominantly on the following niche, idiosyncratic, credit strategies (eg litigation receivables), where it typically acts in a way akin to the senior lender to a capital hungry intermediary secured against attractive uncorrelated collateral:

- **Short duration assets (1-4 years):** Constrains risk, facilitates redeployment into more attractive opportunities as the cycle and opportunity set evolves.
- **Senior, asset backed loans:** A typical deal will be senior in the capital structure and backed by assets that are either high quality (eg investment grade accounts receivables), provide a high margin of safety (via a low Loan to Value Ratio (LTV) relative to the estimated liquidation value of the underlying loan's collateral), or are uncorrelated to markets (eg legal finance collateral).
- **Less competition in niche areas:** Supports attractive risk-return.
- **Low correlation:** To both listed markets and conventional private credit strategies.

Table 2 broadly categorises the underlying investment types that the MLC Opportunistic Capital Solutions strategy invests into.

Table 2: MLC Opportunistic Capital Solutions strategy example investment types (as at 31 December 2025)

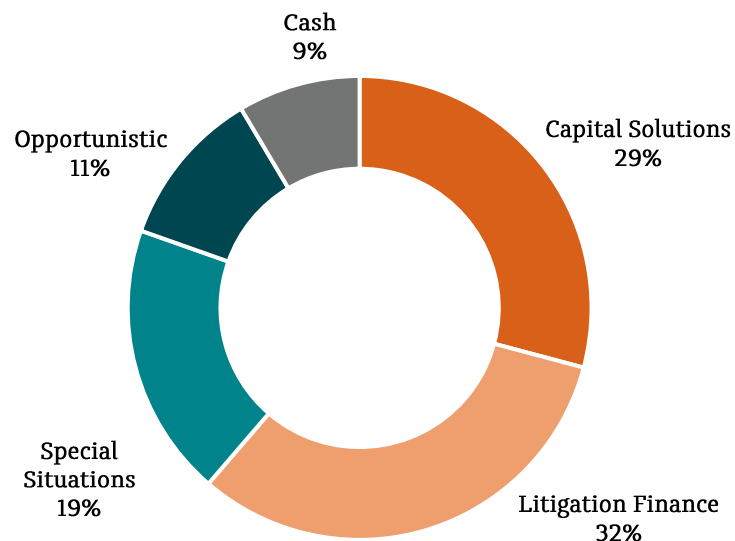
Investment type	Example investments	Strategy target allocation range	Number of underlying managers
Capital solutions	Loan to stressed borrower secured against investment grade corporate receivables	10-50%	5
Special situations	Bridge loan to real estate developer post planning approval	10-50%	3
Legal finance	Financing attorney fees due from an agreed legal settlement	10-50%	5
Opportunistic	Stake in a private reinsurer with unique asset management edge bought at a discount to book value	0-25%	3 managers, 5 direct investments
Minority shareholder protection	Pursuing legal action for fair value following 'squeeze out' of minority shareholders in a merger transaction	0-10%	1

The Alternative Strategies Team applies an open architecture approach which combines best of breed specialist managers with carefully selected co-investments and direct investments:

- Diversified, global portfolio of 23 niche fund and separately managed investment mandates with managers, each with distinctive return drivers.
- Co-investments facilitate additional portfolio flexibility, reduced costs and enhanced net returns, with over 60 co-investments executed to date.
- Selective direct investments when asymmetric opportunities present within the team's perceived circle of competence.

As at 31 December 2025, the Strategy has invested with 17 different specialist managers, in 37 co-investments and 4 direct investments. Each manager has been chosen because their returns are largely uncorrelated both with one another and share markets. We have grouped the managers' strategies into the categories in Chart 1.

Chart 1: Underlying Investment Types of the MLC Opportunistic Capital Solutions strategy (based on actual asset allocation at 31 December 2025)



Source: MLC Asset Management Services Limited. Figures have been rounded to the nearest percent.

Notes: We haven't provided our manager names because some contracts we have with managers prevent us from disclosing information on them.

Current strategy positioning

The current market environment remains highly conducive to our capital solutions-focused strategies. Whilst base rates have started to decline, they remain elevated versus the last decade and continue to provide an attractive opportunity set for private credit investors equipped with flexible, patient capital.

During the quarter, capital activity remained robust. There were meaningful deployments into two private funds with capital solutions and opportunistic mandates and a co-investment in insurance. Additionally, a casualty reinsurance firm made capital calls to support merger activity with another firm that specialises in short-term reinsurance.

On the co-investment side of the portfolio, we had another busy quarter closing two new co-investments:

- An asset-back loan to an Indian conglomerate family to facilitate an acquisition related share buyback. This loan is secured by a pool of assets, including real estate and airports. This represented our first co-investment in Asia, which is an area we have spent significant time researching over the last 2 years – including multiple interactions with specialist managers and deep dives on several potential co-invests.
- A loan into a law firm with 25% paid-in-kind interest and 75% cashflow sweep. This loan is secured by collateral relating to 6 pre-settlement cases at a 12% initial loan-to-value ratio.

On the direct investment front, we secured preferred equity in a US-based Management Service Operation that utilises AI streamlining processes to expedite the roll-up strategy of law firms seeking mergers.

We continue to maintain an active investment pipeline of interesting opportunities for potential deployment, focused more on co-investments across both corporate credit and asset backed lending.

Note: As our investment managers are constantly reviewing and making changes to their holdings, these investments may no longer be included in the fund.

Performance

Returns are net of indirect costs associated with underlying investments in MOCS, and gross of other fees and costs.

The MLC Opportunistic Capital Solutions strategy achieved a return of 3.8% for the December Quarter and an estimated return of 13.1% over the last twelve months. These results are 2.1% and 9% respectively above the 'Cash Rate + 5%' performance objective for the fund. The strategy remains ahead of its return objective over 3-years, 5-years and inception.

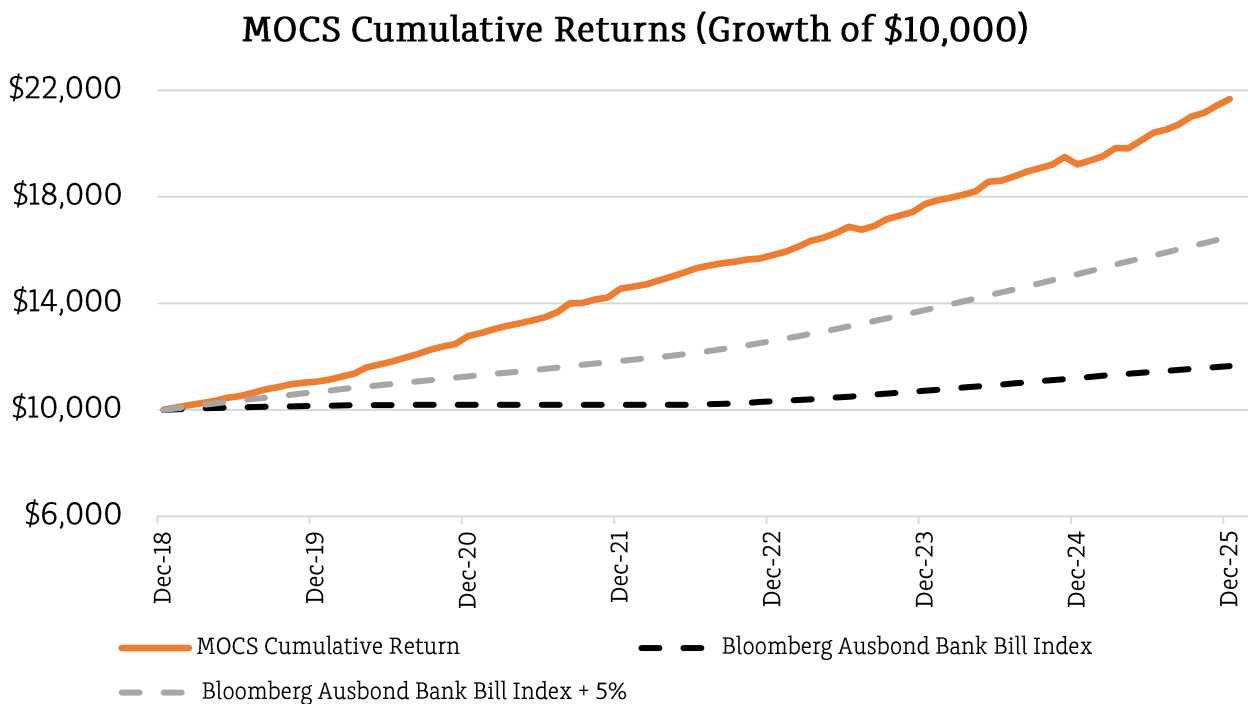
The majority of the portfolio performed well and in line with expectations for the quarter. The strongest performer involved our appraisal rights strategy. This strategy involves litigation against firms that used controlling stakes to catalyse 'take private' transactions at valuations we deemed below fair market value. Two positive rulings in the December quarter contributed 1.5% to the portfolio alone.

Chart 2 and Table 3 below refer to performance of the MLC Opportunistic Capital Solutions strategy within the MLC MySuper Growth Portfolio. The MOCS strategy within the MLC MySuper Growth Portfolio is MLC's longest running version of MOCS, running since October 2018. Chart 2 demonstrates the success of the strategy, highlighting the longer-term track record of the MLCAM Alternative Strategies Team in running an opportunistic capital solutions strategy.

Chart 2 also shows how MOCS has provided relatively smooth returns, by generating flat or mostly positive returns during those periods of weakness in share markets, including the uncertainties created by COVID-19 and the prominent risks during 2022 of high inflation, rising interest rates and the conflict in Ukraine.

Note: The MOCS strategies within the MySuper Growth Portfolio and the MLC diversified funds, whilst very similar, are not the same. Holdings between the two have been between 95-98% common since the launch of the MLC diversified funds strategy in 2023.

Chart 2: MOCS returns relative to objective (net of indirect costs associated with the underlying investments of the strategy and gross of all other fees and costs)



Source: MLC Asset Management Services Limited. Returns are net of indirect costs associated with the underlying investments of MOCS and gross of all other fees and costs (refer to Appendix 1). Past performance is not a reliable indicator of future performance. The value of an investment may rise or fall with the changes in the market.

Table 3 shows the five worst performing share market months and the relative performance of MOCS. This relative outperformance is partly driven by the less liquid nature of many of the underlying strategies which access private market investment opportunities, but the overall intent of MOCS is to identify attractive, idiosyncratic, non-correlated sources of investment return.

Table 3: MLC Opportunistic Capital Solutions strategy - monthly performance in five worst share market months

Month	Shares performance (%) [*]	MLC Opportunistic Capital Solutions strategy performance (%)	MLC Opportunistic Capital Solutions strategy outperformance (%)
Mar-20	-13.50	0.97	14.47
Sep-22	-8.96	0.33	9.29
Feb-20	-7.87	0.99	8.86
Jun-22	-7.71	1.06	8.77
Dec-18	-7.46	-0.48	6.98

^{*} Shares benchmark comprises of 50% S&P/ASX200 Total Return Index and 50% MSCI All Country World Index (A\$ hedged).

Source: MLC Asset Management Services Limited. Returns are net of indirect costs associated with the underlying investments of MOCS and gross of all other fees and costs (refer to Appendix 1). Past performance is not a reliable indicator of future performance.

Appendix 1: Understanding fees that are deducted from returns in this investment update

The MLC Opportunistic Capital Solutions strategy is one of a number of different strategies that form part of MLC's diversified funds. As such, the strategy only makes up a small component of the Management Fees and Costs that are charged to members when they invest in one of the diversified funds. When publishing the performance of the MOCS in this document, we have used figures that are gross of the Management Fees and Costs, with the exception of the Indirect Costs associated with the underlying investments of MOCS. This is to ensure the performance shown isn't impacted by the total fees that are charged for all of the strategies within the diversified funds. The Indirect Costs taken out of the performance shown in this report are incurred when the strategy invests in external funds. They aren't additional fees retained by MLC.

The asset allocation to MOCS is relatively small compared to the total assets of the relevant diversified funds and are set to serve the investment objectives of the funds. The returns shown in this report demonstrate the past performance of MOCS over periods of time in history. These historical returns shouldn't be relied upon as any indication of the future and ongoing performance of MOCS held by the MLC diversified funds or any other funds.

Important information

Unless otherwise specified, the information in this communication has been prepared based on data as at 31 December 2025.

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