23 September 2019

Dear Investor,

## We're making changes to the PIC Wholesale Inflation Plus - Conservative Portfolio (APIR MLC0924AU)

We're writing to let you know we'll be reducing the management fee so the PIC Wholesale Inflation Plus – Conservative Portfolio (Portfolio) remains competitive, and we're changing the investment objective to better reflect the returns that can be expected in the current investment environment. These changes, explained below, are effective from 1 October 2019 and are the result of a comprehensive review we've recently completed for the Portfolio.

**Management fee reduction**

As part of our commitment to continually enhance our products, we're reducing the management cost from 0.75% pa to 0.65% pa.

**Investment objective changes**

While there are no changes to the way the Portfolio is managed, the changes we've made to the investment objective are highlighted in the table:

|  | Current | From 1 October 2019 |
|---|---|---|
| **Investment objective** | Aims to deliver a return of **3.5% pa** above inflation, **before fees**, over 3 year periods **by** limiting the risk of negative returns over this time frame.<br><br>This careful risk management approach means there may be times when the Trust doesn't achieve its return objective. In most circumstances the Trust is expected to provide positive returns over 3 year periods, although there will sometimes be negative returns over shorter periods. | Aims to deliver a return of **2% pa** above inflation **(after management costs) subject to** limiting the risk of negative returns over 3 year periods.<br>This careful risk management approach means there may be times, **such as when interest rates are unusually low**, when the portfolio doesn't achieve its return objective. In most circumstances the portfolio is expected to provide positive returns over 3 year periods, although there will sometimes be negative returns over shorter periods. |

Reasons for the changes are as follows:

- ***Changing to 'after fees'***
  As returns clients earn from the Portfolio have had fees deducted, we've reduced the return in the investment objective by the Portfolio's management costs. The return will therefore be referred to as 'after fees' rather than 'before fees'. This is one of the reasons the return in the investment objective is lower.

MLC Investments Limited
ABN 30 002 641 661
AFSL 230 705

105-153 Miller Street
North Sydney
NSW 2060 Australia

PO Box 200
North Sydney
NSW 2059

- ***Updating the return***
  We're also reducing the return in the investment objective to better reflect the current investment environment.
  The unusually low cash rates we've been experiencing around the world for an extended period reduces the return potential of other asset classes too. Therefore we're adjusting the investment objective of the Portfolio to reflect its lower return potential.
  Furthermore, while the investment objective's previous return is reasonable to expect over a full market cycle, market cycles vary in length and are usually longer than the 3 year period in the investment objective. We have less certainty of achieving the objective over a shorter period than a full market cycle, so it's prudent to reduce the return as we understand clients may use it when planning for their investment goals.
  Future changes to the return in the investment objective may be needed if the investment environment changes substantially. We'll continue to regularly review the objective and let you know if we make changes.

- ***The return aim is 'subject to' limiting the risk of negative returns***
  Our priority in managing the Portfolio is to limit the risk of the Portfolio producing a negative return over a 3 year period. This means there are times when the Portfolio may not be invested in the riskier asset classes that tend to produce returns above inflation. This minor change to the wording improves clarity of our risk management focus and importantly, doesn't affect the way we've always managed the Portfolio.

**Do you need to do anything?**

If you have any questions, please contact Client Services on 1300 738 355, Monday to Friday, between 9:00am and 5:00pm (AEST) or **info@nabam.com.au**.

Yours sincerely,

Lydia Vitalis

Head of Asset Management Product Management & Strategy
MLC Investments Limited