SQM RESEARCH

MLC Premium Model Portfolios

This report has been prepared for financial advisers and wholesale clients only

Outstanding

November 2024

INTRODUCTION

Key Principles

SQM Research considers (but is not restricted to) the following key review elements within its assessment:

1. Business profile - product strategies and future direction
2. Marketing strategies and capabilities, market access
3. Executive Management / Oversight of the investment management firm
4. Corporate Governance / fund compliance / risk management
5. Investment team and investment process
6. Fund performance, investment style, market conditions, investment market outlook
7. Recent material portfolio changes
8. Investment liquidity
9. Investment risks
10. Fund/Trust fees and expenses

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Report Date: 1 November 2024

Star Rating**	Description	Definition	
4½ stars and above	*Outstanding*	***Highly suitable for inclusion on APLs*** *SQM Research believes the Fund has substantial potential to outperform over the medium-to-long term. Past returns have typically been very strong. Product disclosure statement (PDS) compliance processes are high-calibre. There are no corporate governance concerns. Management is extremely experienced, highly skilled and has access to significant resources.*	*Highest Investment Grade*
4¼ stars	*Superior*	***Suitable for inclusion on most APLs*** *SQM Research considers the Fund has considerable potential to outperform over the medium-to-long term. Past returns have tended to be strong. PDS compliance processes are high-quality. There are no material corporate governance concerns. Management is of a very high calibre.*	*High Investment Grade*
4 stars	*Superior*	***Suitable for inclusion on most APLs*** *In SQM Research's view, the Fund has an appreciable potential to outperform over the medium-to-long term. Historical performance has tended to be meaningful. PDS compliance processes are strong. There are very little to no material governance concerns. Management is of a high calibre.*	*High Investment Grade*
*3¾ stars**	*Favourable*	***Consider for APL inclusion*** *SQM Research concludes the Fund has a moderate potential to outperform over the medium-to-long term. Past performance has tended to be reasonable. Management is experienced and displays investment-grade quality, however they may not be yet fully tested. As a result the manager/product may have higher risks attached compared to peers.*	*Investment Grade*
*3½ stars**	*Acceptable*	***Consider for APL inclusion*** *In SQM Research's view, the potential for future outperformance in the medium-to-long term is uncertain. Historical performance has tended to be modest or patchy. Management is generally experienced and displays investment-grade quality, however they may not be yet fully tested. As a result the manager/product may have higher risks attached compared to peers. SQM Research has identified material weaknesses which need addressing in order to improve confidence in the Manager. There might be some corporate governance concerns.*	*Low Investment Grade*
3¼ stars	*Caution Required*	***Not suitable for most APLs*** *In SQM Research's opinion, the potential for future outperformance in the medium-to-long term is very uncertain. Historical returns have tended to be disappointing or materially below expectations. PDS compliance processes are potentially substandard. There might be material corporate governance concerns. Management quality is not of investment-grade standard.*	
3 stars	*Strong Caution Required*	***Not suitable for APL inclusion*** *In SQM Research's opinion, the potential for future outperformance in the medium-to-long term is unlikely. Historical performance has tended to be unacceptable. There could be material corporate governance concerns. SQM Research has a number of concerns regarding management.*	
Below 3 stars	*Avoid or Redeem*	***Not suitable for APL inclusion*** *SQM Research has multiple material concerns surrounding the Fund.*	

Event-driven Rating	Definition
Withdrawn	*The rating is no longer applicable. Significant issues have arisen since the last report was issued, and investors should avoid or redeem units in the fund. The manager, after agreeing to be reviewed, has pulled out of the process and/or has not responded to our questionnaire.*
Hold	*Rating is suspended until SQM Research receives further information. A rating is typically put on hold for a period of two days to four weeks. Dealer groups should not be making further investments into this fund until SQM has completed its additional investigations.*

* *It is strongly recommended advisers conduct additional due diligence over and above base requirements when considering such rated funds.*

** *The definitions in the table above are not all encompassing and not all individual items mentioned will necessarily be relevant to the rated Fund. Users should read the current rating report for a comprehensive assessment.*

CONTENTS

SQM Rating ★★★★½

Outstanding. Highly suitable for inclusion on APLs.

Model Description	
SMA / Product Suite Name	MLC Premium Model Portfolios
APIR code	**Platform Dependent (see Product Suite Summary below for Portfolio/ Investment Profile details)**
Asset Class	Multi-Asset
Management and Service Providers	
Model Manager	MLC Asset Management Services Limited (MLC)
Responsible Entity	Platform Dependent
Model Information	
Model Inception Date	Varies by risk profile Moderate 50, Balanced 70 and Growth 85: 1-Jul-2020 Conservative 30 and High Growth 98: 2-May-2022
Model Size	$713.4m (across all five risk profiles)
Return Objective (as per PDS)	see Product Summary below
Internal Return Objective	see Product Summary below
Risk Level (per PDS)	see Product Summary below
Internal Risk Objective	see Product Summary below
Benchmark	see Product Summary below
Number of stocks/positions	25 - 45
Model Leverage	Nil
Turnover	Low, averages less than 10% p.a.
Top 10 Holdings Weight	Very low, highly diversified at the individual stock level
Investor Information	
Management Fee	Balanced Option is 0.305%. Refer to the relevant Platform/PDS for details on other investment options.
TCR (Total Cost Ratio)	Balanced Option is 0.814%. Refer to the relevant Platform/PDS for details on other investment options.
Buy Spread	Varies by underlying investment strategy. Estimated range 0.0% - 0.40%
Sell Spread	Varies by underlying investment strategy. Estimated range 0.0% - 0.40%
Performance Fee Rate	Nil at Model Manager level. May be charged by underlying funds.
Minimum Application	Platform Dependent
Redemption Policy	Platform Dependent
Distribution Frequency	Platform Dependent
Investment Horizon (per PDS)	Varies by risk profile Balanced 70: 5+ years
Currency Hedging Policy	Unhedged

Note: Performance-related details in this report, including the Quantitative Analysis section, refer to the 'Balanced' (70/30) option unless otherwise indicated. Other risk options of the Models/ SMAs will have different asset allocations and other features that result in different returns.

Model Summary

Description

The **MLC Premium Model Portfolios (the "Model Portfolios")** are structured as separately managed accounts (SMAs) and are available on several investment administration platforms. There are five Model Portfolios reflecting different risk profiles across the risk spectrum, from conservative to high growth (see table below). All are multi-asset class portfolios managed by the Capital Markets Research team at MLC Management Services Limited. They invest in a range of underlying funds, most of which are managed by external fund managers. Each Model Portfolio has a different strategic asset allocation but a similar selection of direct shares and actively managed funds within the asset classes.

There is a parallel suite of five MLC 'Value' Model Portfolios that differ from the MLC 'Premium' Model Portfolios mainly in their use of lower-cost underlying funds, many of which are passive. Their lower fees reflect this lower cost.

A series of portfolio/risk profile options are offered across several platform administration systems. See Product Summary Table below.

This report is applicable to all the investment profiles / portfolio options in the product suite. However, the **Balanced Portfolio** is used in this Report as the prime example of the product suite. It is the key focus of analysis and the subject of all quantitative charts and tables throughout the Report unless otherwise specified.

Product Rating

Each investment option in the suite of Model Portfolios listed in the table below has achieved the following rating:

Star Rating	Description	Definition	Investment Grading
4.50 stars	**Outstanding**	**Highly suitable for inclusion on APLs**	**Highest Investment Grade**

Previous Rating: 4.50 stars (Issued November 2023)

Product Suite Summary

Code	Platform Dependent	Platform Dependent	Platform Dependent	Platform Dependent	Platform Dependent
Investment Option	MLC Premium Conservative 30	MLC Premium Moderate 50	MLC Premium Balanced 70	MLC Premium Growth 85	MLC Premium High Growth 98
Return Objective	CPI + 1.5% p.a. (after investment management fees) over 3 years	CPI + 2% p.a. (after investment management fees) over 3+ years	CPI + 3% p.a. (after investment management fees) over 5+ years	CPI + 4% p.a. (after investment management fees) over 7+ years	CPI + 4.5% p.a. (after investment management fees) over 7+ years
Benchmark	CPI + 1.5%	CPI + 2%	CPI + 3%	CPI + 4%	CPI + 4.5%
Risk Objective	Medium	Medium-High	High	High	High
FUM ($m)	$34.7m	$172.8m	$292.8m	$134.4m	$78.7m
SAA Growth Assets	30%	50%	70%	85%	98%
SAA Defensive Assets	70%	50%	30%	15%	2%

Product Suite Returns					
Performance (% p.a.)					as at 30-Sep-2024
MLC Premium Conservative 30	**6-Month**	**1-Year**	**3-Year**	**5-Year**	**Inception***
Model	3.72	11.81			5.51
Benchmark	2.16	4.50			6.23
MLC Premium Moderate 50	**6-Month**	**1-Year**	**3-Year**	**5-Year**	**Inception†**
Model	3.70	13.42	4.56		7.28
Benchmark	2.41	5.00	7.20		6.75
MLC Premium Balanced 70	**6-Month**	**1-Year**	**3-Year**	**5-Year**	**Inception†**
Model	3.69	15.59	5.16		9.32
Benchmark	2.89	6.00	8.20		7.75
MLC Premium Growth 85	**6-Month**	**1-Year**	**3-Year**	**5-Year**	**Inception†**
Model	3.77	16.95	5.41		10.55
Benchmark	3.38	7.00	9.20		8.75
MLC Premium High Growth 98	**6-Month**	**1-Year**	**3-Year**	**5-Year**	**Inception***
Model	3.82	17.78			7.90
Benchmark	3.62	7.50			9.23

* 2 May 2022
† 1 July 2020

SQM Research's Review & Key Observations

About the Manager

MLC Asset Management Services Limited ("MLC", the "Manager") is the asset management division of Insignia Financial Limited ("IFL", formerly IOOF Holdings Limited), a large Australian wealth management company whose main businesses are superannuation and investment platforms, asset management and financial advice. It has over $300bn in funds under management and administration (FUMA) and around 1,100 financial advisers in its network.

MLC has over 35 years of experience in multi-asset portfolio management, including using a multi-manager investment approach. Its scale of operations allows it to access diverse managers across institutional markets when selecting specialist investment managers. Its investment approach is based on managing risks in uncertain market environments, which is reflected in the investment process used to manage these Model Portfolios.

IFL almost tripled FUMA in 2021 when it acquired the MLC Wealth business, of which MLC is a part, from the National Australia Bank (NAB). Integration and simplification initiatives related to this acquisition appear to be mainly in the past, though change is ongoing following Insignia's appointment of a new chief executive officer (CEO) earlier this year. In July, Insignia announced revisions to its operating model and a new executive team, partly to "enhance the focus on growth opportunities across the business". This seems to involve little change within asset management. The Capital Markets Research (CMR) team responsible for managing these Model Portfolios appears to be little affected, as does the broader investment management team it sits within. If anything, organisational support for the Model Portfolios may strengthen given they have been identified as a key source of growth for Insignia's asset management business. Insignia has around 5,000 employees, offices in all Australian state capitals, and over two million customers.

Investment Team

The Model Portfolios are managed by the CMR team of six, which is jointly led by Ben McCaw and Grant Mizens, who have each been with MLC for more than 16 years. Kerry Gill is the CMR team's long-standing Fund Strategist and largely focuses on asset allocation. The third portfolio manager, Anthony Golowenko, is the team's fourth senior member. The CMR team is part of the Manager's broader MLC Asset Management (MLC AM) investment team of around 45, led by Chief Investment Officer (CIO) Dan Farmer. All among this broader team focus on multi-manager investing to varying degrees, either within specific asset classes or across multiple asset classes. The Manager fosters a collaborative approach, and the CMR team benefits from the shared insights of its colleagues across the entire MLC AM investment team.

1. Investment Philosophy and Process

Investable Universe

The universe of investments for the Model Portfolios includes direct listed securities, exchange-traded funds and managed funds across a broad range of asset classes. Direct listed securities investment is currently limited to large and some mid-cap Australian equities and utilised largely to preserve the benefits of the managed account structure (direct ownership) and harness the natural structural benefits of the Australian equities market, which include high dividend yield, franking credits available to investors, and low index turnover relative to global indices.

Limits to the investable universe are otherwise chiefly platform-specific in that all investments in the Model Portfolios, including managed funds, must be distributed on the platform hosting the Model. Qualification for distribution through a platform is subject to a range of requirements, which typically include the need for daily liquidity and pricing.

Philosophy / Process / Style

MLC is distinguished from its peers in both its unique focus on scenario-based asset allocation and its market-leading position in multi-manager investing. It builds multi-asset portfolios by considering a broad range of potential market outcomes and choosing to invest with fund managers it believes are best placed to manage through the outcomes more likely to occur.

MLC's investment philosophy focuses on managing risks in uncertain market environments. It regards the short term as unpredictable, believing that greater predictability about investment outcomes exists only over longer periods. As such, rather than developing precise assumptions about future asset class returns, MLC targets an in-depth analysis of return and risk and an understanding of how each may vary over time. Asset allocation focuses on scenario analysis, which involves systematic consideration of about 40 discrete scenarios and assessing how the future could play out under each. Manager selection takes advantage of MLC's long history of managing multi-asset investment products using external fund managers.

Portfolio construction seeks to mix high-quality fund managers to deliver the portfolio attributes the Manager deems necessary to best navigate the trade-offs between return and risk identified through the scenario analysis process. The Premium Model Portfolios incorporate a full suite of predominantly active component strategies. This compares to their Value counterparts which incorporate a selection of low-cost, often index tracking, and active component strategies. Allocations to Australian equities are via a direct shares portfolio (DSP), largely to maximise the benefits associated with the SMA structure, including tax benefits.

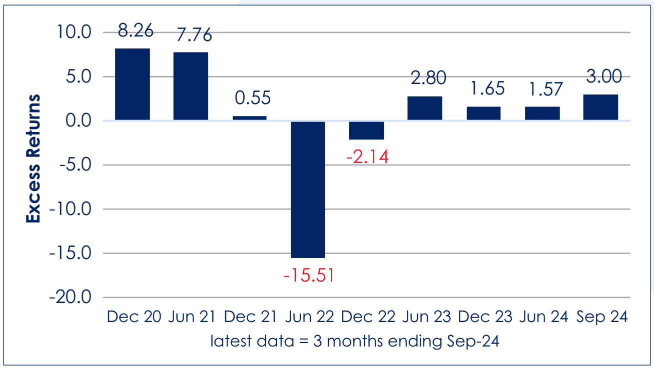
2. Performance & Risk

Return Objective

The return objective for the Balanced Model, as stated in the PDS, is: "To provide returns of CPI + 3.0% p.a. (after investment manager fees) over 5+ years".

The Model's benchmark, as stated in the PDS, is CPI + 3.0% p.a.

Model Excess Returns %: Half-yearly (net of fees)



Length of Track Record

The MLC Premium Model Portfolios have a history of 4.3 years.

Observations and analysis of returns will have moderate statistical meaning as a result of the sample size of observations.

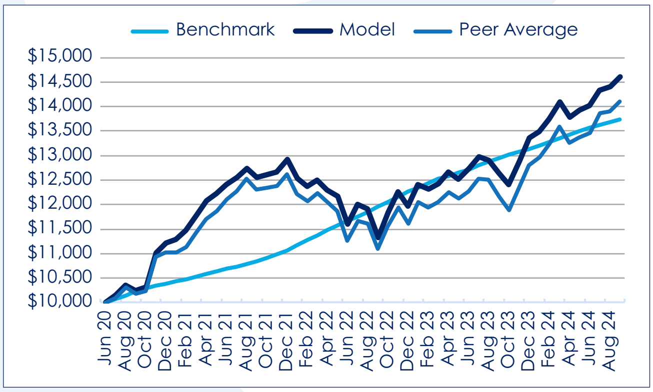
Risk Objective

The Model's PDS states that the risk level of the Model is "High".

Model Performance to 30 September 2024 (% p.a.)							
Total Return	**1-Month**	**3-Month**	**6-Month**	**1-Year**	**3-Year**	**5-Year**	**Inception**
Model	1.44	4.13	3.70	15.60	5.17	.	9.33
Benchmark	0.38	1.14	2.89	6.00	8.20	.	7.75
Peer Average	1.54	4.79	3.87	16.08	4.64	.	8.43
Alpha	1.06	3.00	0.81	9.60	-3.03	.	1.58

Return data sourced from the MLC Expand platform. Returns may differ slightly by platform.
With distributions reinvested. Returns beyond one year are annualised. Return history starts Jul-2020
Benchmark: CPI + 3.0% p.a.

Growth of $10,000



Strengths

- The investment process, which has been developed over many years, is particularly well suited to managing multi-asset class portfolios in uncertain market conditions.
- The scale of funds managed by and resources available to the Manager.
- The experience and professional background of the investment team, including within both the CMR team and the broader MLC AM investment team, under the leadership of CIO Dan Farmer.
- The Manager's long-term experience managing multi-asset portfolios, which, apart from the points made above, also enables it to both keep aware of and access a broad range of diverse managers across institutional markets.

Weaknesses

- The risk is that active funds in which the Portfolios are invested may underperform and that the review of such funds may be slower than it should be.
- Allocations to related party funds, albeit at limited scale, may compromise manager selection for the Model.

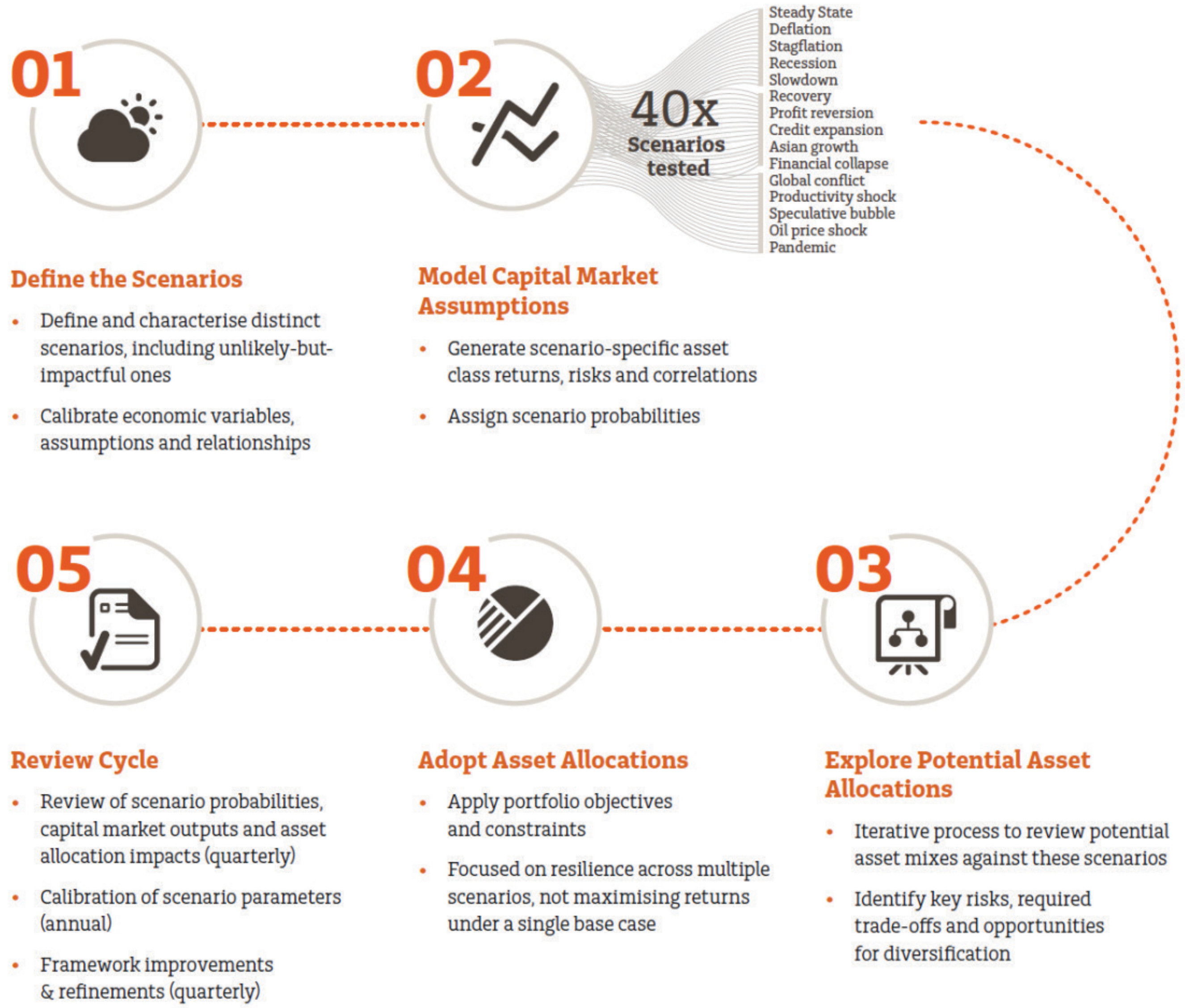
Other Considerations

- As the Model Portfolios are hosted on a number of different platforms, Advisers/investors are encouraged to seek further information relevant to the particular platform they may be considering.

Key Changes Since the Last Review

- No changes to the investment process since the previous review.

Investment Process Diagram



Process Description

Investment Process	
Research and Portfolio Construction Process	**Idea Generation** All members of the CMR team engage in extensive research to build an understanding of what the future could hold and the ramifications for financial markets. The insights generated help them develop ideas of future scenarios and their probability of occurring. CMR team members also tap for ideas the expertise that exists within the broader investment team of which they are a part.

Investment Process

Research and Portfolio Construction Process

...continued

Research

Research for the Portfolios primarily supports asset allocation and manager selection.

Asset Allocation Research

Research for Asset Allocation (AA) recognises the complexity and uncertainty of economic and financial market behaviour. It does not aim to make specific forecasts but applies a framework that explicitly considers a range of potential futures or scenarios.

This scenario analysis involves the Manager's systematic consideration of about 40 discrete scenarios. It considers the likely economic situation under each scenario and develops a detailed understanding of how returns may vary in specific circumstances. It also considers the investment risks that may prevail and identifies potential ways to diversify them.

The Manager believes that this approach, which it calls the Investment Futures Framework (IFF), lends itself to an in-depth analysis of return and risk. When applied across a diverse range of scenarios, the IFF provides a great depth of information about the fundamental drivers of risk and return, and the means for diversification. The Manager believes this level of understanding is unavailable with traditional mean-variance approaches to asset allocation.

The scenario set considers the potential for extreme risks and exogenous shocks. Specific scenarios considered range from the more benign, such as those the Manager labels 'Steady state' or 'Recovery' to the more challenging, such as those labelled 'Financial Collapse' or 'Global conflict.' The Manager believes considering alternate views helps avoid common behavioural pitfalls such as confirmation bias.

Various models generate return expectations for each asset class in each scenario. Risk measures produced include standard deviations and correlations. Probabilities are also assigned, reflecting the Manager's judgement about the likelihood of each scenario eventuating.

The process is run quarterly. While the scenarios are mostly unchanging, potential returns, risks, and probabilities vary with changes in starting point conditions and evolving global forces. A key benefit of the approach is that it helps highlight which specific risks are of particular concern at a point in time, enabling the Manager to position portfolios to be robust in many future investment environments.

Manager Selection Research

MLC applies a consistent set of broad principles to manager selection across all asset classes. Simply put, it seeks to identify managers with a sustainable competitive edge. It makes assessments based on multiple criteria, including the quality of a manager's investment staff, the research they do, their source of insight, how they build portfolios and manage risk, and their ownership structure. Consistency in investment processes, readily apparent in observed portfolio outcomes and aligned with investment philosophy, is also key. Past performance is examined within the context of investment philosophy, style, and market conditions.

Assessments involve a series of interviews with key people within the manager's business, as well as consideration of operational competency and governance practices. Capacity factors are also considered, including the fund's scalability and potential capacity constraints. Multiple international trips are taken each year to perform manager due diligence. The Manager notes that establishing a belief about the existence and sustainability of a manager's competitive edge could require years of research and that it is not unusual to have at least five meetings with a fund manager before investing.

Investment Process

Research and Portfolio Construction Process

...continued

Any proposal to allocate funds to a new manager is subject to detailed peer review by MLC AM investment team members. If this stage is passed, the proposal is put before the Investment Committee for approval, which typically involves vigorous debate. The Investment Committee includes some of the most senior members of the MLC AM investment team, including the CIO.

Manager Selection

MLC has a long history of managing multi-asset investment products using external fund managers. It is the primary approach it takes in constructing portfolios across its business. As such, it has honed its processes for identifying preferred fund managers and has developed substantial expertise in this task. Its scale and heritage in the business also enable it to both keep aware of and access a broad range of diverse managers across institutional markets.

While the CMR team has primary responsibility for managing all aspects of the Model Portfolios, where possible, it utilises the expertise of MLC's broader MLC AM investment team, including in fund manager research and selection. MLC has specialist teams researching managers in different asset classes, including equities, fixed income, and alternatives. The CMR team works collaboratively with them to identify the right combination of quality managers to establish its preferred mix of attributes and exposures in each portfolio.

The number of managers is generally proportional to the complexity of the asset class in question. For instance, a three-manager line-up may be utilised in the more concentrated Australian equities market, differing primarily along capitalisation lines. More may be utilised for international equities, including an additional manager to account for the currency dimension.

New managers must be approved by the Manager's Investment Committee, which includes senior members of the MLC AM investment team. New managers must also pass operational due diligence. Allocations are at times made to related party funds. Any allocation that may have real or perceived conflicts of interest requires the approval of an independent non-executive director and the Manager's Risk Team.

Portfolio Construction

Portfolio construction seeks to mix high-quality fund managers to deliver the portfolio attributes the Manager deems necessary to best navigate the trade-offs between return and risk identified through the scenario analysis process. MLC's proprietary analysis of managers' investment styles helps it ensure a more balanced exposure in the Portfolios to major styles, within and across asset classes. The MLC Premium Model Portfolios incorporate a full suite of predominantly active component strategies. This compares to their Value counterparts which incorporate a selection of low-cost, often index tracking, and active component strategies. This is the key characteristic driving the difference in fees charged between the Premium and Value portfolios.

Allocations to Australian equities are via a direct shares portfolio, largely to maximise the benefits associated with the SMA structure, including tax benefits. In the Premium Model Portfolios, these DSPs are managed by Martin Currie via mandate from MLC. Once a manager is hired, if deemed appropriate, MLC will seek to access tailored portfolio arrangements that benefit investors. The DSP mandate with Martin Currie is subject to such arrangements.

Investment Process

Research and Portfolio Construction Process

...continued

Asset Allocation

MLC's approach to asset allocation reflects its investment philosophy centred around managing risks in uncertain market environments. The Manager explicitly recognises the existence of uncertainty, and has more confidence in predicting longer-term outcomes. This is because longer-term outcomes are tied more closely to fundamental variables such as the productive capacity of economies. It also believes that behavioural swings in the market tend to wash out over time.

The Manager seeks to manage risk, not avoid risk. It aims to capitalise on return opportunities as they arise, including by actively taking risk when it is rewarded, and avoiding risk when it is not. MLC simultaneously looks to exploit the benefits of diversification by minimising the risk required when targeting its return objectives. Trial asset allocations are constructed, and optimisation analysis is used to explore diversification opportunities. Asset allocations are also tested for robustness using a long-term historical back-test, providing an assessment that is independent of the scenario-based approach.

MLC formally reviews its Strategic (or Neutral) Asset Allocation every two to three years. In practice, asset allocation is continuously reviewed through the scenarios approach, which is revisited each quarter. Tactical Asset Allocation is viewed by the Manager as short-term timing, which it explicitly avoids.

Hard and soft thresholds exist to drive rebalancing, which is formally reviewed at least weekly. Given the direct and indirect costs associated with implementing Model portfolio changes, the CMR team is focused on ensuring that rebalancing activity is undertaken only when absolutely necessary.

Sell Discipline

MLC's view is that termination of underlying fund managers should not be based on underperformance alone. The main reasons for the termination of a manager may include the departure of key personnel, adverse developments in the manager's organisation, the presence of unexpected risk characteristics, or ongoing underperformance.

Risk Management

Risk Management practices are both stand-alone and integrated through the Manager's investment processes. The IFF, which is the foundation of the Manager's investment process, has a risk management orientation. Developing an in-depth understanding of sources of risk is at its core. A key focus of portfolio construction is achieving adequate reward for risk while ensuring that risk remains within acceptable boundaries. Generally, the Manager is content to forgo return potential in highly speculative market environments to ensure portfolios are better placed to deliver meaningful outperformance in adverse market conditions.

Portfolios are tested for robustness using a long-term historical back-test. Additionally, risk analysis at the asset class level is conducted using various models depending on the asset class. These occur regularly and provide risk assessment independent of the scenario analysis. FactSet, a leading third-party risk analysis system, is employed to complement the Manager's proprietary risk framework. It covers all portfolios, sectors and funds and produces a variety of regular reports.

Investment Process	
Research and Portfolio Construction Process ***...continued***	Risk Management also incorporates a regime of monitoring and reporting at the underlying fund manager level. This involves continually reviewing matters such as manager performance, portfolios, and organisational developments. Specific steps include calls with underlying fund managers every six weeks on average and visits to their offices 2-3 times a year. Reports are obtained from managers monthly, most of which are tailored, with transparency additional to that in their standard format reports as specified in agreements with managers.

Material Risks

Material risks which are associated with the Model include:

- **Market Risk**
- **Liquidity Risk**
- **Interest Rate Risk**
- **Credit Risk**
- **Investment Manager Risk**
- **Implementation Risk**
- **Regulatory Risk**

Others include counterparty risk, geopolitical risk and currency risk. Please note this list is not exhaustive. See the relevant PDS for more information.

Portfolio Characteristics

Portfolio Biases

Large cap and value style biases will generally exist within the Australian equities allocation due to tax efficiency requirements and preferences for dividend paying stocks and reduced turnover. Otherwise the investment approach seeks a more balanced exposure to major styles.

Portfolio Turnover

Investment opportunities, investment processes, and ultimately prevailing market conditions will drive turnover within the underlying managed funds. Australian equities portfolio construction specifically targets lower turnover, largely for tax purposes.

Liquidity

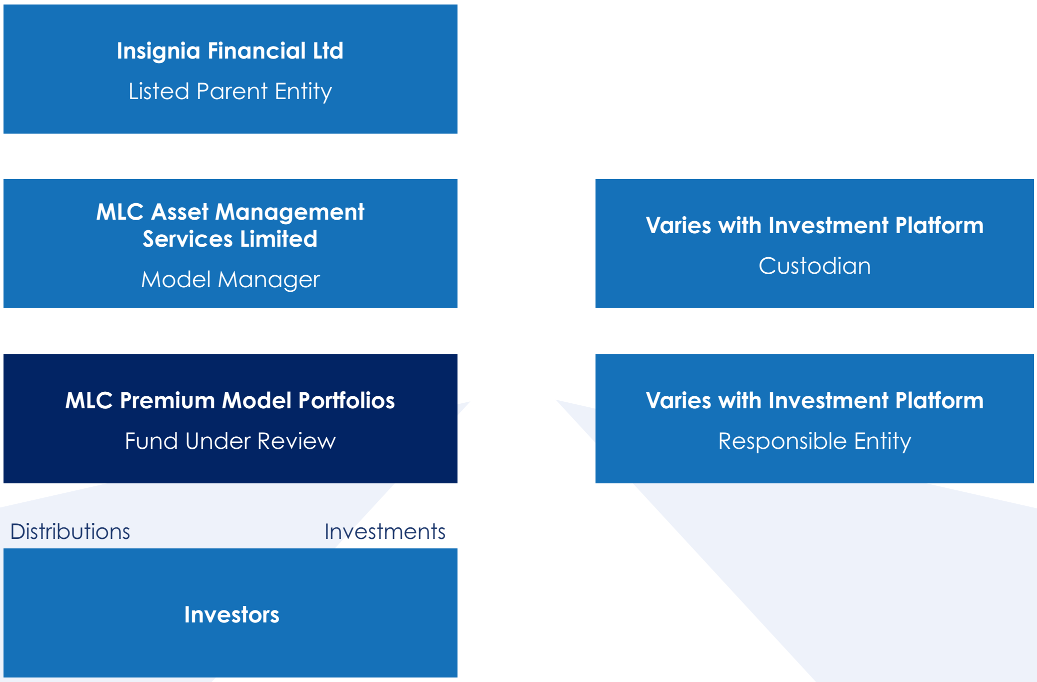
The Manager has conducted liquidity analysis for the Model Portfolios and foresees no liquidity concerns in the near term. Rather it sees significant capacity headroom in the years ahead.

Asset allocations are always tested at the underlying fund manager level to ensure that strict liquidity requirements are met. Modelling is conducted assuming both 'normal' market conditions and extreme market environments like that seen in 2008.

Leverage

This Model does not employ direct leverage (through borrowing by the Model) **or** economic leverage (through the use of derivatives). Derivatives will, at times, be used within underlying funds.

Key Counterparties



Parent Company

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Model Manager

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Governance

Responsible Entity

The Responsible Entity is platform-dependent and therefore varies on a case-by-case basis.

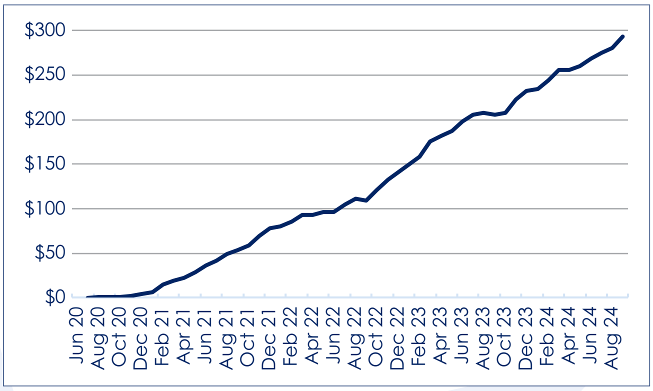
Management Risk

Funds management businesses rely on the operational capabilities of key counterparties. A critical element is the ability of the Responsible Entity to monitor operational performance and to meet the regulatory and statutory responsibilities required. For any investment fund, there is a risk that a weak financial position or management performance deterioration of key counterparties could temporarily or permanently compromise their performance and competency. This can adversely affect financial or regulatory outcomes for the Model or associated entities.

Based on the materials reviewed, SQM Research believes that the Manager and associated key counterparties are well qualified to carry out their assigned responsibilities. Management risk is rated as low.

Funds under Management (FUM)

FUM for Model under Review ($mill)*



* Balanced 70 only

Distributions

Distributions occur at the discretion of the relevant platforms, subject to the availability of distributable income. In a scenario where the Model's realised losses and expenses exceed income in a distribution period, the platform may elect not to make a distribution during that time.

Readers are encouraged to seek further information from the relevant platforms.

Name	Responsibility / Position	Location	Years at Firm	Years in Industry	Qualifications
Dan Farmer	Chief Investment Officer	Sydney	14.5	27	B Eco; M Com
Ben McCaw	Co-Head, Choice Diversified Portfolios	Sydney	16	20.5	M App Fin; PhD
Grant Mizens	Co-Head, Choice Diversified Portfolios	Sydney	18.5	18.5	BA (Econ); Dip Fin
Anthony Golowenko	Lead Portfolio Manager	Sydney	3.5	25	B (Hon) Math and Fin; CFA
Kerry Gill	Fund Strategist	Sydney	19.5	22.5	Bcom; BSc; MEco
Doreen Goh	Investment Analyst	Sydney	1.5	8.5	Bcom (Acc & Fin)
Alex Leung	Investment Analyst	Sydney	3	6.5	B Eco, B Com

Investment Team

The Capital Markets Research team manages the Model Portfolios. It is a team of six led by portfolio managers Ben McCaw and Grant Mizens. Each has been at MLC for more than 16 years. Ben McCaw has been on the CMR team this whole time, and Grant Mizens for more than 10 years. Both have the title Co-Head, Choice Diversified Portfolios, within the wider MLC Asset Management investment team of around 45. Kerry Gill is another long-standing member of the CMR team, having joined in 2005. Her title is Fund Strategist, and she has responsibilities in asset allocation and strategic focus. A third portfolio manager, and the fourth senior member of the CMR team, Anthony Golowenko, joined in early 2021, bringing with him more than 20 years of investment industry experience. The CMR team is rounded out by two investment analysts supporting its senior members.

The broader MLC AM investment team reports to Chief Investment Officer Dan Farmer. All among this broader team focus on multi-manager investing to varying degrees, either within specific asset classes or across multiple asset classes. The Manager fosters a collaborative approach, and all MLC AM investment team members can be called on to share their insights with the CMR team in both regular meetings and on an ad hoc basis.

MLC also has an Investment Committee which plays a key governance and leadership role for the MLC AM investment team. It oversees the investment processes and investment decisions for all products, including manager appointments and terminations. The Committee comprises the Chief Investment Officer, Head of Default Diversified Portfolios, Heads of Choice Diversified Portfolios, Head of Alternatives, Head of Derivatives and a senior consultant to MLC Asset Management.

Responsibility for all aspects of decision-making for these Model Portfolios rests with the members of the CMR team. The three portfolio managers jointly set investment strategy, which involves the key processes of asset allocation and fund manager selection, though there is some specialisation of responsibility. For example, Ben McCaw takes the lead in managing the allocation to direct Australian equities within the CMR team. This includes for the Value Model Portfolios, whose allocation to direct Australian equities is an internally managed portfolio of stocks from among the largest capitalised Australian companies. Also, Anthony Golowenko focuses on managing the CMR team's SMA portfolios, having previously led a team that launched a suite of SMA model portfolios at Clime Investment Management.

There has been no turnover in the CMR team since the departure of the previous team leader, Al Clark, in April 2023. In SQM's view, the transition to new team leadership appears to have been very smooth, with no discernible negative consequences apart from a marginal rise in key person risk. The only other turnover in the last three years occurred in the second half of calendar 2022. CIO John Armitage departed as a consequence of business integration following IOOF's acquisition of MLC. An analyst also resigned and was subsequently replaced.

MLC has a strong succession planning process across almost all positions. As part of this, managers nominate alternative employees for their role, on either a caretaker or a permanent replacement basis. This process sees the development and passing on of knowledge to individuals, which should act to reduce key person risk.

Meeting Schedule

The table below shows regular meetings that form an essential part of the overall process.

Meeting	Agenda	Frequency	Participants
Portfolio Rebalance Meeting (CMR)	Review of portfolio exposures vs target asset allocation	Weekly (Tues)	Sub-set of Capital Markets Research multi-asset class investment team
Weekly Investment Team Meeting (CMR)	Discussion of Market / Macro environment, shaping portfolio positioning, projects and research efforts	Weekly (Wed)	CMR multi-asset class investment team, Sector PMs welcome
Tuesday Morning Meeting - broader Investment Team	Investment, Performance, Risk, Project and/or Research Update	Weekly (Tues)	Broader MLCAM Investment Team
Monthly Investment Team Joint Meeting (CMR, IPM, IOOF)	Discussion of Market / Macro environment, portfolio positioning, projects / research efforts	Monthly (Wed)	CMR, Institutional Portfolio Management (IPM) and IOOF multi-asset class investment team, Sector PMs welcome
Monthly Investment Committee Meeting (MIC)	Submission of papers for investment decision making, strategy / asset-allocation changes and approval	Monthly (last Tues of the month)	Senior members of the MLCAM Investment Team
Quarterly Probabilities Update (Scenarios Model)	Review of CMR and broader Insignia investment team insights shaping Investment Futures Framework (IFF) scenarios	Quarterly (calendar)	CMR, IPM and IOOF multi-asset class investment team
Quarterly Probabilities Model Output (Scenarios Model)	Review of IFF scenarios model output, influence on asset allocation and multi-asset portfolio positioning	Quarterly (calendar)	CMR, IPM and IOOF multi-asset class investment team, Sector PMs welcome
Quarterly Institutional Portfolio Management (IPM) portfolio review meeting	Review of Value, Fundamentals, Policy and Market Dynamics (VFPD) model output, cyclical outlook and influence on asset allocation and multi-asset portfolio positioning	Quarterly (post-calendar)	CMR, IPM and IOOF multi-asset class investment team, Sector PMs welcome
Quarterly Sector PM portfolio review meeting	Review Sector PM (Australian Equities, Global Equities, Fixed Interest, Alternatives) portfolio positioning and outcomes	Quarterly (post-calendar)	CMR, IPM and IOOF multi-asset class investment team, Sector PMs welcome

SQM Research believes the practice of constant communication and the broad-based inclusion of team members in decision-making is a vital ingredient to the success of the process. Interactive peer review and collaboration across a tightly knit group of experienced investors will likely make the best use of their combined intellectual property and shared history.

Staffing Changes

There has been no turnover in the CMR team since the departure of the previous team leader, Al Clark, in April 2023.

Departures			
Date	**Name**	**Responsibility**	**Reason for Departure**
04-Jul-22	Jonathan Armitage	CIO	Restructure
07-Apr-23	Al Clark	Head of Investments	Resignation
09-Nov-22	Ekagra Gupta	Senior Investment Analyst	Resignation

Additions			
Date	**Name**	**Position / Responsibility**	**Previous Position / Employer**
26-Jul-21	Alex Leung	Investment Analyst	CBA
04-Apr-23	Doreen Goh	Investment Analyst	Future Super, The Citro Group, HLB Mann Judd

SQM Research observes that the levels of investment experience and company tenure are strong across the investment team. The size and nature of staff turnover are not an issue of concern, in SQM's view.

Remuneration and Incentives

Total employee compensation combines salary and participation in the MLC incentive program. Salaries are based on market rates and adjusted to reflect individual experience levels. Bonuses are variable and contingent on business and individual contributions to business outcomes to ensure clear accountability for staff.

The variable remuneration of the investment team members is a meaningful component of their total remuneration and is based to a significant degree on the achievement of specified investment performance outcomes, in addition to specific personal goals. The investment performance metrics used are objective, explicit, and measurable and cover a range of investment portfolios and their performance outcomes versus objectives and timeframes.

Remuneration of the investment teams is directly linked to the performance of the MLC multi-manager range of funds and SMAs. The percentage-weighted contribution of Model performance will be linked to the individual's capacity to influence portfolio outcomes. For example, portfolio managers typically have greater than 50% of their variable remuneration linked to performance.

To ensure appropriate alignment of incentives, variable remuneration is heavily weighted to longer-term performance, with the majority based on three and five-year returns.

SQM Research believes remuneration in the form of firm equity and client-focused performance bonuses act as strong incentives for optimising staff engagement, retention, and productivity. The intention (and SQM believes the effect) is to align staff performance with client and shareholder objectives. It focuses on the customers' needs and medium to long-term results.

Fees and Costs	Model	Peer Avg**
Management Fee % p.a.	0.31%	0.97%
Expense Recovery/Other Costs % p.a.	–	–
Performance Fee %	0.04%	1.56%
Total Cost Ratio TCR % p.a.	0.81%	1.02%
Buy Spread %*	Est. range 0.0% - 0.32%	0.14%
Sell Spread %*	Est. range 0.0% - 0.32%	0.14%

Note: The above applies to the Balanced 70 Model. Fees may vary for other risk profiles and will also depend on the platform used. ***The TCR above includes the platform fee for the MLC Expand platform****.*

* This spread is the difference between the Model's application price and withdrawal price and reflects transaction costs relating to the underlying assets.

** Peer average is based on data provided by SQM's data provider. SQM is not responsible for any errors or omissions.

Management Fee

The management fee includes GST and is net of any applicable Reduced Input Tax Credits (RITC). The Management Fee includes the Responsible Entity fees as well as the investment manager fees.

Performance Fee

The Model does not charge a performance fee.

Performance fees may exist for underlying managed funds, which is reflected in the performance fee shown above.

SQM Research observes that:

- ***The management fee is 0.31% p.a., which is 66 basis points lower than the peer group average of 0.97% p.a.***
- ***The Total Cost Ratio (TCR) is 0.81% p.a., which is 21 basis points lower than the peer group average of 1.02% p.a.***

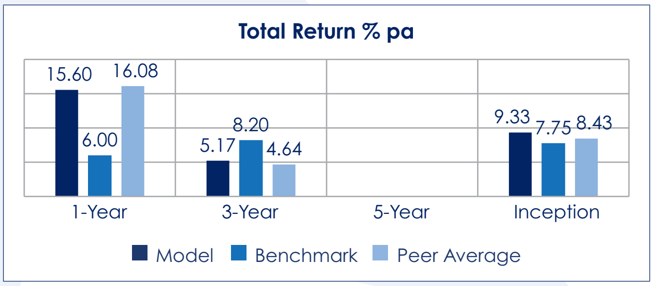
Risk/Return Data to 30 September 2024							
Total Return	**1-Month**	**3-Month**	**6-Month**	**1-Year**	**3-Year**	**5-Year**	**Inception**
Model	1.44	4.13	3.70	15.60	5.17	.	9.33
Benchmark	0.38	1.14	2.89	6.00	8.20	.	7.75
Peer Average	1.54	4.79	3.87	16.08	4.64	.	8.43
Alpha	1.06	3.00	0.81	9.60	-3.03	.	1.58
Metrics				**1-Year**	**3-Year**	**5-Year**	**Inception**
Tracking Error (% p.a.) - Model				6.56	8.44	.	8.11
Tracking Error (% p.a.) - Peer Average				7.33	8.90	.	8.56
Information Ratio - Model				1.46	-0.36	.	0.19
Information Ratio - Peer Average				1.37	-0.41	.	0.02
Sharpe Ratio - Model				1.72	0.29	.	0.93
Sharpe Ratio - Peer Average				1.61	0.22	.	0.79
Volatility - Model (% p.a.)				6.49	8.24	.	7.90
Volatility - Peer Average (% p.a.)				7.26	8.70	.	8.36
Volatility - Benchmark (% p.a.)				0.30	0.59	.	0.57
Beta based on stated Benchmark				-4.79	-4.40	.	-4.68

Return data sourced from the MLC Expand platform. Returns may differ slightly by platform.
Distributions reinvested. Returns beyond one year are annualised. Return history starts Jul-2020
Benchmark: CPI + 3.0% p.a.

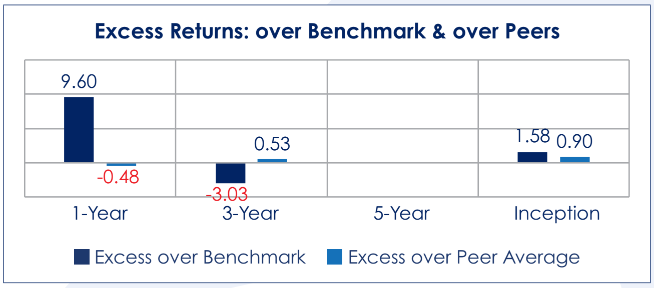
Quantitative Insight[1]

Note: Unless otherwise stated, all return and risk data reported in this section are **after-fees** and for **periods ending Sep-2024.**

Returns



Excess Returns (Alpha)

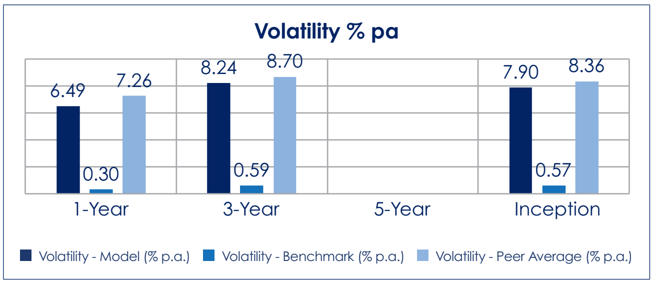


The Model has displayed mixed performance across different periods when compared with the benchmark and peers. Underperformance versus the benchmark over 3 years largely reflects a terrible 2022 when simultaneous losses in global equities and global bonds, for the first time since the 1990s, generated losses for most multi-asset portfolios. Strong performance subsequent and prior to 2022 helped generate good performance relative to the benchmark over 1 year and since the Model's inception. Weakness in asset allocation was probably the main reason the Model underperformed peers over 1 year. Over the longer term, strength in asset allocation has been a solid contributor for the Model.

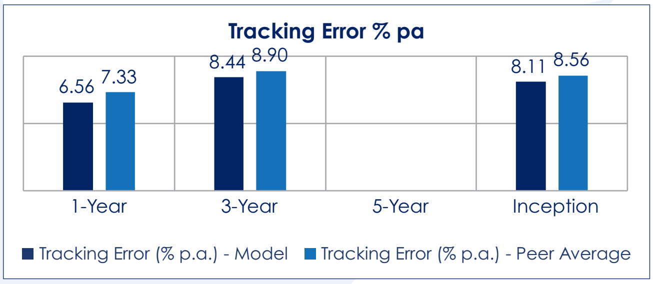
The **return outcomes,** as described above, are above the PDS objective, and are in line with SQM's expectations for the Model relative to its fee level and volatility.

[1] **Note:** Sharpe and Information Ratios are not reliable comparison tools in periods where both the Fund and its peers/benchmark record a negative result

Risk



The Model's **volatility** (annualised standard deviation of monthly returns) has tended to be lower than peers and much higher than that of the inflation-linked benchmark.



SQM has measured and reported **tracking error** in the table above. Since the Fund's benchmark has almost no volatility, the tracking error readings add no new information to observations gained from studying volatility. The tracking error of the Fund is virtually identical to its volatility (standard deviation).

The **risk outcomes,** as described above regarding volatility and tracking error are consistent with the PDS statements about risk, and SQM's expectations for this Model.

Drawdowns

Drawdown Summary			
Drawdown Size (peak-to-trough)			
	Model	**Bench**	**Peers**
Average	-4.30%	no data	-4.34%
Number	5	0	5
Smallest	-1.13%	+0.00%	-1.10%
Largest	-12.33%	+0.00%	-12.43%
Length of Drawdown (in months)			
	Model	**Bench**	**Peers**
Average	7.0	no data	8.8

Length of Drawdown = time from peak to trough and back to the previous peak level

Average drawdowns have been similar to the peer average.

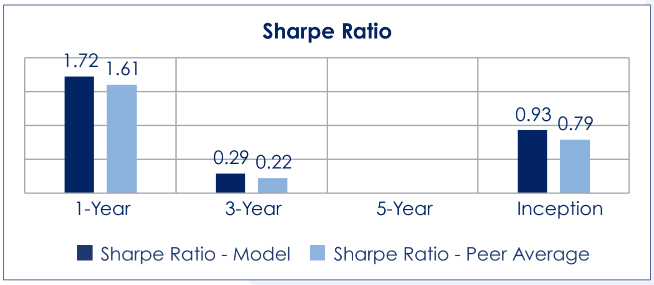
The benchmark has had zero drawdowns, as expected from inflation or cash-based indexes.

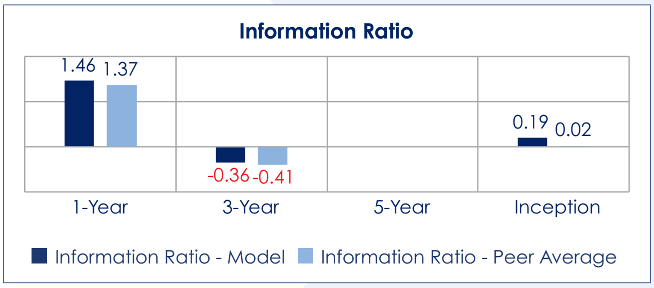
Upside/Downside Capture

Upside Capture		
	3 years	**Inception**
Model	68.0%	123.6%
Peer Average	62.6%	108.8%

for a cash benchmark, downside capture is not valid

Risk-Adjusted Returns





The Model's risk-adjusted returns (as measured by Sharpe and Information ratios) have been better than the peer average.

Correlation of Model to Asset Classes

Market	3 years	Inception	Market Indexes
Aust Bonds	+64.1%	+52.5%	Bloomberg AusBond Composite 0+Y TR
Aust Equity	+91.8%	+92.5%	S&P/ASX 300 TR
Global Bonds	+76.6%	+67.4%	Bloomberg Global Aggregate Hdg AUD
Global Equity	+80.6%	+81.0%	MSCI World Ex Australia NR AUD

Correlation Key

Low	High	Description
0%	20%	low, weak
20%	40%	modest, moderate
40%	70%	significant, material
70%	90%	strong, high
90%	100%	substantial

Tail Risk

(The analysis in the table below looks at the ***tail risk performance relationship of the Model to the ASX300****, a practice that SQM has set as common across asset classes in fund reviews. This approach recognises that for the large bulk of financial planner clients, their key traditional asset class* ***risk*** *regarding* ***size*** *and* ***volatility*** *is to Australian equities. Exploring that relationship is useful regardless of the asset class of the fund itself, as it is helpful to understand how a fund has acted in times of Australian equity market stress in terms of softening or exaggerating the negative performance experienced at such times.)*

The table below details the **largest negative monthly returns** for the ASX 300 **since the inception of the Model**. This is compared to the Model's performance over the same months.

Extreme Market Returns vs Model Return Same Month

Index: S&P/ASX 300 TR — **From Jul-20 to Sep-24**

Rank	Date	Market	Model	Difference
1	Jun-22	-8.97%	-4.60%	+4.36%
2	Jan-22	-6.45%	-2.95%	+3.50%
3	Sep-22	-6.29%	-4.90%	+1.39%
4	Oct-23	-3.80%	-1.89%	+1.91%
5	Sep-20	-3.59%	-1.13%	+2.46%
6	Dec-22	-3.29%	-2.52%	+0.78%
7	Apr-24	-2.92%	-2.19%	+0.73%
8	Sep-23	-2.89%	-2.08%	+0.80%
9	May-22	-2.76%	-1.01%	+1.75%
10	Feb-23	-2.55%	-0.68%	+1.87%
Totals		**-43.53%**	**-23.97%**	**+19.56%**

			No. of Months
Correlation	+84.8%	Positive Return	0
Capture	+55.1%	Outperform	10

Tail Risk Observations:

The data in the table above indicate that the Model displays modest **defensive characteristics** in the face of extreme Australian equity tail risk.

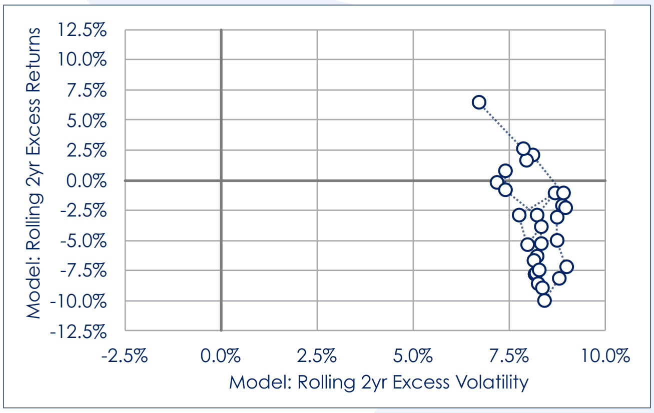
Snail Trail

The snail trail chart and tables below show the combination of the Model's rolling 2-year excess returns and volatility.

There are 28 observations in total.

The two tables below display the distribution of these observations and their overall frequency across the risk/return quadrants.

Snail Trail Distribution			
Frequency	**Lo-Vol**	**Hi-Vol**	**Total**
Hi-Return	**0**	5	5
Lo-Return	0	23	23
Total	**0**	**28**	**28**
28 rolling 2-year observations			
% of Total	**Lo-Vol**	**Hi-Vol**	**Total**
Hi-Return	**0.0%**	17.9%	17.9%
Lo-Return	0.0%	82.1%	82.1%
Total	**0.0%**	**100.0%**	**100.0%**



In assessing a snail trail it is important to note the following:

Q1 upper left-hand quadrant - higher return than the Model's market index with lower volatility (less risk). This is the optimal position.

Q2 upper right-hand quadrant - higher return than the Model's market index with higher volatility (more risk). This can often be a desirable position depending on the attractiveness of the Sharpe ratios produced in this zone. It is important to note that in the case of inflation or cash-style benchmarks, the Q1 top left-hand quadrant is unachievable as it is not possible to deliver lower volatility than what is virtually zero for the benchmark. In such cases, the Q2 zone is the optimal position.

Q3 lower left-hand quadrant - lower return than the Model's market index with lower volatility (less risk). Less than ideal, and Sharpe ratios can assist in assessing the risk/return trade-off in this zone.

Q4 lower right-hand quadrant - lower return than the Model's market index with higher volatility (more risk). The least desirable outcome.

Consistency

The more "bunched together" the cluster of dots, the more consistent is the performance. A second indicator of consistency is the trail's nomadic nature. Trails that roam across multiple quadrants over time are indicating **low consistency** in the Model's risk-return profile. The quadrant that **contains the bulk** of the Model's snail trail is likely to be more representative of the Model's risk/return characteristics and identity.

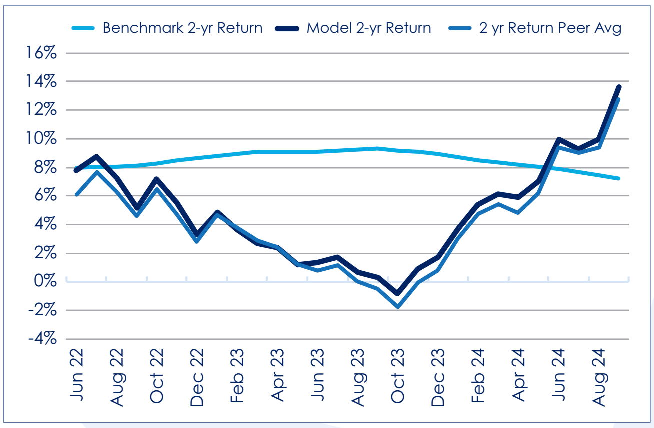
Annual Returns

Year	Model	Benchmark	Peer Avg	vs. Bench	vs. Peers
2021	+15.14	+6.50	+14.62	**+8.65**	**+0.53**
2022	-7.39	+10.83	-8.07	**-18.23**	**+0.67**
2023	+11.70	+7.05	+10.31	**+4.65**	**+1.39**
Sep-24	+9.36	+4.62	+10.21	**+4.74**	**-0.85**

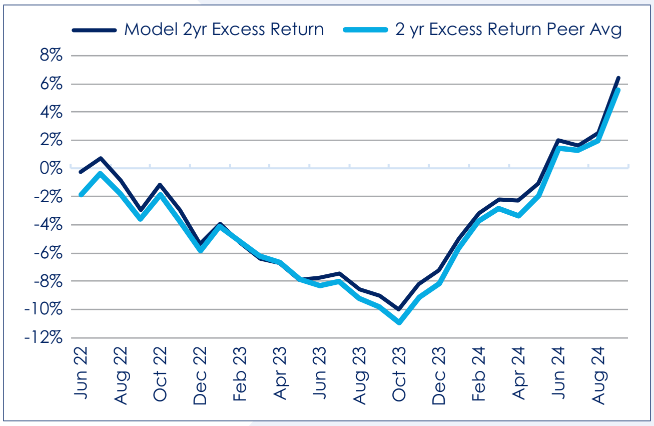
2024 data = 9 months ending Sep-24

Return and Risk

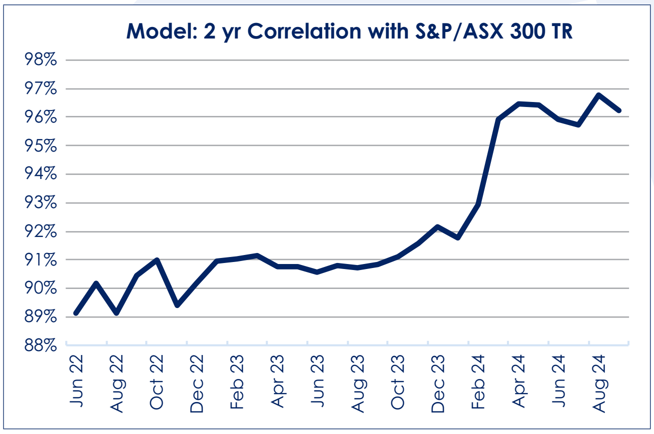
Rolling Returns



Rolling Excess Returns

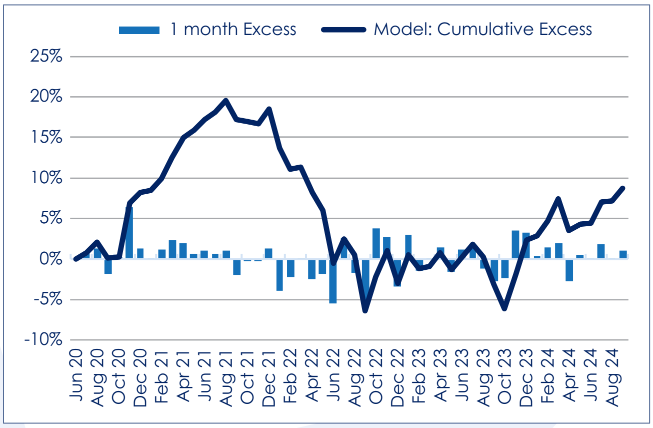


Rolling Correlation

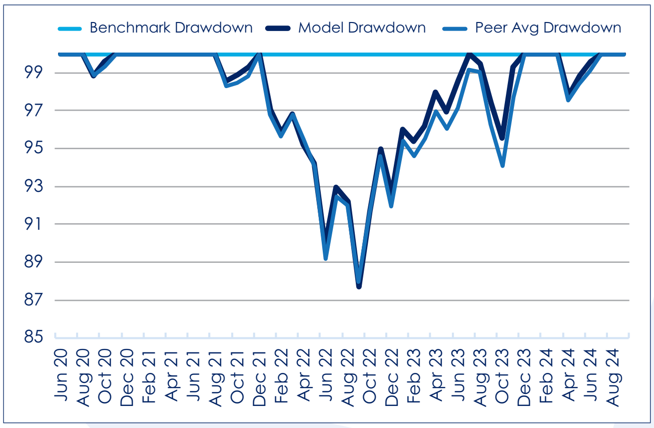


Return and Risk

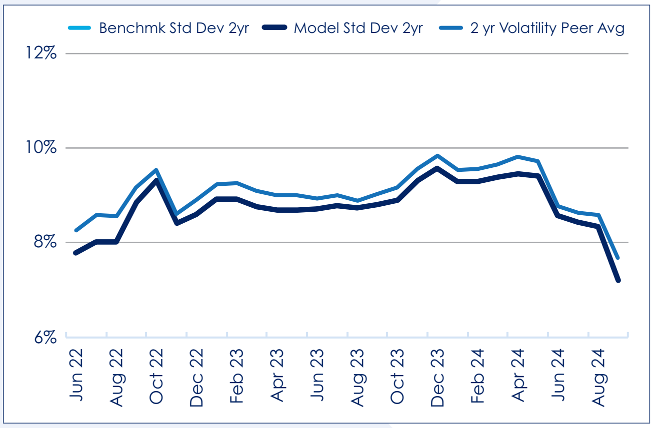
Cumulative Excess Returns



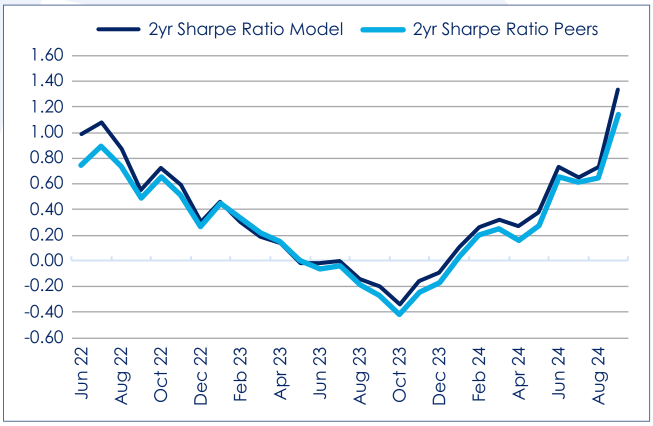
Drawdowns



Rolling Volatility



Rolling Sharpe Ratio



The permitted ranges for allocations to asset classes for each Portfolio are as follows.

Model Constraints and Risk Limits	Conservative 30	Moderate 50	Balanced 70	Growth 85	High Growth 98
Cash	0% to 25%	0% to 20%	0% to 15%	0% to 10%	0% to 10%
Fixed income	30% to 70%	20% to 60%	5% to 40%	0% to 30%	0% to 10%
Alternatives and other	0% to 20%	0% to 20%	0% to 20%	0% to 20%	0% to 20%
Listed property and infrastructure	0% to 20%	0% to 20%	0% to 20%	0% to 20%	0% to 20%
Global shares	5% to 25%	5% to 35%	10% to 50%	20% to 60%	30% to 70%
Australian shares	10% to 25%	10% to 35%	20% to 50%	20% to 60%	20% to 60%
TOTAL GROWTH ASSETS	**20% to 40%**	**35% to 65%**	**55% to 85%**	**70% to 95%**	**90% to 98%**
TOTAL DEFENSIVE ASSETS	**60% to 80%**	**35% to 65%**	**15% to 45%**	**5% to 30%**	**2% to 15%**

Top 5 Holdings (Balanced 70 Portfolio)*

Name	Sector	Weight %
Arrowstreet Global Equity Fund Hedged	Global Shares	14.02
MLC Real Return Assertive-A	Alternatives and Other	10.86
Janus Henderson Australian Fixed Interest Fund Units	Fixed Income	7.86
Polaris Global Equity Fund	Global Shares	5.99
Antares Income Fund	Fixed Income	5.30

* As reported to SQM on the return of the RFI – holdings will change over time.

Drawdown

A drawdown tracks the path of a fund's accumulated NAV (with dividends reinvested). It is measured over the period of a peak-to-trough decline and the subsequent recovery back to that previous peak level. The total return over that entire period is, of course, zero. The metric of interest, the drawdown itself, is quoted as the percentage change between the peak and the trough over that period. Funds typically have multiple drawdowns of varying size and length over their lifetime. The table above shows how many drawdowns have occurred and their average peak-to-trough size.

Alpha

SQM defines **Alpha** as the excess return compared to the Benchmark and is calculated as

Alpha = Fund Return – Benchmark Return

A General Note on Distributions for Managed Funds

The Responsible Entity of a Managed Fund will provide for a regular schedule of distributions, such as monthly/quarterly/semi-annual or annual. This is subject to the fund having a sufficient distributable income. The official total distributable income available to pay to investors is determined for the period of that fund's financial year. By distributing the net taxable income of the fund to investors each year, a fund itself should not be liable for tax on its net earnings.

If a fund makes distributions more frequently than once over the financial year, those distributions will be based on estimates of the distributable income for that distribution period. The final total amount of distributable income available for passing on to investors can only be calculated after the close of the financial year, based on the fund's taxable income for that year.

If the total distributions a fund pays out exceed total taxable income for that particular financial year, the excess amount may be treated as a return of capital rather than income. This will possibly have tax implications for the investor.

Due to the considerations outlined above, there may be periods in which no distributions are made, or a fund may make additional distributions.

A fund's ability to distribute income is determined by the performance of the fund and general market conditions. Accordingly, there is no guarantee that a fund will make a distribution in any distribution period.

Total Cost Ratio (TCR)

Managed Investment Schemes: The TCR for Managed Investment Schemes, Exchange Traded Products, and Investment Bond funds is an addition of the Investment Management Fees and Costs (including admin fees), Performance Fee Costs, and the impact of dollar-based fees.

Superannuation funds: The TCR for Superannuation and Pension funds is an addition of the Investment Management Fees and Costs (including admin fees), Performance Fee Costs, Administration Fees and Costs, the impact of dollar-based fees and a deduction of Super OTC Derivative Costs.

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