MLC Value Managed Accounts

Portfolio Changes

Effective Date: 18 August 2025

What changes have we made?

Several shifts to the portfolio asset and sub-asset allocations have been implemented across the value portfolio suites.

REDUCED
Australian Equities

INCREASED
Global Equities

INCREASED
Total growth allocations

REDUCED
Fixed Income & Cash

INCREASED
Currency Hedging

What's the rationale for these changes?

Our investment process, guided by the futures framework, has signalled changes in our forward outlook on various asset classes and their risk-reward opportunities.

- **Total growth asset exposure has been increased** by 0% to 4.2% depending on the portfolio risk profile, shifting total growth vs defensive positioning towards our neutral long-term SAA targets.

  Our most recent forward looking scenarios analysis suggests the tail risks of a sharp economic slowdown have now largely abated, with central banks gradually cutting rates, credit conditions easing, fiscal policy stimulus continuing to be accommodative alongside evidence of increasing consumer/business confidence.

  While the recent earnings season in the US showed little signs of slowdown, we recognise the potential for other quality companies in Europe and Asia (ex-China) to deliver improved outcomes, broadening equity return drivers beyond US mega caps. On the public policy side, while we see a continuation, and in some cases, increases in fiscal spending driving investment and consumer spending.

  We do however remain alert to a number of key risks including;

  - That the inflation threat may re-emerge across key markets, particularly should lagged tariff impacts appear in the US or should energy prices drive sticky inflation, most prominently in the UK, and to a lesser extent domestically.
  - That trade policy uncertainty affecting still impacts the US Fed's ability to inform policy decision making
  - That the prospect of continuing debt issuance threatens to deteriorate diversification attributes across major global developed bond markets; and
  - That many asset markets are fully valued within a historical context and are therefore highly sensitive to a change in monetary policy and earning direction.

  In summary, we believe the current combination of market factor and indicators is 'on balance' supportive of positive medium-term market returns in line with or in excess of portfolio return targets and therefore implies a neutral long-term asset allocation at present.

Total growth allocations (including a look through on property, infrastructure and alternative assets) now sit as follows:

Conservative 30	Moderate 50	Balanced 70	Growth 85	High Growth 98
30% (+0%)	50% (+2%)	70% (+2%)	85% (+3%)	95.6% (+4.2%)

- **Key asset class commentary**
  - **Australian equities** – Following on from our previous portfolio changes, we continue to see large cap ASX equity valuations as relatively unappealing, particularly against an earnings backdrop where global markets have delivered superior earnings growth.
  - **Global Equities** – We see medium-term valuation appeal in the Australian Dollar, driven by an outlook of positive commodity demand and the expectation that the US Dollar will weaken under continued trade uncertainty. This AUD appeal coupled with a perceived broadening out of earnings leadership beyond the US into other developed markets, drives our favourable outlook for hedged global equities, and the addition of risk to the portfolios.
  - **Fixed Income** – We see continuing and meaningful global bond issuance pressuring global fiscal policy towards a more narrow, common setting. This convergence combined with the potential for elevated issuance programs to keep yields higher, shape a less favourable view of the traditional diversification attributes of global fixed interest assets.

How are the changes being funded?

- The reduction of Australian equity exposure is being executed in the Moderate 50 portfolios upward, where large cap exposure was trimmed from a combination of the ASX 20 direct equity portfolio and the Vanguard Australian Shares ETF. In the High Growth 98 portfolio, half of the reduction is being redeployed into Australian small caps through the portfolio's Fairview allocation.
- The increase in growth exposure is largely achieved by an additional allocation to hedged global shares, executed within the Value series through the passive iShares Hedged International Equity Index Fund. The added exposure further increases the level of hedging within developed markets beyond unhedged exposure, and on a total portfolio level increases aggregate exposure to global developed market shares.
- The reduction of composite global bond exposure in the central three risk profiles has been funded from the portfolio's allocation to PIMCO Global Bond.
- There have been some adjustments made to the positioning of Bentham Global Income across the program, as we reduce, or in the case of High Growth 98, remove, the tactically elevated credit allocations.
- MLC Real Return Assertive has also been trimmed within the High Growth 98 portfolios.
- Note that the Conservative 30 portfolio remains unchanged.

Is there an impact on portfolio fees?

Owing to the attractive fee point negotiated, these changes to asset allocation and manager introduction will result in relatively minimal portfolio fee impacts, estimated at between +/- 2 basis points depending on the portfolio and platform in question.

When were the changes made?

The relevant trades were processed on or around the 18th of August 2025, noting that the actual trade execution dates and prices can differ depending on the processing times and policies of each investment platform.

Portfolio changes summary table

The below table outlines the estimated portfolio changes versus strategic target weights as of 18th August 2025.

Value Series	Conservative 30	Moderate 50	Balanced 70	Growth 85	High Growth 98
Australian Equities		**-1%**	**-1%**	**-1%**	**-1%**
Passive Direct Shares		-1%			-1%
Vanguard Australian Shares ETF			-1%	-1%	-1%
Fairview Emerging Companies Fund					+1%
Global Equities		**+3%**	**+3%**	**+4%**	**+8%**
iShares International Equity Index Fund					+1%
iShares Hedged International Equity Index		+3%	+3%	+4%	+7%
Fixed Income		**-2%**	**-2%**	**-3%**	**-3%**
PIMCO Global Bond Wholesale		-1%	-1%	-2%	
Bentham Global Income Fund		-1%	-1%	-1%	-3%
Alternatives and Other					**-4%**
MLC Real Return Assertive					-4%

Important Information

Portfolio changes outlined in this document are expected to be implemented by the client's platform, in due course.

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