



Fund Snapshot

MLC Wholesale Australian Share Fund

Fund Overview

About the Fund

The fund aims to outperform the S&P/ASX 200 Total Return Index, before fees, over 5 year periods..

The fund invests primarily in companies listed (or expected to be listed) on the Australian Securities Exchange (and other regulated exchanges), and is typically diversified across major listed industry groups. It may have a small exposure to companies listed outside of Australia from time to time.

Key Information

APIR Code MLC0262AU

Status Onsale

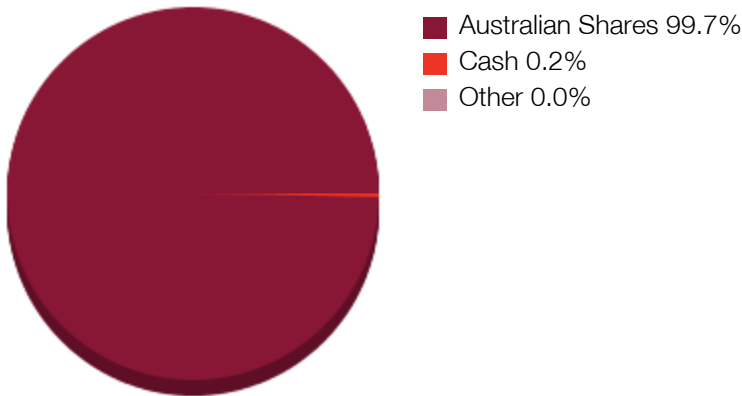
Product Size as at 30 Apr 2022
\$35.40M

Commencement Date
22 Jan 1998

Fund Breakdown

By Asset Class as at 30 Apr 2022

The information displayed reflects the actual asset allocation based on the holdings within the fund at the effective date.



By Manager as at 30 Apr 2022

Asset Class	Manager	Percentage	Investment Amount
Australian Shares	Alphinity	26.0%	\$2,604
	Antares	34.6%	\$3,461
	Northcape	23.2%	\$2,322
	Vinva	15.8%	\$1,583
Cash	Cash	0.2%	\$24
Other	Other	0.1%	\$6
Total		100.0%	\$10,000

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Stock Holdings

Top Stocks for Fund as at 31 Mar 2022

The Top Stocks for Fund have a one month reporting delay.

Stock Description	Industry	Country	Percentage	Investment Amount
BHP GROUP	Materials	Australia	12.1%	\$1,206
COMMONWEALTH BANK OF AUSTRALIA	Financials	Australia	7.1%	\$707
CSL	Health Care	Australia	5.9%	\$585
MACQUARIE GROUP	Financials	Australia	4.3%	\$429
NATIONAL AUST BANK	Financials	Australia	3.8%	\$381
WESTPAC BANKING CORPORATION ORD F/PD SHARES	Financials	Australia	3.5%	\$349
TRANSURBAN GROUP	Industrials	Australia	3.0%	\$302
ANZ BANKING GROUP	Financials	Australia	2.9%	\$292
TELSTRA CORP	Telecommunication Services	Australia	2.6%	\$257
WOOLWORTHS GROUP LIMITED	Consumer Staples	Australia	2.3%	\$227

Performance

Historical Performance

Absolute Fund Returns as at 30 Apr 2022

Returns for periods one year or greater are calculated on an annualised basis. All returns are calculated using end of month redemption prices assuming all distributions are reinvested and are net of management fees which may include administration fees, issuer fees and investment fees and prior to any individual tax considerations, and do not allow for initial entry fees.

The returns outlined below represent historical performance only and is not an indication of future performance. The value of an investment may rise or fall with changes in the market. Returns are calculated in accordance with FSC Standard No 6.

	3 month	6 month	1 Year	3 Years	5 Years	10 Years	Since Inception
Fund Performance	7.5%	2.6%	9.7%	10.0%	9.2%	10.0%	8.4%
Growth	7.3%	1.2%	-4.6%	0.9%	-1.1%	2.2%	0.1%
Distribution	0.2%	1.4%	14.4%	9.1%	10.4%	7.8%	8.3%

Value Since Inception - MLC MasterKey Investment Service Fundamentals





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Commentaries

Fund Commentary

Performance drivers and positioning of the fund for the recent calendar quarter are explained below. Our investment experts also provide regular investment updates at mlcam.com.au/insights

The Australian share market advanced over the March 2022 quarter. The S&P/ASX200 Total Return Index (market benchmark) returned 2.2% and the MLC Australian Share Fund returned 1.9% (before fees and tax) underperforming the market benchmark by 0.3%.

The trends we saw in January and February largely carried on into March, with a continued sell-off in growth and higher multiple companies and a rotation to value stocks. The notable exception to this was the bounce in technology stocks.

The February reporting season came and went without too many surprises. In general, Australian companies reported strong operating performance over the December half. Around half of all companies reporting beat earnings expectations, while a quarter were in-line. Notably, retail sales remained resilient and confidence in a post-COVID recovery in mobility was high.

The ASXs gain over the quarter was led by the Resource sector which rallied strongly as the prices of many commodities soared following the introduction of sanctions on Russian commodity exports following the invasion of Ukraine. The major banks also performed well on expectations of interest rate rises and the positive flow on effect this could have on their net interest margins.

The recent outperformance of Australian shares reflects a rotation towards markets with higher commodity exposure and strong governance. Iron ore rose 30% during the quarter to finish at US\$158 per tonne, along with strength in most other commodity prices. This provided a major boost to the Federal Budget and the government responded with a range of cash handouts to households.

The fund over one year returned 15.7% (before fees and tax) to 31 March 2022. This was 0.7% better than the market benchmarks 15.0% return and was due to the outperformance from a range of our appointed managers including Alphinity, Antares and Northcape.

Please refer to the Market commentary for an overview of what happened in other domestic and global markets over the quarter.

Stock story

One of our Australian shares managers, Northcape, provided the following stock story for one of the funds holdings, which you may find interesting:

During the quarter the portfolios exposure to **Woolworths** was reduced. This followed a period of outperformance that bought the stock closer to fair value, as well as a view that rising costs could impact near term profits. Discussions with suppliers confirmed that the COVID-19 pandemic was disrupting the efficiency of supermarket supply chains. We already knew from previous lockdowns that store costs would be elevated due to the requirement for extra cleaning and security precautions but that these would be exacerbated with both the two largest states of NSW and Victoria in lockdown.

We had no concerns with Woolworths level of sales, which we saw as continuing to gain market share but by being delivered largely via online (lower margins) this would further impact profits, especially as having to ramp up very quickly and to higher levels than previously experienced could further weigh on operating costs. In mid-December the company released a trading update largely confirming the above scenario and the share price fell close to 8% relative to the market, largely reflecting the downgraded numbers. We will continue to monitor the current operating environment to see if longer term value arises but for the near term we see better opportunities in other stocks. The quality of the franchise remains solid, management have performed reasonably well in very difficult circumstances and the medium term story remains sound.

Notes:

- As our investment managers are constantly reviewing and making changes to their holdings, this company may no longer be included in the portfolio.

- Commentary for this fund will be updated approximately three weeks after the end of the calendar quarter.

Market Commentary

Asset class returns to 30 April 2022

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Asset class	Calendar year-to-date	1 Month	3 Months	1 Year
Australian shares	1.4%	-0.9%	8.2%	10.2%
Global shares (hedged)	-11.6%	-6.9%	-7.3%	-3.1%
Global shares (unhedged)	-10.9%	-2.8%	-9.2%	2.8%
Emerging markets (unhedged)	-10.1%	-0.2%	-11.2%	-11.2%
Australian property securities	-6.1%	0.7%	3.7%	16.4%
Global property securities (hedged)	-7.4%	-4.0%	-2.0%	5.0%
Global listed infrastructure (hedged)	0.9%	-2.2%	3.7%	8.8%
Australian bonds	-7.3%	-1.5%	-6.3%	-7.5%
Global bonds (hedged)	-7.7%	-2.9%	-6.2%	-7.0%
Global high yield bonds (hedged)	0.1%	0.2%	-0.2%	2.7%
Australian inflation-linked bonds	-4.5%	-0.9%	-3.9%	-3.2%
Cash	0.0%	0.0%	0.0%	0.0%
AUD/USD	-2.3%	-5.4%	0.9%	-8.0%

Index data sources: Australian shares - S&P/ASX 200 Total Return Index; Global shares (hedged) - MSCI All Countries World (A\$ hedged) ; Global shares (unhedged) - MSCI All Countries World; Emerging markets - MSCI Emerging Markets; Australian property securities - S&P/ASX 300 LPT Accumulation Index; Global property securities - FTSE EPRA/NAREIT Developed (A\$ hedged); Global listed infrastructure (hedged) - FTSE Global Core Infrastructure 50/50 (Hedged \$A); Australian bonds - Bloomberg AusBond Composite 0+ Yr Index; Global bonds (A\$ hedged) - BCGA Global Agg (A\$ hedged); Global high yield bonds (A\$ hedged) - Composite of BCGA US Corp HY BB/B (A\$ hedged) & S&P LSTA BB/B Leveraged Loan Index; Australian inflation-linked bonds - Bloomberg AusBond Inflation Government 0+ Yr Index; Cash - Bloomberg AusBond Bank Bill Index, WM/Reuters Daily (4pm GMT).

Global

Global shares (unhedged) delivered a disappointing return of -9.2% for the three months to April 2022. Investors were initially concerned about persistent inflation pressures, rising bond yields and the signal from the US central bank that higher interest rates were coming in 2022. Russias invasion of Ukraine on 24 February then generated alarm in financial markets. The tragic loss of Ukrainian lives, the traumatic flight to safety westwards and Russian President Vladimir Putins decision to place nuclear forces on high alert cast a troubling shadow across Europe.

Wall Street made a sharp retreat from record highs set in early January. Inflation concerns dominated with US consumer price annual inflation reaching 8.5% in March. This is the highest inflation since 1981. US government bond yields rose sharply in response to these inflation risks, thereby denting investors previous optimism. The US Federal Reserve (Fed) responded by raising US interest rates by 0.25% in March and then signaling a further 0.5% increase was likely in May.

European shares also fell sharply in response to inflation concerns as well as the Ukraine crisis. The German DAX share index delivered a disappointing -8.9% return. Frances CAC was marginally more resilient with a decline of -6% with President Macron being re-elected.

Asian share markets also delivered very weak returns for the past three months. The MSCI China Index slumped by 14.2% (in local currency terms) given concerns over China's economic slowdown and the continued financial weakness of property development companies such as Evergrande. Japanese shares were a positive surprise with the Nikkei up 0.3% given the benefit of a sharply weaker currency.

Global bonds (hedged) delivered a weak -6.2% return for the quarter. Government bond yields have climbed as persistent inflation pressures is seeing central banks signal higher cash interest rates are likely.

Global high yield bonds (hedged) delivered a modestly negative -0.2% return. Investors have become cautious given rising inflation and weaker share markets.

Australia

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Australian shares have been remarkably resilient to the global political and inflation concerns. For the three months to April, Australian shares delivered an exceptionally strong 8.2% return. The Energy sector led the market with an extraordinary 22.2% gain as oil and gas prices surged in response to the Ukrainian conflict. Utilities also made extraordinary gains with a 21.6% return. The Resources sector made very strong gains (12%) with higher iron ore and metal prices. However, there was a disappointing return from the Information Technology (-5.2%) and Consumer Discretionary (-4.1%) sectors which struggled with rising bond yields and a more cautious assessment by investors.

Australia's economy appears to be improving judging by recent solid gains in business surveys, employment and spending. Yet surveys also show a more cautious consumer which appears due to rising inflation pressures.

Looking forward

Global economic activity was showing more promising signs entering 2022 given low interest rates and the virus threat moderating. However the troubling trio of rising inflation, higher interest rates and the conflict in Ukraine is now providing a more challenging investing climate. Investors face a difficult task in assessing these considerable inflation, interest rate and political risks this year.

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