MLC MasterKey Super Fundamentals

Fund Snapshot

MLC Diversified Debt Fund

Fund Overview

About the Fund

The MLC Diversified Debt Fund aims to outperform the composite benchmark of 50% Bloomberg AusBond Composite 0+ Yr Index and 50% Bloomberg Barclays Global Aggregate Total Return Index (hedged into Australian dollars), before fees and tax, over 3 year periods.

The fund is diversified across different types of fixed income securities in Australia and around the world. The securities are predominantly investment grade and typically longer dated. The average term to maturity is normally in the range of 3 to 6 years.
Foreign currency exposures will be substantially hedged to the Australian dollar.

Key Information

APIR Code MLC0842AU

Status Onsale

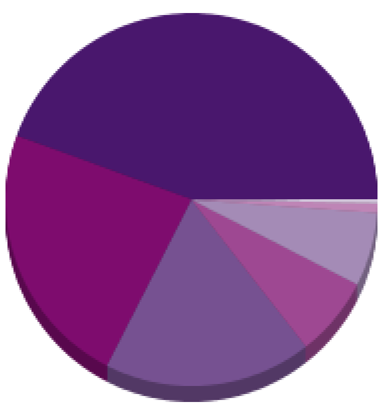
Product Size as at 30 Nov 2020
$33.69M

Commencement Date
2 Jun 2008

Fund Breakdown

By Asset Class as at 31 Dec 2020

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



- Australian Bonds 44.5%
- Global Non-Government Bonds (Hedged) 23.1%
- Global Multi-Sector Bonds (Hedged) 18.0%
- Global Government Bonds (Hedged) 7.1%
- Global High Yield Bonds and Loans (Hedged) 6.4%
- Cash 0.9%
- Other 0.1%

By Manager as at 31 Dec 2020

Asset Class	Manager	Percentage	Investment Amount
Australian Bonds	Antares	22.2%	$2,221
	UBS	22.3%	$2,228
Cash	Cash	0.9%	$94
Global Government Bonds (Hedged)	Insight	7.1%	$706
Global High Yield Bonds and Loans (Hedged)	Shenkman Capital	1.5%	$149
	TCW Asset Management	4.9%	$489
Global Multi-Sector Bonds (Hedged)	Amundi	9.0%	$902
	PIMCO	8.9%	$894
Global Non-Government Bonds (Hedged)	Loomis Sayles	11.1%	$1,112
	Muzinich	1.3%	$127
	Oaktree	0.9%	$89
	Wellington Management	9.8%	$979
Other	Other	0.1%	$12
Total		**100.0%**	**$10,000**

Performance

Historical Performance

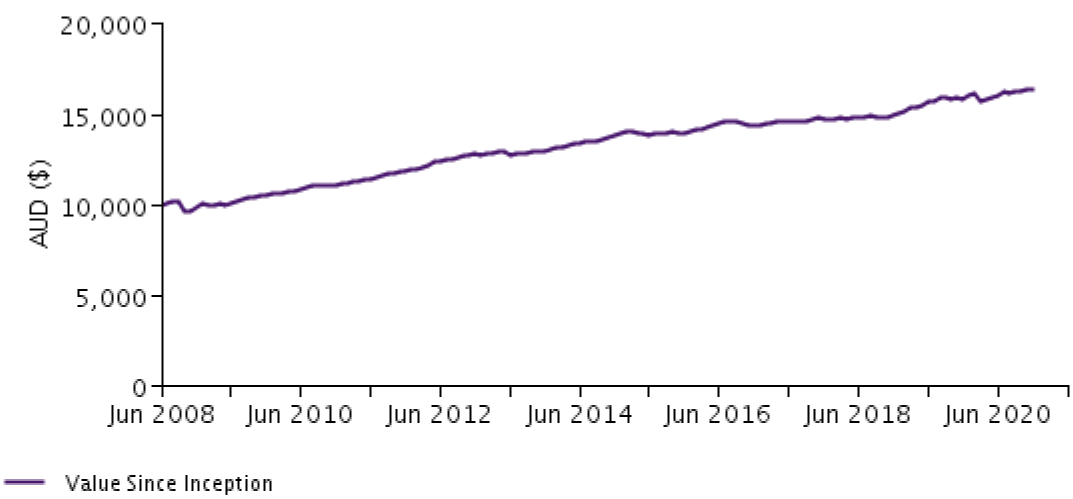
Absolute Fund Returns as at 31 Dec 2020

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	0.8%	2.1%	3.9%	3.7%	3.3%	4.0%	4.0%

Value Since Inception - MLC MasterKey Super Fundamentals



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 fund returned 1.6% for the quarter and 3.8% in the year to 30 September 2020 (before fees and tax). The fund outperformed the benchmark by 0.7% for the quarter and by 0.5% over the year.

Global government and corporate bonds have delivered solid returns over the past quarter. Assertive central bank bond buying and hopes for a virus vaccine has seen investors become more comfortable with credit risk. The revival in global share markets has also contributed to improving risk appetites.

With the extraordinarily low levels of government bond yields across the developed world (most notably Germany and Japan which are below 0% for long maturities), we have tilted the fund modestly towards credit assets where yields are higher and the interest rate risk (duration) is lower.

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

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

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Market Commentary

Asset class returns to 31 December 2020

Asset class	Calendar year-to-date	1 Month	3 Months	1 Year
Australian shares	1.4%	1.2%	13.7%	1.4%
Global shares (hedged)	11.0%	3.7%	12.2%	11.0%
Global shares (unhedged)	5.9%	-0.1%	6.5%	5.9%
Emerging markets (unhedged)	7.8%	2.5%	11.2%	7.8%
Australian property securities	-4.0%	0.6%	13.2%	-4.0%
Global property securities (hedged)	-13.7%	2.5%	10.6%	-13.7%
Australian bonds	4.5%	-0.3%	-0.1%	4.5%
Global bonds (hedged)	5.1%	0.3%	0.8%	5.1%
Global high yield bonds (hedged)	1.3%	1.2%	3.3%	1.3%
Australian inflation-linked bonds	4.5%	0.9%	2.0%	4.5%
Cash	0.4%	0.0%	0.0%	0.4%
USD/AUD	9.8%	4.7%	7.7%	9.8%

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); 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) continued their recovery with a very strong 6.5% return in the three months to December 2020. There was promising news on three vaccine candidates from Pfizer & BioNTech, Moderna and Oxford University and AstraZeneca. These hopeful vaccine signals outweighed concerns on the acceleration in new virus infection cases across Europe and the US.

Wall Street has surged to record highs. US political risk has moderated as challenger Joe Biden claimed a clear US Presidential election victory in November despite the protestations by the incumbent Donald Trump. Investors were also buoyed by the expectation that the new Democratic President Joe Biden would promote more fiscal spending measures but struggle to get the planned 7% corporate tax rise through the Republican controlled US Senate. However, the final two Senate seats in Georgia were decided in favor of the Democrats on 5 January. This could lead to some consternation in the new year on future US corporate tax rates.

Global economic data releases also provided encouragement in the closing months of 2020. Business surveys and employment gains were consistent with a global recovery continuing despite the virus threat.

European shares also made solid gains. Despite surging virus cases and activity restrictions being implemented across the European continent, markets placed their hopes on the vaccines.

Emerging market shares (unhedged) delivered an exceptionally strong 11.2% gain for the quarter. This surge was led by China (10.7%) and India (19.9%). Chinas assertive stimulus measures and the strong revival in industrial production have been key positives for the global financial markets and commodity prices.

Global bonds (hedged) delivered a positive 0.8% return for the quarter. Government bond yields have begun to gradually edge higher as investors became more confident of a global economic recovery.

Global high yield bonds (hedged) made a strong gain of 3.3% for the quarter. Credit spreads have narrowed given improving risk appetites due to the gains in global share markets and more promising economic indicators.

Australia

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Australian shares delivered an exceptionally strong 13.7% for the past three months. Apart from the positive global vaccine news and Melbourne ending its lockdown, further support from the Reserve Bank of Australia (RBA) was a tailwind to Australian shares. The RBA cut the cash interest rate to a historic 60 year low of 0.1% in November.

Australias Energy sector led the charge with a 26.3% gain as oil prices rebounded. Information Technology continued their surge with a 24.8% gain. Even the Financial sector joined in with a 22.8% gain with confidence that Australias economic recovery would reduce loan repayment deferrals.

Australias economy is showing optimistic signs that a durable recovery has started. Australias economy expanded by 3.3% in the September quarter from the deep -7% contraction in the June quarter. The recent revival in jobs and working hours has seen the unemployment rate edge down from 7.5% in July to 6.8% in November. Encouraging signs from business and consumer confidence surveys also suggests that a sustainable economic recovery has started.

Looking forward

There are encouraging signs that the global economy is recovering**.** Central banks and governments have assertively responded with extensive support measures including lower interest rates, asset purchases and wage subsidies**.** However, the coronavirus threat needs to be contained and vaccines need to be rapidly made available to ensure the green shoots of this global recovery prosper in 2021.
