



Pre Select commentaries

Quarter ended 31 March 2022

Contents

Economic and market commentary	1
Contributors to performance	2
Pre Select Conservative Fund	2
Pre Select Balanced Fund	2
Pre Select Growth Fund.....	3
Pre Select High Growth Fund	3

Economic and market commentary

Asset class returns to 31 March 2022

	1 Month	3 Months	1 Year	3 Years p.a.	5 Years p.a.	10 Years p.a.	FYTD
Australian shares	6.9%	2.2%	15.0%	10.6%	9.2%	10.2%	6.2%
Global shares (hedged)	2.3%	-5.1%	7.9%	12.3%	10.8%	11.7%	0.8%
Global shares (unhedged)	-1.3%	-8.4%	8.8%	11.7%	12.0%	13.6%	-0.1%
Emerging markets (unhedged)	-5.6%	-9.9%	-10.1%	3.0%	6.3%	6.7%	-15.6%
Australian property securities	1.4%	-6.7%	19.2%	6.0%	8.4%	12.6%	7.6%
Global property securities (hedged)	4.7%	-3.5%	15.7%	4.2%	5.9%	8.7%	6.1%
Global listed infrastructure (hedged)	6.9%	3.1%	14.2%	6.9%	7.9%	10.7%	11.5%
Australian bonds	-3.7%	-5.9%	-5.5%	-0.3%	1.9%	3.4%	-7.0%
Global bonds (hedged)	-2.1%	-5.0%	-4.0%	0.8%	2.0%	3.9%	-4.9%
Global high yield bonds (hedged)	0.1%	-0.1%	3.0%	3.2%	3.4%	0.0%	1.6%
Australian Inflation-linked bonds	-3.1%	-3.7%	-1.4%	1.8%	2.4%	3.0%	-2.7%
Cash	0.0%	0.0%	0.0%	0.5%	1.0%	1.8%	0.0%
AUD/USD	3.5%	3.3%	-1.4%	1.9%	-0.3%	-3.2%	0.0%

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); 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 (4 pm GMT).

Global

Global shares (hedged) delivered a weak return of -5.1% for the quarter ending 31 March 2022. Investors were initially concerned about persistent inflation pressures, rising bond yields and the signal from the US central bank that higher interest rates are coming in 2022. Russia's 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 Putin's decision to place nuclear forces on 'high alert' cast a troubling shadow across Europe.

Wall Street made new record highs in early January given expectations for strong corporate profits and low interest rates continuing in 2022. However, the US Federal Reserve (Fed) then dented this optimism by signaling that US

interest rates are set to rise. Inflation concerns then dominated with US consumer price annual inflation for February at 7.9% being the highest since 1982. US government bond yields rose sharply in response to these inflation and interest rate concerns.

European shares also fell sharply in response to inflation concerns as well as the Ukraine crisis. The German DAX share index delivered a disappointing -9.3% return while France's CAC fell by -6.7%.

Asian share markets also delivered weak returns for the past three months. The MSCI China Index fell 13.9% (in local currency terms) given concerns over China's economic slowdown and the financial weakness of property development companies such as Evergrande. Japanese shares also declined with the Nikkei down by -2.5%.

Global bonds (hedged) delivered a weak -5% return for the quarter. Government bond yields have climbed as persistent inflation pressures is seeing central banks signal higher cash interest rates are likely over coming years.

Australia

Australian shares provided a solid 2.2% return in the three months to March 2022. The Energy sector led the market with an extraordinary 28.6% gain as oil and gas prices surged in response to the Ukrainian conflict. The Resources sector also made very strong gains (20.4%) with higher iron ore and metal prices. However, there were some disappointing returns from the Information Technology (-13.7%) and Health Care (-10.1%) 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 confront a difficult task in assessing these considerable inflation, interest rate and political risks.

Contributors to performance

Pre Select Conservative Fund

The Fund returned -2.3% for the quarter (before fees) and 2.1% for the year.

Key contributors to performance for the quarter ended 31 March 2022 are:

- The Australian shares strategy produced a solid return of 2.0% for the March quarter. The gains over the quarter were led by the Resources 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 infrastructure strategy in Inflation Plus has produced a strong return of 3.6% this quarter. Airports have been stronger with healthy earnings following the lifting of international travel restrictions. Railroads have also performed strongly on the view that higher commodity prices would be supportive of North American freight rail operators.

Note: Returns for the asset classes above are before fees and tax.

Pre Select Balanced Fund

The Fund returned -2.6% for the quarter (before fees) and 4.3% for the year.

Key contributors to performance for the quarter ended 31 March 2022 are:

- The Australian shares strategy produced a solid return of 2.0% for the March quarter. The gains over the quarter were led by the Resources 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 infrastructure strategy in Inflation Plus has produced a strong return of 3.6% this quarter. Airports have been stronger with healthy earnings following the lifting of international travel restrictions. Railroads have also performed strongly on the view that higher commodity prices would be supportive of North American freight rail operators.

Note: Returns for the asset classes above are before fees and tax.

Pre Select Growth Fund

The Fund returned -3.1% for the quarter (before fees) and 6.6% for the year.

Key contributors to performance for the quarter ended 31 March 2022 are:

- The Australian shares strategy produced a solid return of 2.0% for the March quarter. The gains over the quarter were led by the Resources 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 infrastructure strategy in Inflation Plus has produced a strong return of 3.6% this quarter. Airports have been stronger with healthy earnings following the lifting of international travel restrictions. Railroads have also performed strongly on the view that higher commodity prices would be supportive of North American freight rail operators.

Note: Returns for the asset classes above are before fees and tax.

Pre Select High Growth Fund

The Fund returned -3.2% for the quarter (before fees) and 8.7% for the year.

Key contributors to performance for the quarter ended 31 March 2022 are:

- The Australian shares strategy produced a solid return of 2.0% for the March quarter. The gains over the quarter were led by the Resources 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 infrastructure strategy in Inflation Plus has produced a strong return of 3.6% this quarter. Airports have been stronger with healthy earnings following the lifting of international travel restrictions. Railroads have also performed strongly on the view that higher commodity prices would be supportive of North American freight rail operators.

Note: Returns for the asset classes above are before fees and tax.



Important information

This information is provided by Navigator Australia Limited (ABN 45 006 302 987, AFSL 236466), part of the Insignia Financial Group of companies (comprising Insignia Financial Ltd ABN 49 100 103 722 and its related bodies corporate) ('Insignia Financial Group').

This information may constitute general advice. It has been prepared without taking account of an investor's objectives, financial situation or needs and because of that an investor should, before acting on the advice, consider the appropriateness of the advice having regard to their personal objectives, financial situation and needs.

You should obtain a Product Disclosure Statement (PDS) relating to the financial products mentioned in this communication issued by Navigator Australia Limited, and consider it before making any decision about the product. A copy of the PDS is available upon request by phoning the MLC call centre on 132 652 or on our website at mlc.com.au.

No member of the Insignia Financial Group guarantees or otherwise accepts any liability in respect of any financial product referred to in this communication.

The capital value, payment of income, and performance of any financial product referred to in this communication are not guaranteed. An investment in any such financial product referred to in this communication is subject to investment risk, including possible delays in repayment of capital and loss of income and principal invested.

Past performance is not a reliable indicator of future performance. The value of an investment may rise or fall with the changes in the market. The performance returns in this communication are reported before deducting management fees and taxes unless otherwise stated.

This information is directed to and prepared for Australian residents only.

Navigator Australia Limited may use the services of any member of the Insignia Financial Group where it makes good business sense to do so and will benefit customers. Amounts paid for these services are always negotiated on an arm's length basis.

The investment managers are current as at the date this communication was prepared. Investment managers are regularly reviewed and may be appointed or removed at any time without prior notice to you.
