MLC Value Model Portfolios

Portfolio Change Note

6th November 2026

What changes have we made?

REDUCED
Large Cap Global Equities

NEW SUB ASSET CLASS
Global Small Companies

NEW MANAGER
Janus Henderson Equities

Why are we adding a global small companies exposure?

From a portfolio construction perspective, we see several attractive reasons for introducing a strategic allocation to global small companies:

- **Differentiated opportunity set**: The global small-cap universe includes approximately 4,000 developed-market companies, providing access to many specialist businesses and industries with limited representation in large-cap indices.
- **Diversification from large-cap concentration**: Global large-cap indices have become increasingly concentrated in a small number of companies and dominated by a handful of industries. At the end of October 2026, the ten largest stocks represented 26.6% of the MSCI World Index compared with just 2.4% of the MSCI World Small Cap Index.
- **Greater exposure to M&A**: Smaller listed companies have historically represented a significant proportion of acquisition targets. While M&A activity varies over time, this provides another potential source of returns that is less prominent among the world's largest companies.
- **Sound underlying fundamentals**: Smaller companies are sometimes assumed to be universally more highly leveraged or financially fragile than larger businesses. The aggregate market data presents a more nuanced picture with quality global small caps comparing very favourably on debt and cash flow metrics vs large cap peers. large companies.
- **The Long-term market cycles**: Small and large companies experience extended periods of relative leadership. Since the early 2019, MSCI global small caps have lagged the large cap dominated index by approximately 4.1%p.a. leaving them around 73% behind cumulatively. This prolonged divergence between small and large cap performance has pushed global small-cap relative performance towards historical lows
- **Historically attractive entry point**: Global small-cap equities have historically commanded a PE valuation premium over large caps (averaging 7-11% depending on period). The multi-year macro headwind of aggressive interest rate hikes forced a massive multi-decade valuation divergence. While smaller companies have recovered from the April 2025 market lows, The current forward P/E and price to book discounts vs global large cap equities still represents a potentially attractive entry point relative to those available over the past 20 years

Who did we select to manage the allocation?

The small cap universe is broader and less efficiently researched than large-cap equities, with greater dispersion between the strongest and weakest companies. This creates greater opportunity for skilled managers to identify high-quality businesses at attractive valuations, while avoiding higher-risk companies that may carry greater financial and operational challenges. For these reasons, we believe global small companies are particularly well suited to active management, where disciplined research and stock selection can increase the likelihood of delivering positive risk-adjusted excess returns.

We have selected Janus Henderson to manage this portion of the portfolio. Janus Henderson is a global active investment manager with a history dating back to 1934. The firm had more than 2,000 employees, 350 investment professionals globally and total client asset under management exceeding $700bn AUD.

The Global Small Cap strategy is led by Nick Sheridan, supported by experienced regional small-cap specialists covering the US, Europe, Japan and Asia. The strategy looks for quality, high-return smaller companies whose valuations do not fully reflect their long-term potential. It combines systematic screening of a very broad universe with fundamental research by local investment teams, resulting in a diversified portfolio of around 100 to 125 small cap companies.

Why did we select them?

We believe this manager and their approach tick several boxes for our investors

- Dispassionate and disciplined screening for opportunities, followed by deep fundamental research across the largest and least efficient segment of global equities
- Geographically neutral, with regional expertise ensuring exposures are diversified, with sector and region not overly tilted away from benchmark.
- Portfolio is well diversified using a combination of quant and fundamental research, limited style bias and stock selection the main driver of returns
- Relatively new underlying strategy (7 yrs) but led by a combination of the highly experienced Nick Sheridan and individual regional PMs
- Will be accessed for MLC investors at a cost close to passive retail alternatives, with future FUM capacity also reserved for MLC.

How are we implementing this exposure within the managed accounts?

The allocation will be implemented through the MLC Access Global Small Companies Fund, with Janus Henderson managing the underlying global small-company strategy. Advisers and clients will therefore see the MLC Access Fund as the holding within the managed account, while reporting will continue to provide transparency on the underlying manager and exposure.

The Access Fund allows us to use our full scale and manager relationships to access the strategy through an institutional mandate with highly competitive investor pricing and capacity reserved for MLC investors. It changes how we implement the exposure, not our investment approach or the role the exposure plays within the portfolio.

What's being reduced to fund this allocation?

This new allocation will be funded from existing iShares International Equity fund holdings.

This portfolio change is part of a broader portfolio review with additional portfolio trades commencing in the coming weeks. Please refer to the dedicated portfolio review microsite at https://www.mlcam.com.au/smaenhancements for a detailed timeline and additional supporting information.

Additions	Moderate 50	Balanced 70	Growth 85	High Growth 98
MLC Access Small Companies Fund	+2.0%	+3.0%	+3.0%	+4.0%
iShares Intl Equity Index Fund	-1.0%	-1.5%	-1.5%	-2.0%
iShares Intl Equity Index Fund (hedged)	-1.0%	-1.5%	-1.5%	-2.0%

The approximate portfolio change amount is not a guarantee of a change to a client's portfolio. There may be differences between the Model Portfolio and a client's portfolio due to the timing and transaction prices for portfolio changes, client investments and withdrawals during the period, timing of receipt of dividends and income distributions, platform administration fees, transactional costs associated with the client's portfolio, and any portfolio exclusions required by the client.

When will the changes take place?

This portfolio change is part of a broader review of global share managers within the portfolio, with additional changes to occur over the coming months. The implementation of each access fund trade is dependent on the readiness of the wrap platforms.

The diagram below outlines the estimated trade window for each platform.



What's the impact on total portfolio fees?

Introducing a fully active specialist global small cap allocation results in **a marginal but temporary increase** in total expected portfolio fees, as the allocation is funded from low-cost iShares international equity index funds. This total is estimated at less than 2 basis points across all impacted portfolios.

Note however that this allocation is occurring within the scope of a broader set of portfolio changes in global equites and alternative assets. Once all planned changes are implemented, we expect total portfolio fees for the value series managed accounts to remain consistent with the level prior to access fund inclusion.

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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