MLC Premium Managed Accounts

Portfolio Changes

Effective Date: 27th May 2026

What changes have we made?

We have removed the Antares Ex-20 Australian Shares fund from portfolios, shifted from a dedicated mid-cap domestic equity exposure and reallocated these funds to a new core style replacement manger.

ADDED	REMOVED	REDUCED
Alphinity Australian Shares Fund	*Antares Ex-20 Australian Shares*	*Total Portfolio Costs*

What is the rationale for these changes?

This change has been driven by two related drivers: the sustained underperformance of the Antares Ex-20 Australian Equities Fund, the difficulty in sourcing an alternative ex-20 manager and our scenarios-based view on the current macroeconomic environment and its potential challenges for domestic mid-caps.

1. **Antares - manager performance and a replacement challenge**

   Antares Ex-20 has delivered inconsistent and ultimately disappointing outcomes over the past 24 months and has been subject to heightened watchlist monitoring for an extended period now. Our assessment has concluded that this underperformance was structural in nature, driven by the investment process itself and not one on more exogenous factors. As such, the decision was made to seek a potential replacement for this manager.

   Herein lines our second challenge, our assessment of alternative ex-20 managers failed to produce an option that combines sufficient conviction in the investment team and process, a demonstrable track record, and an appropriate fee structure commensurate with a place within the Premium Series portfolios.

2. **Macroeconomic environment - cyclical headwinds for the ex-20 segment**

   Further to our manager replacement challenge, while the long-term structural case for mid-cap exposure remains largely intact, we believe there are several scenarios over the short to medium term under which the ex-20 segment continues to face headwinds, supporting a cyclical decision to reduce the deliberate mid-cap overweight at this point in the cycle, these include:

   Multiple compression risk: The ex-20 universe carries a larger concentration in high-multiple growth names (think WiseTech, Xero, TechnologyOne & Pro Medicus) that are disproportionately sensitive to the interest rate environment. With the RBA cash rate at elevated levels and rate-cut expectations pushed out, duration pressure on long-dated earnings streams remains a live risk. Many of these names experienced material deratings through late 2025 and have only partially recovered.

Earnings delivery risk: The earnings hurdles embedded in elevated ex-20 growth stock valuations remain demanding amid softening global growth, increasing AI-driven competitive disruption to software businesses, and domestic consumer pressure. The February 2026 reporting season confirmed this risk is real, with several high-multiple names missing expectations and guiding lower.

Small caps offer better relative value: Australian small-cap valuations sit near multi-decade lows relative to large caps, with FY26 earnings growth for smaller companies expected to outpace the broader index. For exposure to the higher-growth segment beyond the top 20, we believe the current risk-reward in small caps outweighs that in ex-20 mid-caps. We therefore retain dedicated active small-cap exposure via Fairview while leaning out of the mid-cap overweight.

Ultimately, this is a cyclical positioning decision rather than a structural abandonment of the mid-cap thesis. We retain scope to re-establish a more deliberate mid-cap allocation when the valuation and macro backdrop is more supportive, noting that the newly appointed Alphinity strategy also retains flexibility within its mandate to implement a similar mid-cap tilt.

Who is Alphinity, what is their strategy and why were they selected?

Alphinity was selected on three grounds: manager quality, complementarity with the existing manager cohort, and access to a highly attractive fee point owing to MLC's existing relationship and investment scale.

Manager quality

Alphinity Investment Management is a founder-led, majority staff-owned boutique established in 2010. The strategy targets quality, undervalued companies entering earnings upgrade cycles, using a proprietary Composite Research Model that blends quantitative and fundamental inputs. The process is disciplined, repeatable, and independently validated. Alphinity's capabilities are well known to MLC, given our exposure to the manger within other MLC investment programs.

Interaction with the existing manager cohort

Each manager in the Premium Series Australian equities allocation plays a distinct role, which is preserved under the new structure:

- **ClearBridge (Active Direct - unchanged)**. Concentrated large-cap portfolio with a quality-yield focus and after-tax optimisation via franking credits and capital gains management. Deliberately avoids the high-multiple growth names under cyclical pressure.
- **Alphinity (Active All-Cap)**. Earnings-upgrade driven and GARP-oriented, providing genuine stylistic differentiation from ClearBridge. Hard sector limits (±7.5%) and daily independent risk monitoring provides enhanced portfolio construction discipline, supporting a more resilient Australian Equities program. Critically, Alphinity's all-cap mandate can selectively extend into mid-cap names when earnings upgrades support it – without being required to hold them when they do not.
- **Fairview (Active Small Cap - unchanged)**. Dedicated, growth-biased small-cap alpha. Its role as the deliberate complement to the larger-cap components is unchanged, and it provides exposure to the segment currently offering the most attractive valuation entry point.

What are the underlying portfolio impacts?

	Premium Conservative 30	Premium Moderate 50	Premium Balanced 70	Premium Growth 85	Premium High Growth 98
Australian shares					
Antares Ex-20 Australian Equities Fund	-	-	-2.0%	-4.0%	-5.0%
Alphinity Australian Share Fund	-	-	+2.0%	+4.0%	+5.0%

Look-through implications: Replacing a dedicated ex-20 mandate with an active all-cap manager produces a deliberate shift in the Australian equities market-cap profile, with the sleeve moving modestly toward large caps (large ~62% to ~69%, mid ~27% to ~22%, small ~10% to ~9%).

The reduction in mid-cap weight reflects both the removal of the dedicated ex-20 fund and the cyclical decision to reduce the deliberate mid-cap overweight. The ~22% mid-cap exposure that remains is an active outcome of Alphinity's earnings upgrade process rather than a mandate floor, it can increase when conditions support it. Small-cap exposure via Fairview is unchanged and the small total reduction in portfolio small cap exposure was driven by residual exposure within the ex-20 strategy.

Portfolio fee impact

Despite the highly attractive fee point of the new strategy, current allocations within portfolios remain small and so the changes resulted in only a minor reduction in overall portfolio fees across most wrap platforms.

Expand Wrap, Panorama, Macquarie Wrap, AMP North & Hub24				
MLC Premium Conservative 30	MLC Premium Moderate 50	MLC Premium Balanced 70	MLC Premium Growth 85	MLC Premium High Growth 98
-	-	-0.00%	-0.01%	-0.01%

Netwealth investors are currently invested in the standard rate Alphinity unit trust as these platforms are unable to apply customised rebates. MLCAM is working with the platforms and Alphinity to deliver a fee reduction to investors as soon as practical. Again, given the relatively small portfolio weights, total portfolio cost changes for NetWealth are minor.

NetWealth Wrap				
MLC Premium Conservative 30	MLC Premium Moderate 50	MLC Premium Balanced 70	MLC Premium Growth 85	MLC Premium High Growth 98
-	-	+0.01%	+0.01%	+0.02%

Important Information

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

This communication has been prepared by MLC Asset Management Pty Ltd (MLCAM) (ABN 44 106 427 472, AFSL 308953), 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'). No member of the Insignia Financial Group guarantees or otherwise accepts any liability in respect of any financial product referred to in this communication or MLCAM's services.

This publication is intended only for financial advisers. MLCAM provides this information to advisers and other Australian financial services licenses in connection with its distribution of MLC Managed Accounts Strategies. MLCAM does not provide and is not responsible for any financial product advice or service a financial adviser may provide or provides to its clients relying on this information, and any financial services or advice provided to clients by platform operators which include MLC Managed Accounts Strategies on its investment menu.

This information may constitute general financial advice. It has been prepared without taking account of an investor's objectives, financial situation or needs and because of that a financial adviser and investor should, before acting on the advice, consider the appropriateness of the advice having regard to the investor's personal objectives, financial situation and needs. Any opinions expressed in this communication constitute our judgement at the time of issue and are subject to change. We believe that the information contained in this communication is correct and that any estimates, opinions, conclusions or recommendations are reasonably held or made as at the time of compilation. In some cases, the information has been provided to us by third parties. While it is believed the information is accurate and reliable, the accuracy of that information is not guaranteed in any way.

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.

Any projection or other forward-looking statement (Projection) in this communication is provided for information purposes only. No representation is made as to the accuracy or reasonableness of any such Projection or that it will be met. Actual events may vary materially. Opinions constitute our judgement at the time of issue and are subject to change. Neither MLCAM nor any member of the Insignia Financial Group, nor their employees or directors give any warranty of accuracy, not accept any responsibility for errors or omissions in this publication.

MLC Managed Accounts Strategies are available via investment platforms. Please refer to the MLC Asset Management website (www.mlcam.com.au) for a full list of platform availability. You should obtain a Product Disclosure Statement relating to the investment platform and consider it before making any decision about whether to acquire or continue to hold interests in the Model Portfolios.

MLCAM 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.