MLC ASSET MANAGEMENT

When life changes, investment priorities change too: why real returns matter in retirement

October 2026

Inflation does not retire when investors do.

As investors approach or enter retirement, their priorities likely change with the focus shifting from building wealth to one that emphasises preserving what their accumulated wealth can buy.

That's why the breadth of investments we offer stands in stark contrast to a 'one size fits all' approach.

After decades of saving, many investors become less focused on chasing the highest possible return. The question becomes: how do they protect what they've built while ensuring their money continues to work for them?

Investors need to manage both risks. In our view, successful investing is not just about capturing gains in rising markets. Limiting losses during market downturns[1] is equally important.

Investors also need to be mindful of inflation. While drawdowns can damage portfolios quickly, inflation works more quietly, and over time can erode the purchasing power of savings and income.

Recognising these challenges, we developed the MLC Real Return portfolios.[2]

Performance over the past seven years[3] shows these portfolios have generated returns above inflation while limiting the risk of negative returns.

The MLC Real Return Assertive portfolio's performance during periods of market stress supports this, with the portfolio generally experiencing less severe drawdowns than funds with similar or lower allocations to growth assets.

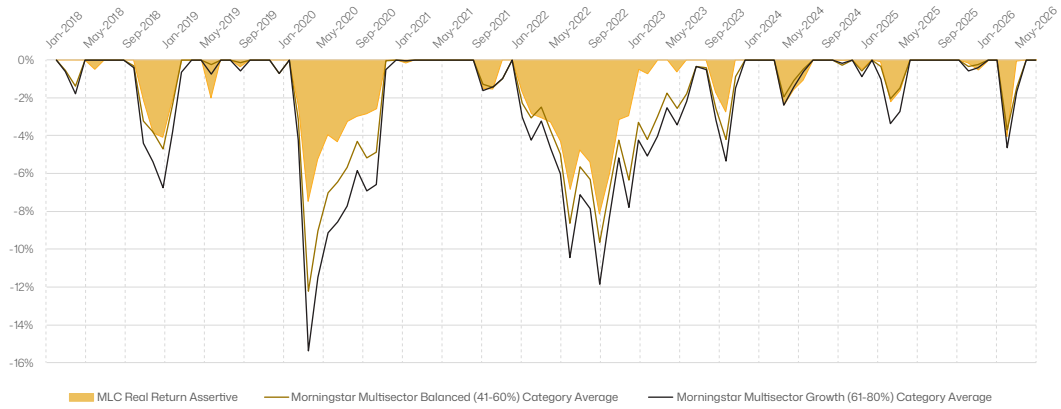
This is evidenced in **Chart 1** with MLC Real Return Assertive often outperforming during market downturns against the Morningstar Multisector Balanced and Growth fund peer universes. These peer groups typically comprise funds with fewer asset allocation levers than the MLC Real Return funds, which are characterised by a high degree of asset allocation flexibility –- both via a dynamic asset allocation approach as well as wide investible asset class ranges.

Importantly, this downside protection has not come at the expense of long-term returns. Over the seven years to 30 June 2026, the MLC Real Return Assertive portfolio delivered returns broadly in line with the Morningstar Multisector Growth Category Average, and meaningfully ahead of the inflation rate **(Chart 2)**.

In other words, the portfolio has delivered growth-fund-like returns with balanced-fund-like risk **(Charts 1 and 2)**. The result has been strong risk-adjusted returns for investors seeking to protect the wealth they have built while keeping their money working for them.

Chart 1: Milder drawdowns experienced

MLC Real Return Assertive: drawdown analysis (January 2018 – June 2026)



Source: MLC Asset Management and FactSet. Past performance is not indicative of future performance

[1] A drawdown measures the fall from a market peak to the subsequent trough

[2] MLC Real Return portfolios referenced in this article are – MLC Real Return Assertive, and MLC Real Return Moderate

[3] See https://www.mlcam.com.au/our-investment-managers/mlc/resources/flyers for performance details for the MLC Real Return portfolios

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Chart 2: Strong risk-adjusted returns ahead of inflation have been achieved.

MLC Real Return Assertive: performance (net of fees to 30 June 2026)

	1 year (%)	3 years (% pa)	5 years (% pa)	7 years (% pa)
Morningstar Multisector Balanced (41-60%) Category Average	8.0	8.7	5.4	5.7
Morningstar Multisector Growth (61-80%) Category Average	8.6	9.9	6.2	6.8
Inflation Rate (Consumer Price Index)	3.9	3.3	4.4	3.6
MLC Real Return Assertive (68/32)*	9.2	9.2	6.6	6.8

Source: MLC Asset Management and Morningstar. Performance is net of investment management fees and costs. Past performance is not indicative of future performance. Actual returns may vary from any target return and there is a risk that the investment may achieve lower than expected returns.
*Growth/Defensive (G/D) split shown in brackets ( ). Based on the 7-year average for Real Return Assertive to 30 June 2026.
Inflation data, as measured by quarterly changes in the Australian Consumer Price Index, is sourced from https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/latest-release, "TABLE 17. CPI: Quarterly All Groups, Index numbers and Percentage change."

Markets fall more often than might be assumed

Investment professionals live in a world of comparative returns. Performance tables, benchmarks and rankings create a steady drumbeat, and the top-line number can begin to look like the only number that matters.

But investors don't experience returns as percentages on a page. They experience them through the journey. If an investment falls 50% in value, it must rise 100% simply to recover.

Long-running bull markets have a habit of making risk feel distant. The COVID sell-off of 2020 and the inflation-driven bear market of 2022 were blunt reminders that strong long-term markets can still be interrupted by sudden, severe volatility.

For investors approaching retirement, or already drawing on their savings, limiting the damage through those periods may matter as much as participating in rising markets. Losses early in retirement can be particularly difficult to recover from when withdrawals continue.

Those episodes stand out, but drawdowns are not unusual (Chart 3). Since 1928, the S&P 500 Index has recorded 73 "qualifying drawdowns", including 12 bear markets, defined as falls of 20% or more.

Put another way, across almost a century, the world's most closely watched sharemarket index has fallen by at least 5% in most years. While the next setback cannot be timed with confidence, portfolios can still be built with it in mind.

Chart 3: Market downturns are frequent

Significant US share market (S&P 500) falls since 2019

Period of drawdown	Depth of fall (%)
2026: 27 Jan – 30 Mar	-9.1
2025: 28 Oct – 20 Nov	-5.1
2025: 19 Feb – 8 Apr	-18.9
2024: 16 Jul – 4 Aug	-8.5
2024: 28 Mar – 19 Apr	-5.5
2022: 3 Jan – 12 Oct	-25.4
2021: 2 Sept – 4 Oct	-5.2
2020: 2 Sept – 23 Sept	-9.6
2020: 19 Feb – 23 Mar	-33.9
2019: 26 Jul – 14 Aug	-6.10

Source: S&P 500. Historical Drawdowns – Every Deep Fall Carries a Name, S&P 500 Drawdown History: Every Bear Market & Correction Since 1928 · History of Market

How inflation silently chips away at wealth

The inflation surge of recent years made the damage caused by rising prices hard to miss. Yet inflation does not need to be spectacular to be corrosive. Even the Reserve Bank of Australia's 2–3% target range can steadily erode wealth.

Consider $100,000 earning no return for 10 years. The account balance may not change, but what that money can buy certainly does.

At annual inflation of 2–3%, the statement balance would still read $100,000, but its purchasing power would fall to roughly $82,000–$74,000 in today's money **(Chart 4)**. Between one-fifth and one-quarter of its real value would be gone.

4 "Qualifying drawdown" in this context means market declines of 5% or more from a previous peak. S&P 500. Historical Drawdowns – Every Deep Fall Carries a Name, S&P 500 Drawdown History: Every Bear Market & Correction Since 1928 · History of Market

5 Ibid

Chart 4: Loss of purchasing power from modest inflation

Average Inflation	Purchasing power after 10 years
2.0%	$82,035
2.5%	$78,116
3.0%	$74,409

Source: MLC Asset Management

That is a strong case for treating real returns as an 'always-on' concern, particularly for investors approaching or living in retirement.

How we address the twin threats of drawdowns and inflation

The problem is plain enough. The harder question is how to pursue returns above inflation without leaving a portfolio overly exposed when markets fall.

The first lever is flexibility. Unlike a traditional balanced fund anchored to a strategic asset allocation, the MLC Real Return portfolios can move across wider growth and defensive ranges and adjust individual asset-class exposures as risks and opportunities change. This gives our portfolio managers more room to reduce dependence on expensive or vulnerable markets, or to add risk when prospective returns improve.

The second is genuine diversification. The portfolios invest in return streams that are not tightly tied to shares, bonds or property. These include insurance-related investments as well as opportunistic capital solutions, which can invest across public and private markets and are currently focused mainly on niche, often collateral-backed credit.

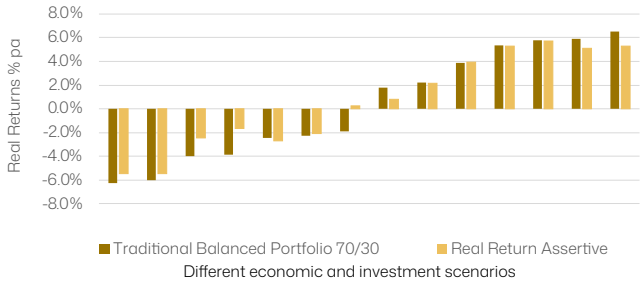
Used alongside tailored shares and derivatives, these strategies widen the sources of return and provide tools to manage downside risk. No single holding does the job. Together, greater allocation freedom and differentiated return drivers give the portfolios a better platform for pursuing purchasing power while seeking to limit large losses.

The historical results for the MLC Real Return Assertive portfolio are shown in **chart 2**. Looking ahead, MLC's scenario analysis indicates that Real Return Assertive is expected to produce a narrower range of outcomes than a traditional balanced portfolio across a variety of market environments **(Chart 5)**.

These are modelled expectations, not promises. However, they illustrate what the portfolio is designed to do: pursue worthwhile real returns with less reliance on any single market outcome

Chart 5: Expectation for less volatility and more certainty

Potential return outcomes: 3-year forward % pa (real returns, gross of fees)



Source: MLC Asset Management Services Limited. The returns in the above diagram are modelled using MLC Asset Management's scenarios framework and are based on the target asset allocations for MLC MultiActive Balanced (Traditional Balanced Portfolio) and MLC Real Return Assertive as at 1 June 2026. The framework generates potential outcomes in different scenarios based on different market conditions with varying degrees of influence to the main sources of return uncertainty. Target asset allocations aren't actual asset allocations. This diagram showcases the investment management philosophy and process behind MLC Real Return Assertive, and it shouldn't be used as any indication of the portfolio's actual and/or future returns. Actual returns may vary significantly.

Success is not simply about achieving growth. It's also about maintaining purchasing power, navigating market setbacks and helping savings continue to support the lifestyle investors worked hard to build.

Discover more about MLC Real Return.

Important information

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