A new investment order

James Kingston, BlackRock

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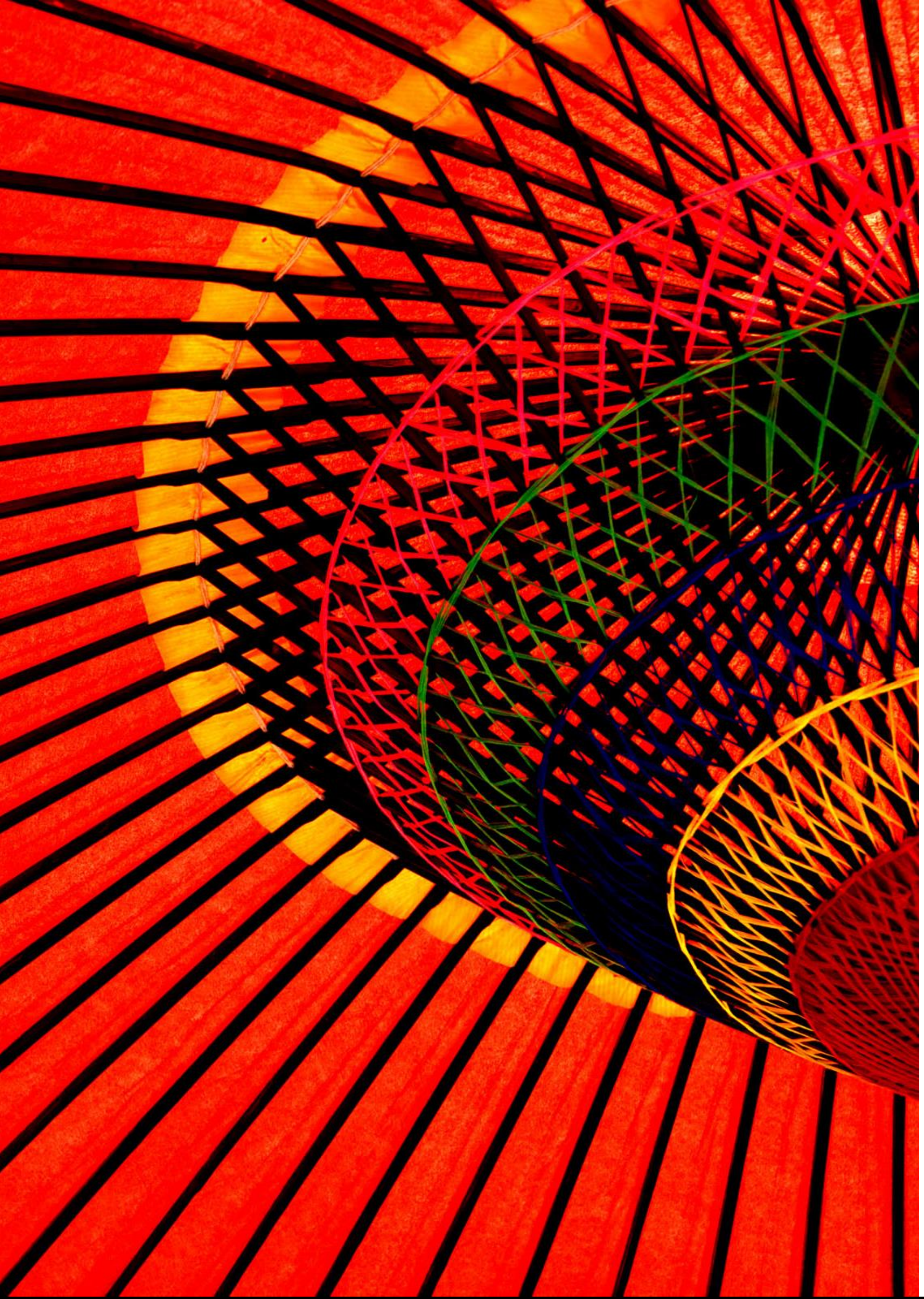
Head of BlackRock Portfolio Analysis & Solutions APAC

February 2021

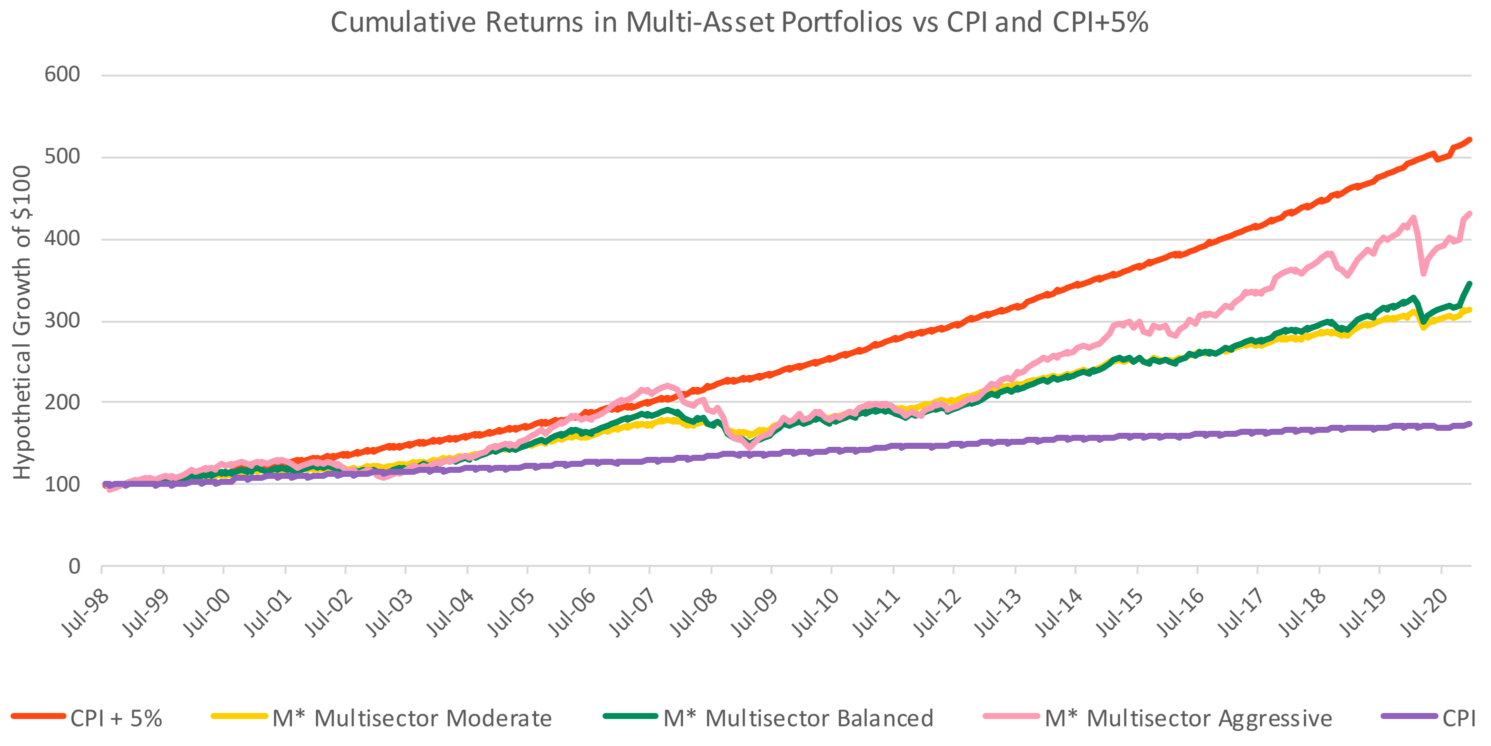
BlackRock®

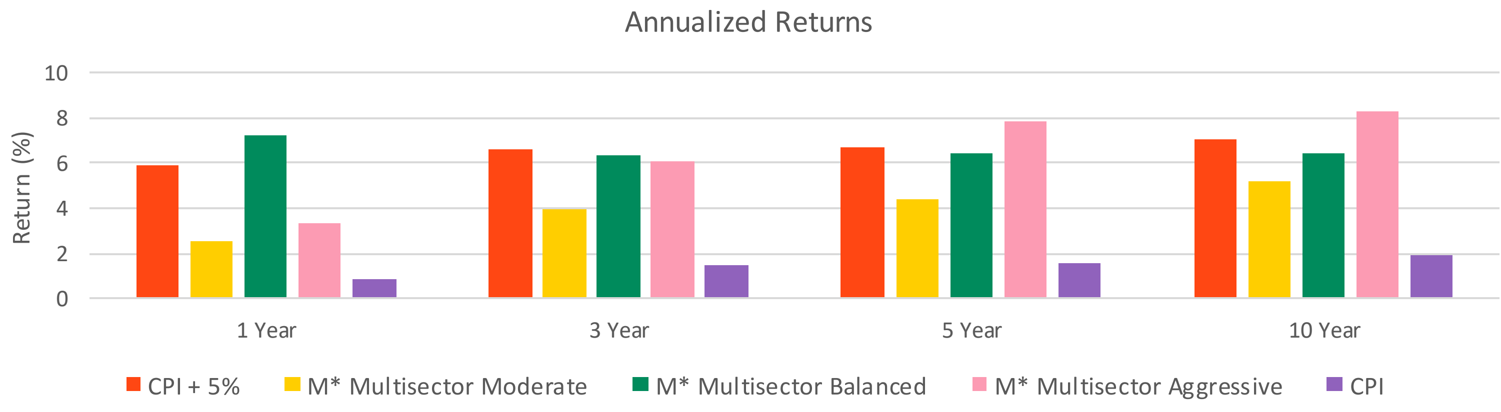
A new investment order



The investment landscape is changing and the way in which we build portfolios is evolving

Past Performance is not indicative of future returns





Source: MPI, Morningstar, Reserve Bank of Australia (RBA) and the Australian Bureau of Statistics (ABS) in AUD as at 31 December 2020.

A new investment order

BII Investment Outlook

2021 Investment Themes

- The New Nominal
- Globalisation Rewired
- Turbocharged transformations

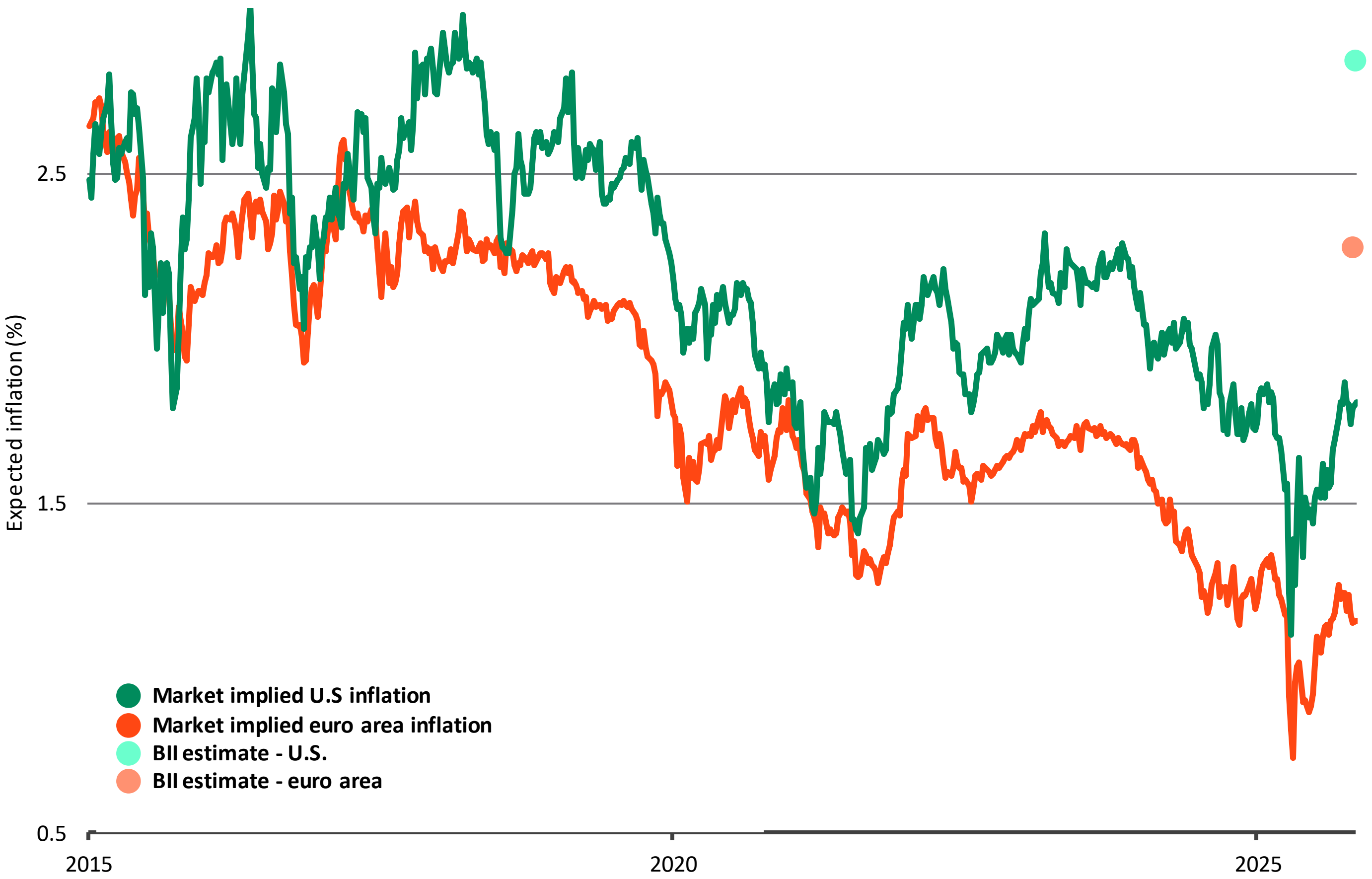
The new nominal

We see stronger growth and lower real yields ahead as the vaccine led restart accelerates and central banks limit the rise of nominal yields even as inflation expectations climb. Inflation will have different implications to the past.

Strategic implication: We underweight government bonds and see equities supported by falling real rates.

Tactical implication: Our low rate outlook keeps us pro-risk. We like U.S. equities and prefer high yield for income.

BlackRock forward inflation estimates vs market pricing, 2015-2025



Forward-looking estimates may not come to pass. Sources: BlackRock Investment Institute and the Federal Reserve with data from Refinitiv Datastream, November 2020. Notes: The chart shows market pricing of expected average inflation over the coming five-year period. We show it using the five-year/five-year inflation swap which is a measure of market expectation of inflation over five years, starting in five years' time. In the chart, the lines are shifted forward five years. The orange and green dots show our current estimate of average U.S. CPI and euro area inflation for the same five-year period of 2025-2030. Euro area refers to all 19 member states

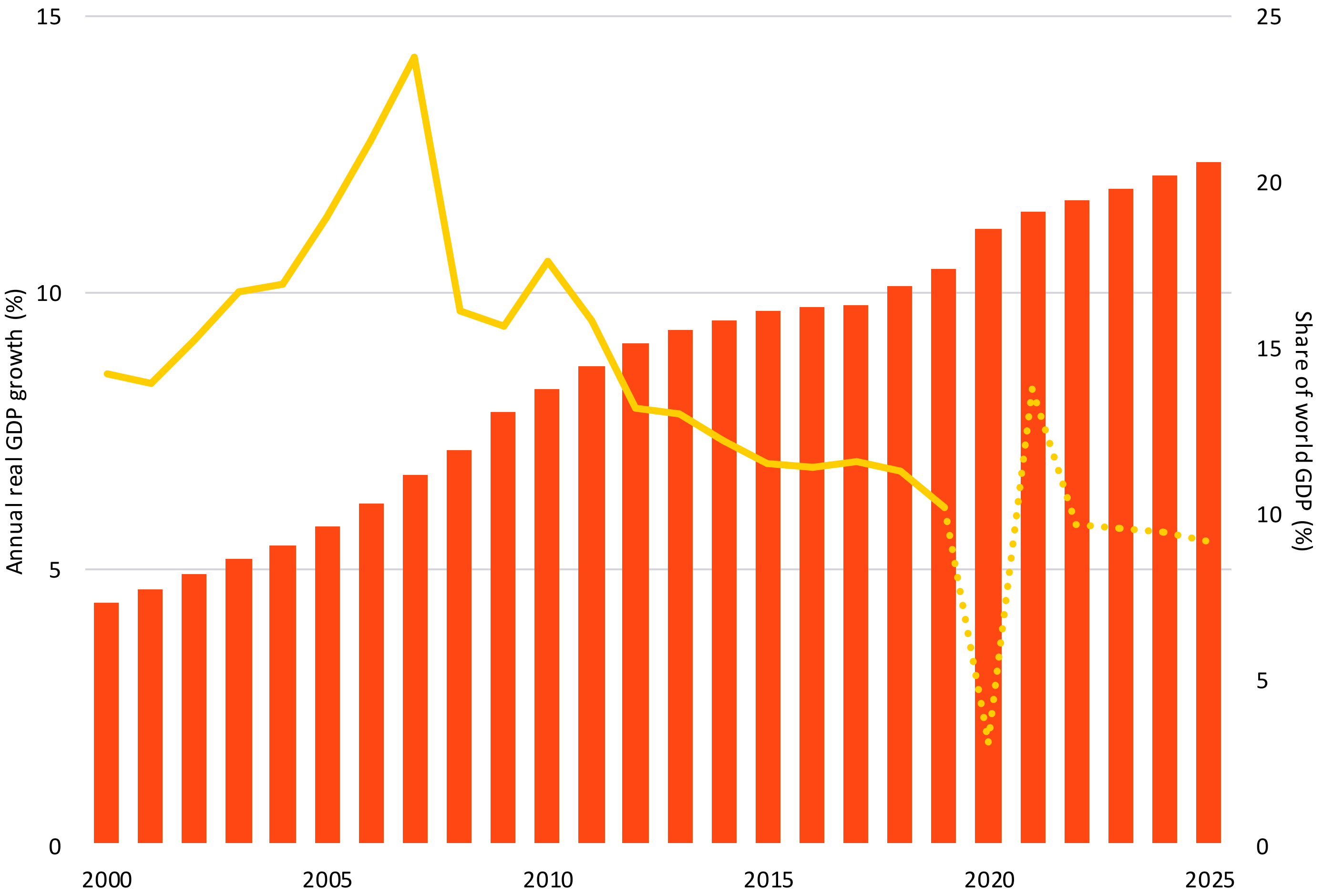
Globalization rewired

Covid-19 has accelerated geopolitical transformations such as a bipolar U.S.-China world order and a remaking of global supply chains, placing greater weight on resilience – even at the expense of efficiency.

Strategic implication: We favor deliberate country diversification and above-benchmark China exposures.

Tactical implication: We like EM equities, especially Asia ex-Japan, and are underweight Europe and Japan.

China annual growth and share of world GDP, 2000-2025



Sources: BlackRock Investment Institute and the International Monetary Fund (IMF), with data from Haver Analytics, December 2020. Note: The yellow line shows China's annual real GDP growth rate. The dotted lines are IMF forecasts. The orange bars show China's past and expected share of global GDP. There is no guarantee any forecasts made will come to pass.

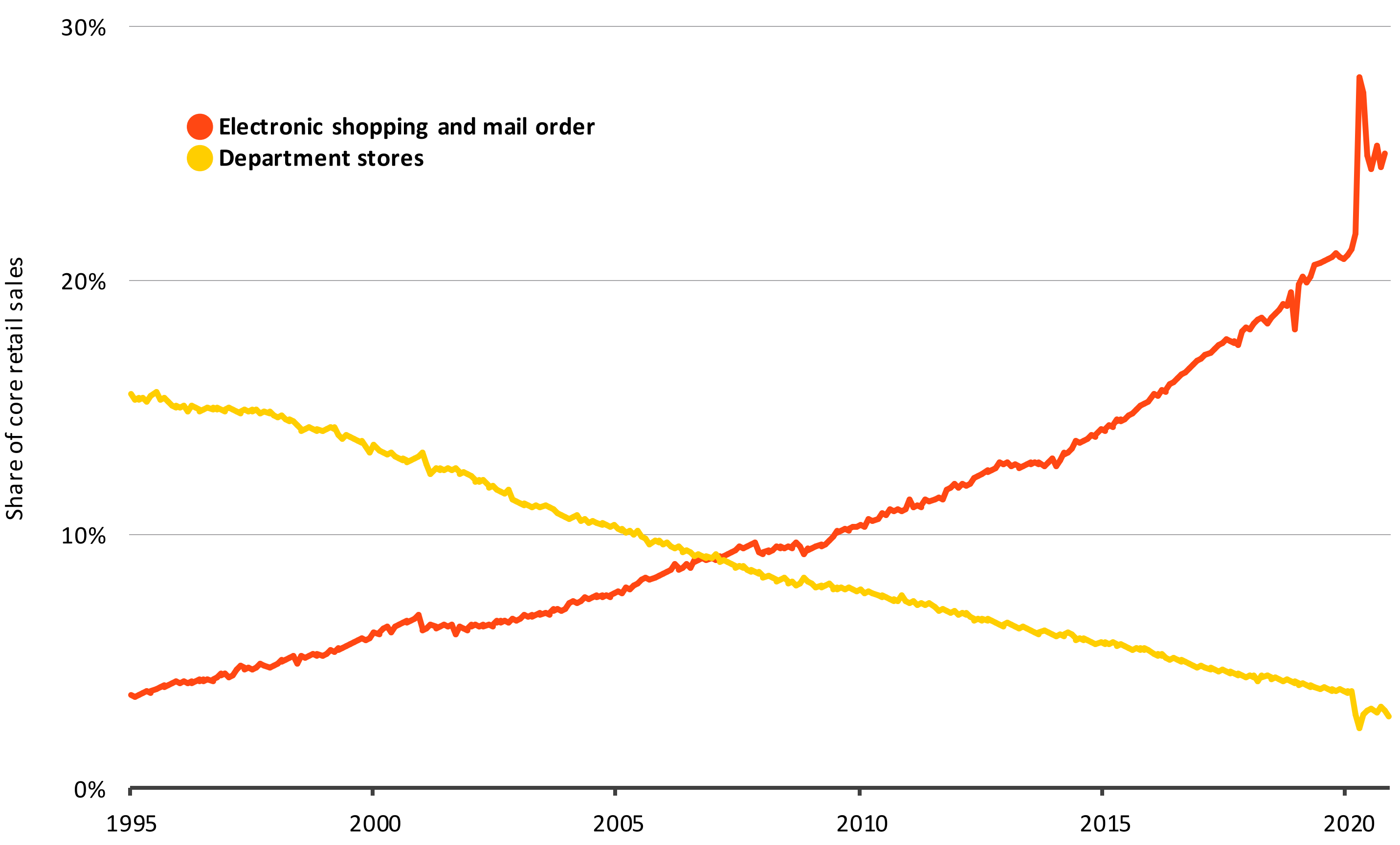
Turbocharged transformations

The pandemic has added fuel to pre-existing structural trends such as an increased focus on sustainability, rising inequality within and across nations, and the dominance of e-commerce at the expense of traditional retail.

Strategic implication: We prefer sustainable assets amid a growing societal preference for sustainability.

Tactical implication: We take a barbell approach, favoring tech and healthcare as well as selected cyclical exposures.

Share of U.S. core retail sales, 1995-2020

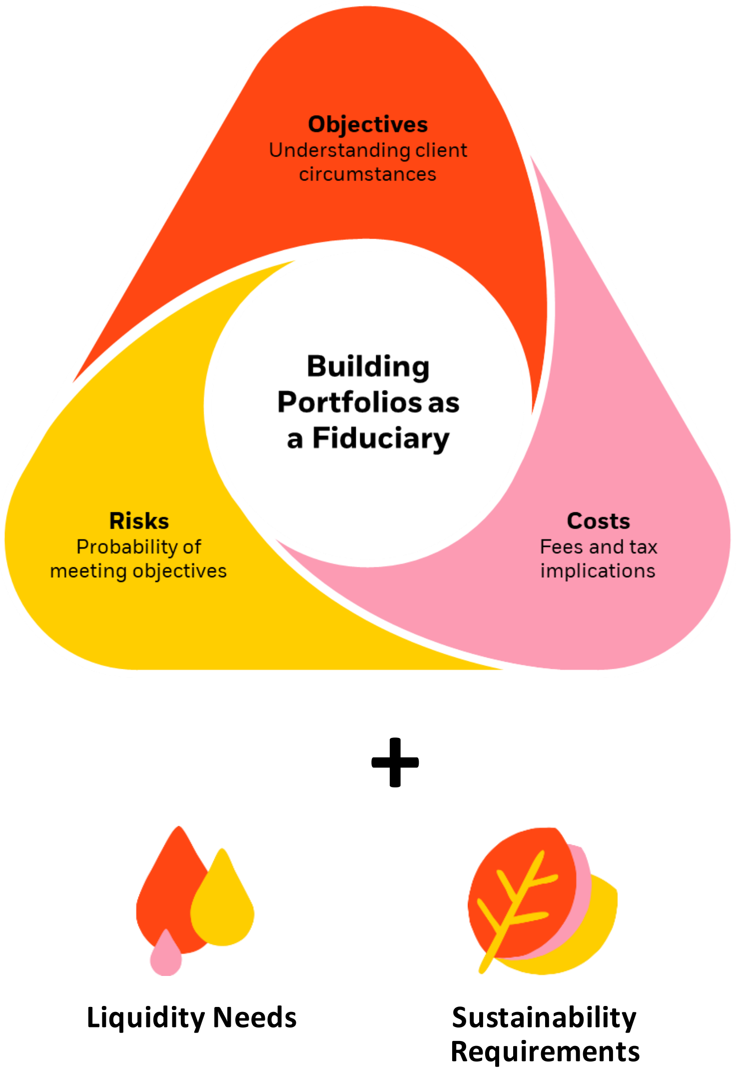


November 2020. Notes: The lines show U.S. electronic shopping and mail order and department stores retail sales as a share of core retail sales (retail sales excluding building materials, autos, gas stations and food).

Changing the way we build portfolios

BII Portfolio Perspectives

Macro trends, industry trends and investor demands are reshaping portfolio construction



For illustrative purposes only.

Follow a thoughtful, well-documented process for portfolio construction

01	**Benchmark** **Translating investor outcomes**	Set the **foundation** of the portfolio – aligned closely with the client **objective**
02	**Budget** **Evaluating risks and opportunities**	Decide where you want to incur **costs** and take **risk**
03	**Invest** **Identifying cost-effective and efficient holdings**	Determine the most appropriate vehicles to **implement** your strategy
04	**Monitor** **Keeping a "hand on the wheel"**	Regularly **measure** success and **rebalance** with discipline

For illustrative purposes only.

Asset Allocation can account for >90% of portfolio risk

NORGES BANK

99.4% Of portfolio variance explained by benchmark choice *

0.2% Mean active return, after cost, over benchmark *

50% Of variation in active return is attributable to factors *

SOURCE: * A REVIEW OF NORGES BANK'S ACTIVE MANAGEMENT OF THE GOVERNMENT PENSION FUND GLOBAL. MAGNUS DAHLQUIST, BERNT ARNE ØDEGAARD, 5 JANUARY 2018.

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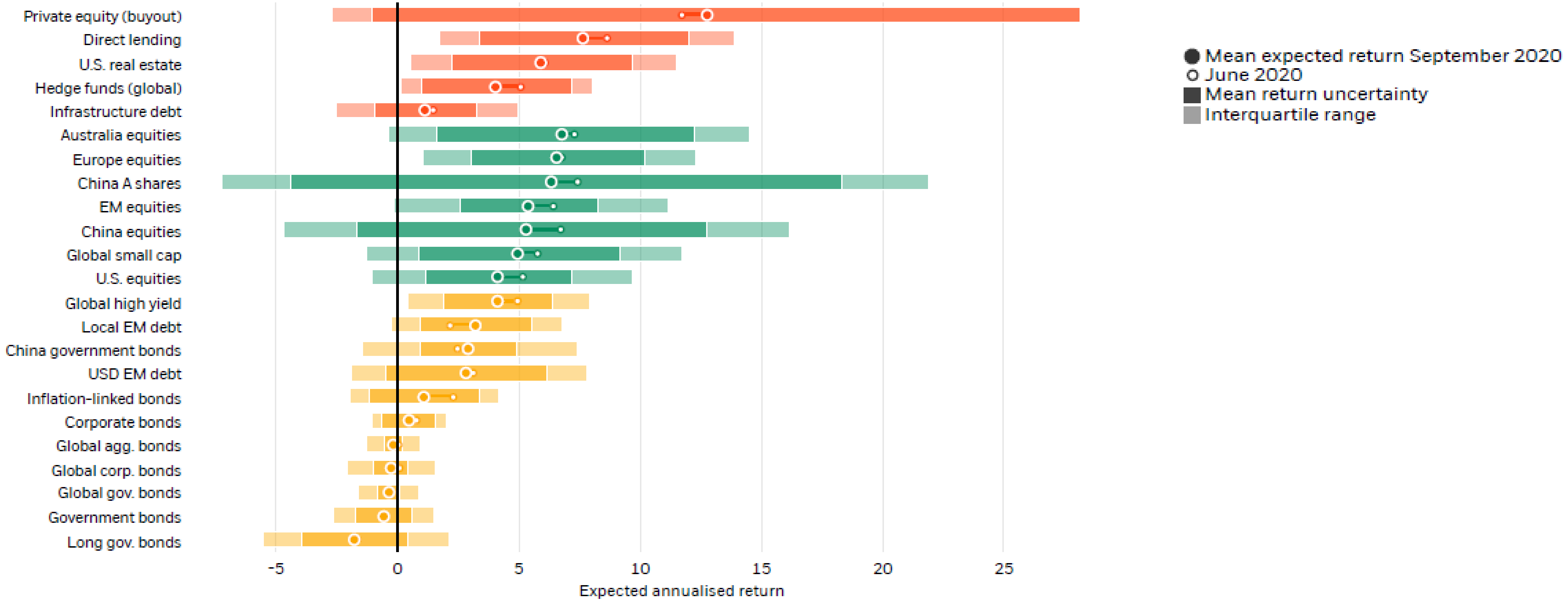
Our Strategic Expectations

BlackRock 5 Capital Market Assumptions



This information is not intended as a recommendation to invest in any particular asset class or strategy or as a promise- or even estimate - of future performance. Source: BlackRock Investment Institute, November 2020. Data as of 30 September, 2020.
Notes: Return assumptions are total nominal returns. Australian dollar return expectations for all asset classes are shown in unhedged terms, with the exception of global corporate bonds, hedge funds, global aggregate bonds and global government bonds. Our CMAs generate market, or beta, geometric return expectations. Asset return expectations are gross of fees. For a list of indices used, visit our Capital Market Assumptions website at blackrock.com/institutions/en-zz/insights/charts/capital-market-assumptions and click on the information icon in the Asset class return and volatility expectations table. We use BlackRock proxies for selected private markets because of lack of sufficient data. There are two sets of bands around our mean return expectation. The darker bands show our estimates of uncertainty in our mean return estimates. The lighter bands are based on the 25th and 75th percentile of expected return outcomes. Indices are unmanaged and used for illustrative purposes only. They are not intended to be indicative of any fund or strategy's performance. It is not possible to invest directly in an index.

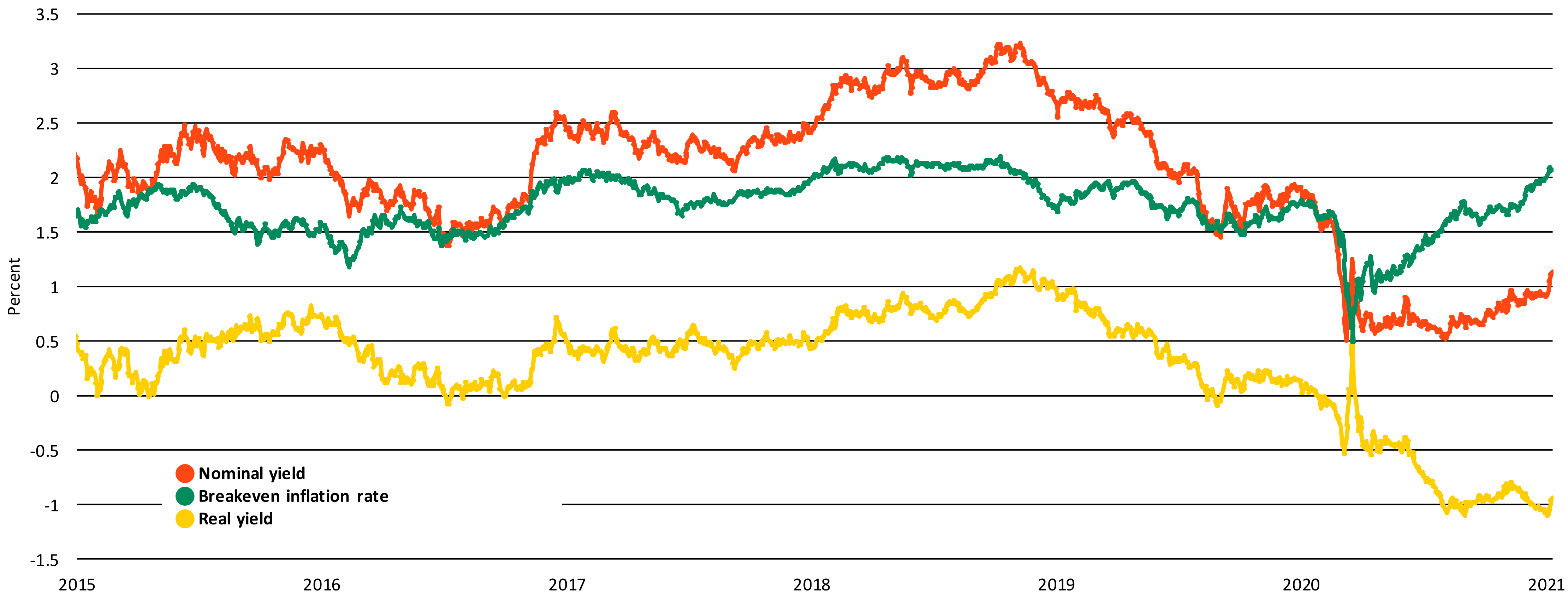
A new playbook for higher inflation

A more muted response from nominal yields to higher inflation is one of our most important themes for the new investment order we believe will play out in coming years.

A new playbook needed for higher inflation

The policy revolution has likely diminished the risk of a discount rate shock that might hit valuations across asset classes, particularly equities.

U.S. 10-year Treasury yield, breakeven inflation rate and real yield, 2017-2021



Source: BlackRock Investment Institute and Refinitiv Datastream, data as of 12 January 2021. Notes: The chart shows the U.S. 10-year Treasury yield and the pricing of Treasury inflation protected securities – the 10-year TIPS yield, or real yield, and the breakeven inflation rate, or the future rate of inflation being priced by markets in TIPS.

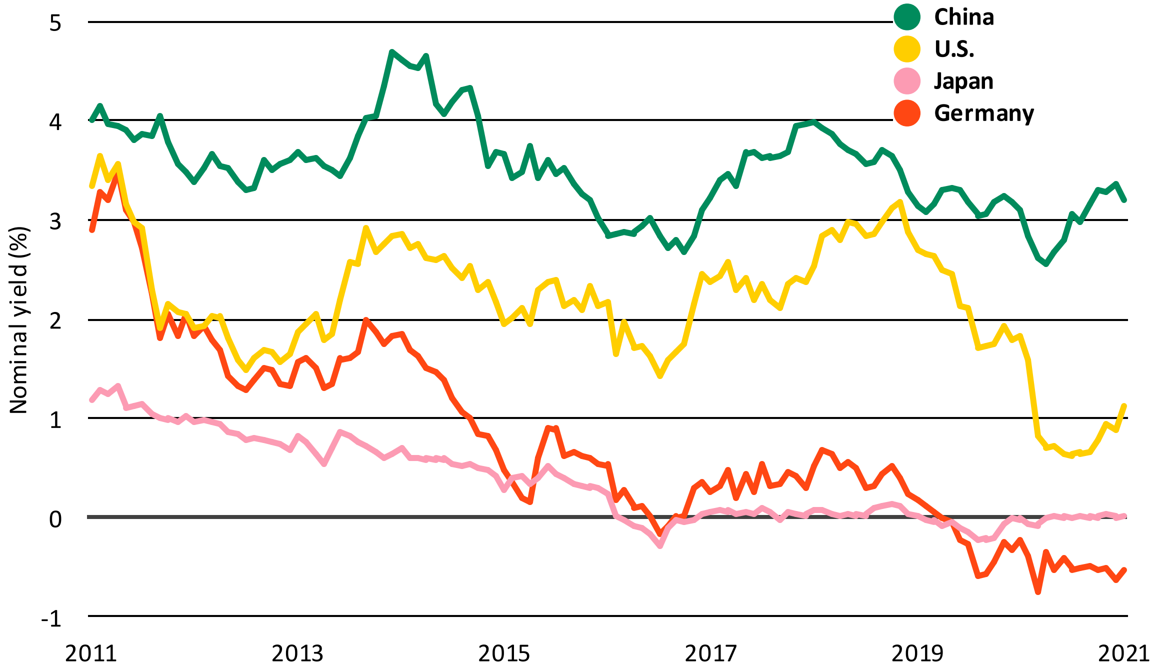
A new meaning for diversification

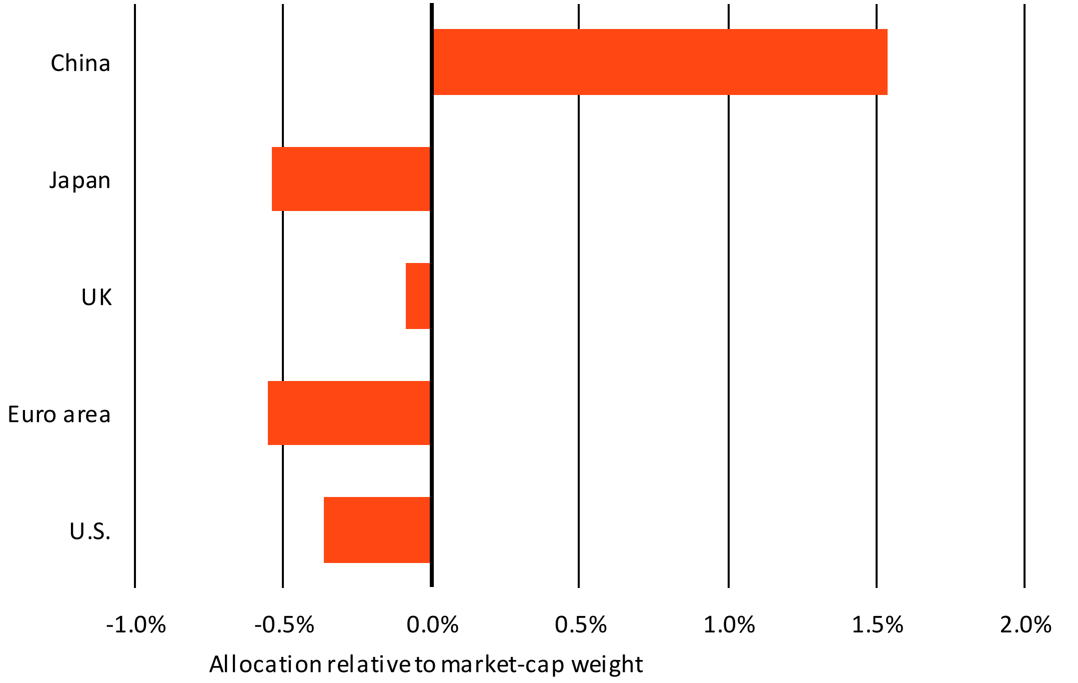
We see China as a distinct pole of global growth – and as an investment destination separate from emerging markets.

Growing appeal of China in strategic portfolios

Chinese government bonds' higher yields offer attractive risk-reward in our view. We see a clear case for above-benchmark exposure to China-exposed assets for returns and diversification.

Government bond yields and hypothetical allocation differentials, January 2021





Past performance is not a reliable indicator of current or future results. It is not possible to invest directly in an index.
Sources: BlackRock Investment Institute, with data from Refinitiv Datastream, January 2021. Notes: The left chart shows the 10-year government bond benchmark yields. The right chart show how our government bond allocations in a hypothetical unconstrained, U.S.-dollar based family-office portfolio on a 10-year horizon stack up against an allocation based purely on a market-cap weighting. The market-cap weighting is calculated on BlackRock's Aladdin as of 6 November 2019. The chart shows only the fixed income part of our unconstrained portfolio, scaled up to 100. The results shown are after running our robust optimisation on our CMAs and incorporating our asset class views. Hypothetical data results are based on criteria applied retroactively with the benefit of hindsight and knowledge of factors that may have positively affected its performance. The actual performance of a strategy or fund may vary significantly from index performance due to transaction costs, liquidity or other market factors. An inherent limitation is that the hypothetical allocations were not made under actual market conditions and, therefore, cannot completely account for the impact of financial risk in actual portfolio management. The performance shown does not represent any existing portfolio, and as

Case Study – Impact of China on Portfolios

Long-term Asset Correlations in AUD

	China Bonds (AUD Hedged)	Global Government Bonds (AUD Hedged)	Global Credit (AUD Hedged)	Global Equity
China Bonds (AUD Hedged)	1.00			
Global Government Bonds (AUD Hedged)	0.28	1.00		
Global Credit (AUD Hedged)	0.10	0.74	1.00	
Global Equity	-0.22	-0.07	0.32	1.00

Representative indexes were used as follows for China Bonds, Global Government Bonds, Global Credit and Global Equity respectively: BBG Barc China Treasury + Policy Bank Index (AUD Hedged), FTSE G7 Government Bond Index (AUD Hedged), BBG Barc Global Aggregate Corporate Index (AUD Hedged) and MSCI World Index.

Correlations are long-term in nature using 5 years worth of monthly data with a half-life of 3 years.

Source: BlackRock Aladdin in AUD as at 31 January 2021 using long-term assumptions assumptions (5 years of monthly data with a 3 year half life).

Case Study: Inclusion of China A Shares and China CNY Bonds into Client Portfolios

Risk reduced by 10% (ex-ante, based on a 60/40 multi asset portfolio)

Improved Expected returns +0.8% over 10 yrs (6.7% vs 5.9%)

Higher yield potential (3.33% vs 0.82% YTM in Australian composite)

*Source: BlackRock BII as at September 2020 in AUD. BlackRock's Long-Term Capital Market Assumption Disclosures: This information is not intended as a recommendation to invest in any particular asset class or strategy or product or as a promise of future performance. Note that these asset class assumptions are passive, and do not consider the impact of active management. 60/40 portfolio is S&P/ASX 200 Index (20%), MSCI World Index (40%), Bloomberg AusBond Composite 0+ Yr Index (15%), FTSE G7 Government Bond Index (AUD Hedged) (20%), Bloomberg AusBond Bank Bill Index (5%) with the inclusion of China A Shares (FTSE Xinhua China A50 Net Index) taking a 10% allocation from MSCI World Index and China CNY Bonds (BBG Barc China Treasury + Policy Bank Index (AUD Hedged)) taking a 5% allocation from FTSE G7 Government Bond Index (AUD Hedged). Forward looking risk calculated using BlackRock Aladdin using long term assumptions (5 years of monthly data with a 3 year half life) in AUD as at 31 January 2021.

Sustainability: a Tectonic Shift

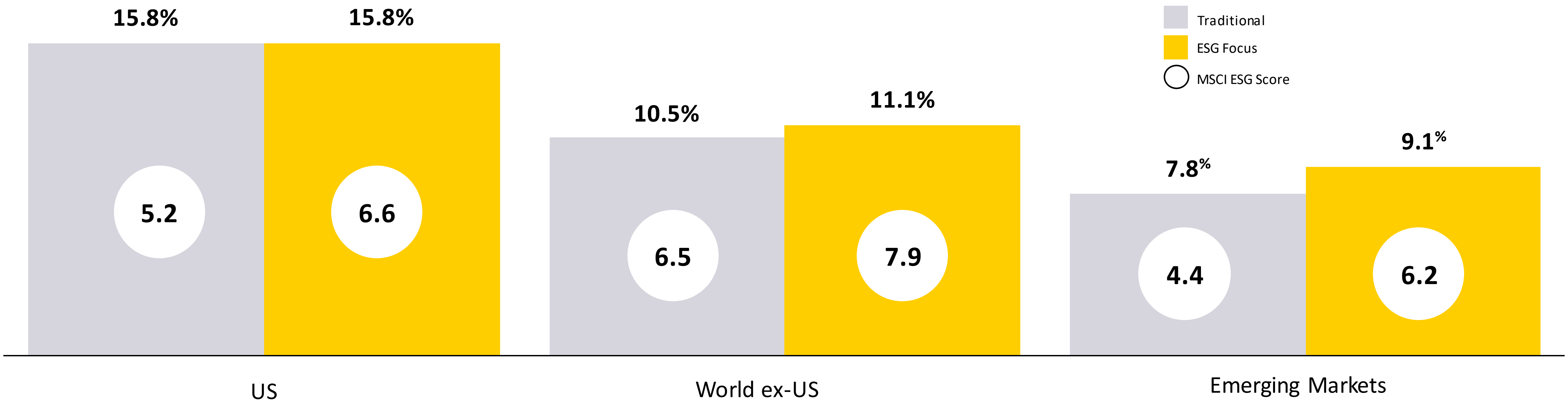
Changing attitudes toward sustainability represent a structural shift for investing - a shift we believe financial markets are a long way from fully reflecting.

Institutional investors integrating ESG + **Individual investor preference towards sustainability** + **Mounting enormity of climate change** = **Reallocation of capital**

For illustrative purposes.

The “Why Not” moment has arrived

Comparison of traditional and back-tested ESG-focused equity benchmarks, annualized return 2012-2018 (by region)

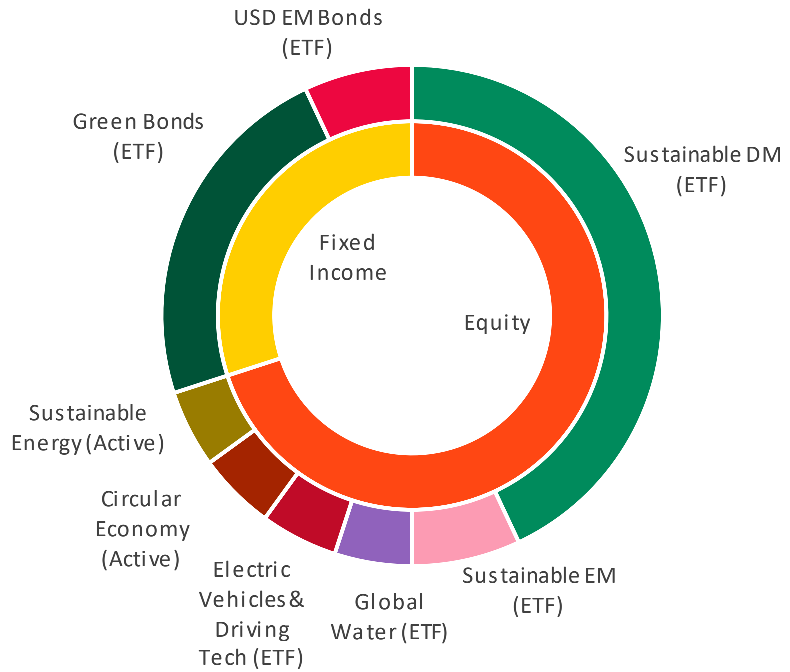


Past performance is not a reliable indicator of current or future results. It is not possible to invest directly in an index.

Sources: BlackRock Investment Institute, with data from MSCI, November 2018.
Notes: The data cover May 31, 2012, to Nov. 30, 2018. Returns are annualized gross returns in U.S. dollar terms. Number of stocks, price-to-earnings ratio and dividend yield are monthly averages. Indexes used are the MSCI USA Index, MSCI World ex-U.S. Index, MSCI EM Index (“Traditional columns) and MSCI’s ESG-focused derivations of each (MSCI USA ESG Focus Index, MSCI World ex-U.S. Focus Index and MSCI Emerging Markets ESG Focus Index). The data shown prior to inception for each MSCI ESG Focus index (August 2016 for U.S.; March 2017 for World ex-U.S.; April 2016 for EM) are back tested. They are optimized to maximize ESG exposure within constraints (example: a tracking error of 50 basis points and maximum active weight of 2% for each index constituent for USA ESG Focus). Back tested performance is hypothetical, simulated and is not indicative of actual or future returns. Back tested performance is developed within the benefit of hindsight, has inherent limitations and invariably shows positive rates of return. ESG scores shown are average scores for each index based on MSCI data. See important notes on slide 52. It is not possible to invest directly in an index.

Case Study: Sustainability and the Impact of Impact

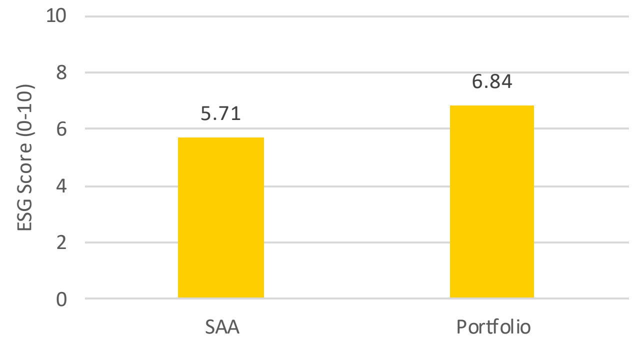
We can implement a sustainability focused portfolio on a traditional 70/30 MSCI ACWI/Global Agg strategic asset allocation (SAA) using low cost ETFs and actively managed funds.



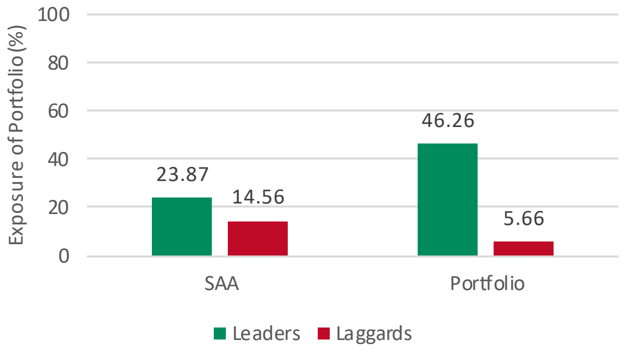
Portfolio vs 70/30 SAA

Total MER: **0.43%**
Ex-Ante Risk: **10.11%**
Ex-Ante Active Risk: **2.19%**
1 Yr Historical Excess Return: **6.83%**

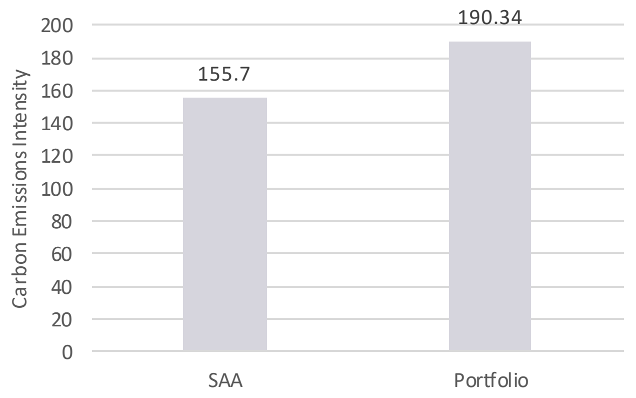
ESG Quality Score (0-10)



Exposure to ESG Leaders (AAA-AA) and Laggards (B-CCC)



Carbon Emissions Intensity (Metric Tonnes CO2/Sales)



These Carbon Emissions metrics are equivalent to…

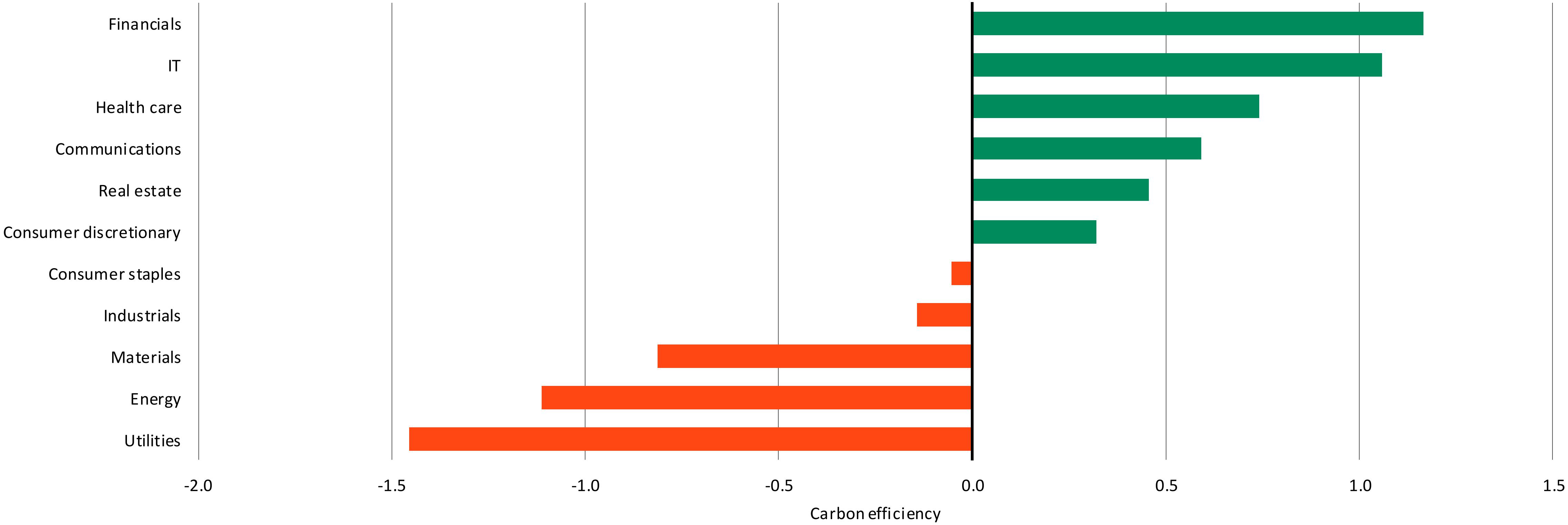
	Greenhouse gas emissions from X passenger vehicles driven for 1 year	Greenhouse gas emissions avoided from X trash bags of waste recycled instead of landfilled
SAA	34	6,626
Portfolio	41	8,099

Source: BlackRock, Aladdin, MSCI. As at 31 January 2021 using long-term assumptions assumptions (5 years of monthly data with a 3 year half life) in AUD. Constructed using MSCI ESG Ratings Methodology for information only and subject to change. For explanations about the methodology, refer to www.msci.com/esg-ratings. The ratings, metrics, methodologies and score may differ from those of other providers. For portfolio constituents, please see the end of this

Granular views are key to taking sustainable exposures

Sustainability is likely to be an increasing driver of returns as investors allocate toward perceived ESG-friendly assets. Yet differentiation will be greater at the stock and sector level, in our view.

Estimated carbon efficiency for MSCI sectors, November 2020



Indexes are unmanaged and do not account for fees. It is not possible to invest directly in an index. Sources: BlackRock Investment Institute with data from Refinitiv Datastream and MSCI, December 2020. Notes: The chart shows the carbon efficiency measured as total carbon emissions relative to the aggregate firm value for the sectors of the MSCI USA index. The carbon efficiency measure is shown in Z score terms. Both Scope 1 (direct emissions from owned or controlled sources) and Scope 2 (indirect emissions from electricity purchased) are considered. These can help gauge the exposure of companies to carbon pricing initiatives as part of climate change mitigation policies.

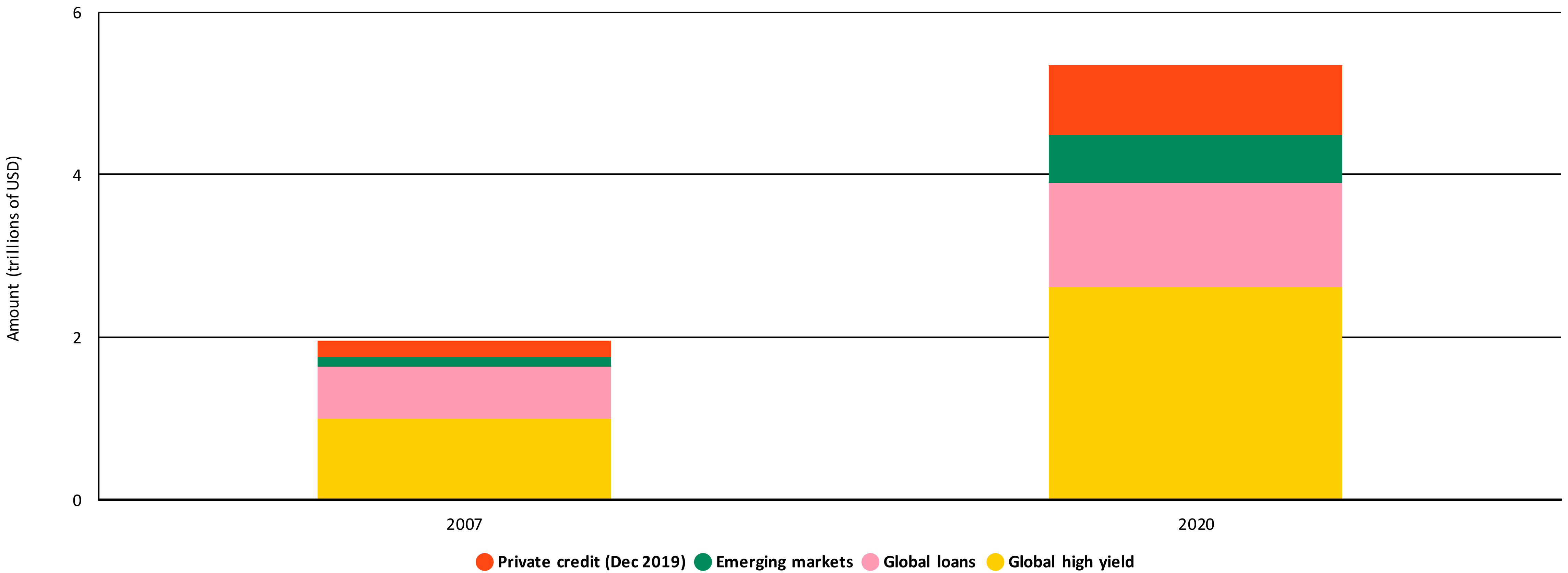
Private Market & Broader Alternatives Opportunities

We see private markets playing an important role in portfolio resilience in a world where government bonds may no longer serve as diversifiers.

Private market opportunities from post-Covid restructuring

Private credit has outpaced the already fast-growing pool of sub-investment grade debt. A wave of corporate restructuring offers opportunities in private credit, but manager selection is crucial.

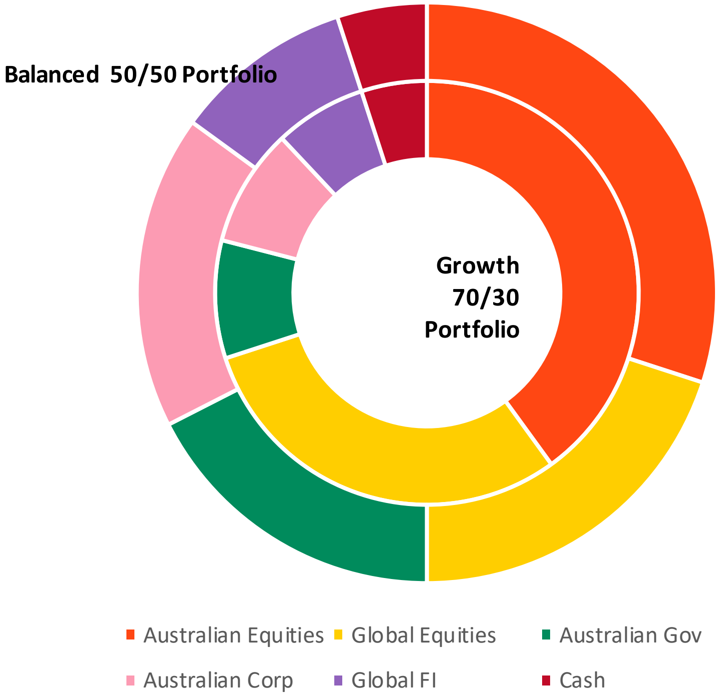
Sub-investment grade debt outstanding, 2007 and 2020



Sources: BlackRock Investment Institute, December 2020. Notes: Private credit data are from Preqin. Indexes used are Bloomberg Barclays Global High Yield Index, S&P/LSTA Leveraged Loan Index + S&P European All Loans Index, and JP Morgan CEMBI Index (emerging markets). Index data are as of June 30, 2020, and the private credit data as of Dec. 31, 2019. Indexes are unmanaged and do not account for fees. It is not possible to invest directly in an index.

So can portfolios achieve CPI+5%?

Look to new opportunities in the new investment order



Balanced 50/50

3.90% Expected Return (10 Years)

5.09% with changes

Growth 70/30

5.01% Expected Return (10 Years)

6.38% with changes

Changes include: 1) inflation linked bonds; 2) 4% allocation to china bonds; 3) allocation to alternatives

Source: BlackRock February 2021.
This information is not intended as a recommendation to invest in any particular asset class or strategy or as a promise - or even estimate - of future performance.

Disclaimer

Sustainability Portfolio Constituents: Portfolio constructed on a 70/30 SAA comprising MSCI ACWI Index (70%) and BBG Barclay Global Aggregate Index (30%). Portfolio implemented using iShares MSCI World SRI UCITS ETF USD (Dist) (SUSW LN, 43%), iShares MSCI EM SRI UCITS ETF (SUSM LN, 7%), iShares Global Water UCITS ETF (IH2O LN, 5%), iShares Electric Vehicles & Driving Technology UCITS ETF (Acc) (ECAR LN, 5%), BGF Circular Economy Fund (LU2041044095, 5%), BGF Sustainable Energy Fund (LU0124384867, 5%), iShares Global Green Bond ETF (BGRN US, 23%) and iShares J.P. Morgan ESG $ EM Bond UCITS ETF (EMSA LN, 7%).

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Asset allocation challenges and features in Managed Accounts

Piers Bolger, Infinity Asset Management/Viridian Advisory

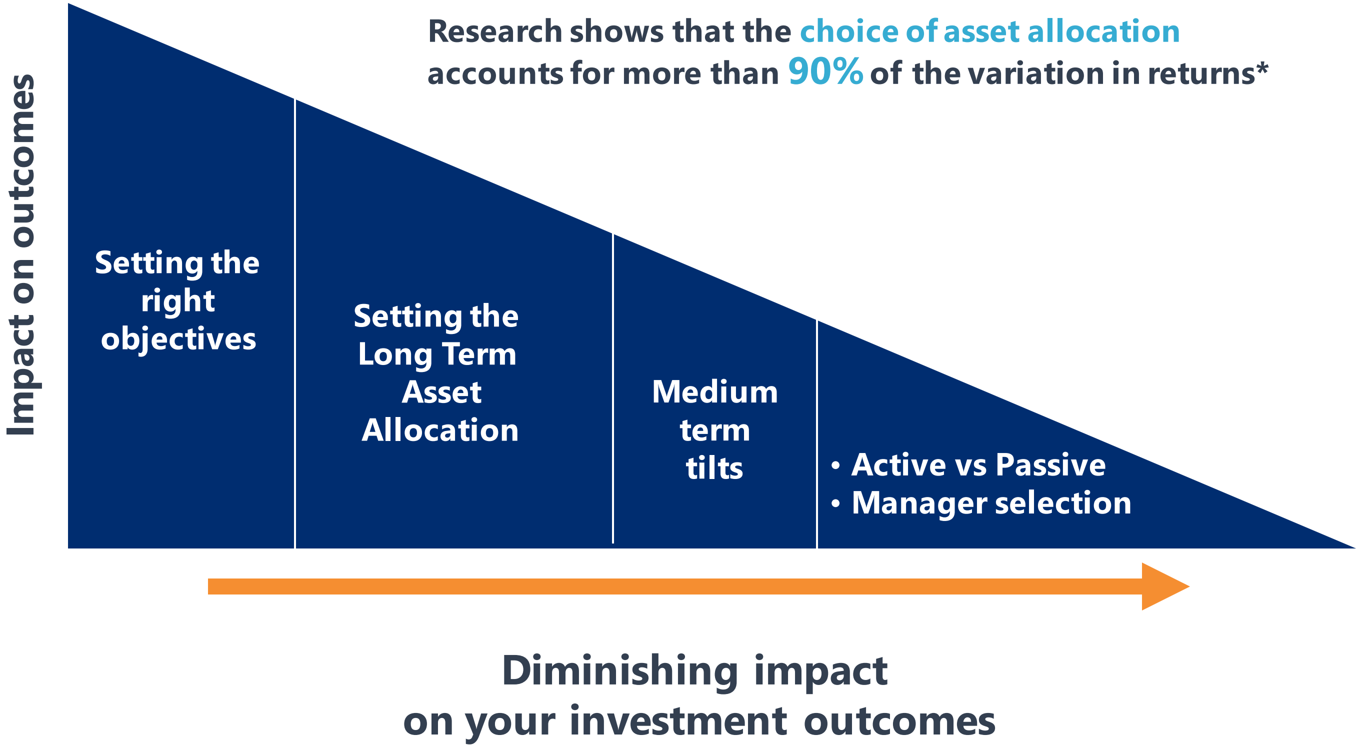
Al Clark, MLC

Moderated by Michael Karagianis, JANA

MACQUARIE

PRINCIPAL SPONSOR

WHAT MATTERS MOST

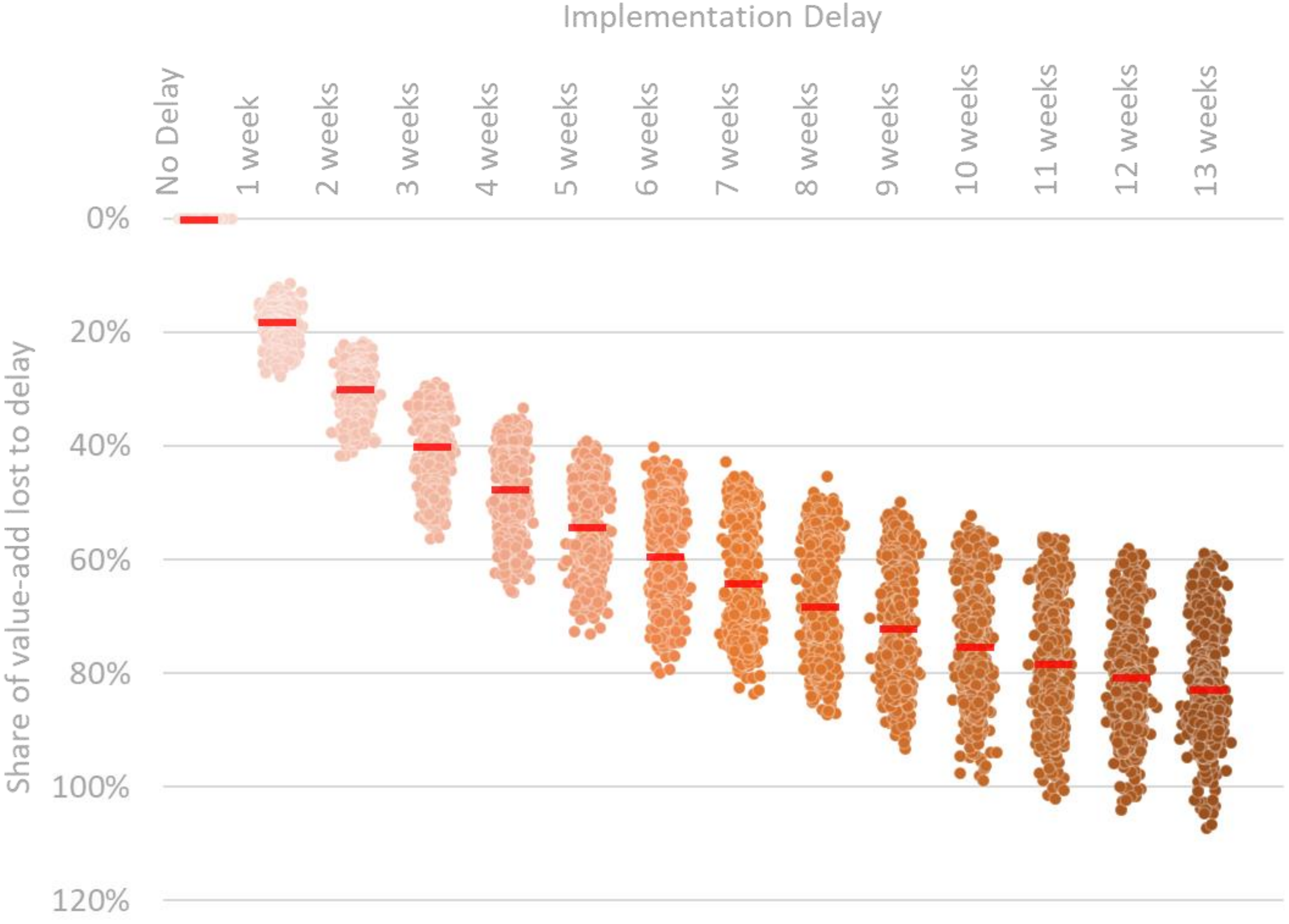


Source: Brinson, Singer & Beebower, 1991

PHILO CAPITAL ADVISERS

Cost of delay in implementation

- 50% excess return lost with 4-weeks of delay
- 80% excess return lost with 13-weeks of delay



Source: Philo Capital Advisers

Viridian Private Wealth Pty Ltd & Viridian Financial Group Limited,
Infinity Asset Management Pty Ltd

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IMAP Portfolio Management Conference

February 2021

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Infinity AM: Asset Allocation Investment Process

Our Multi Asset Portfolio Investment Process is built around 6 distinct segments

Capital Market Analysis → **Establish Investment Objectives** → **Strategic Asset Allocation** → **Investment Configuration** → **Portfolio Implementation** → **Ongoing Portfolio Management**

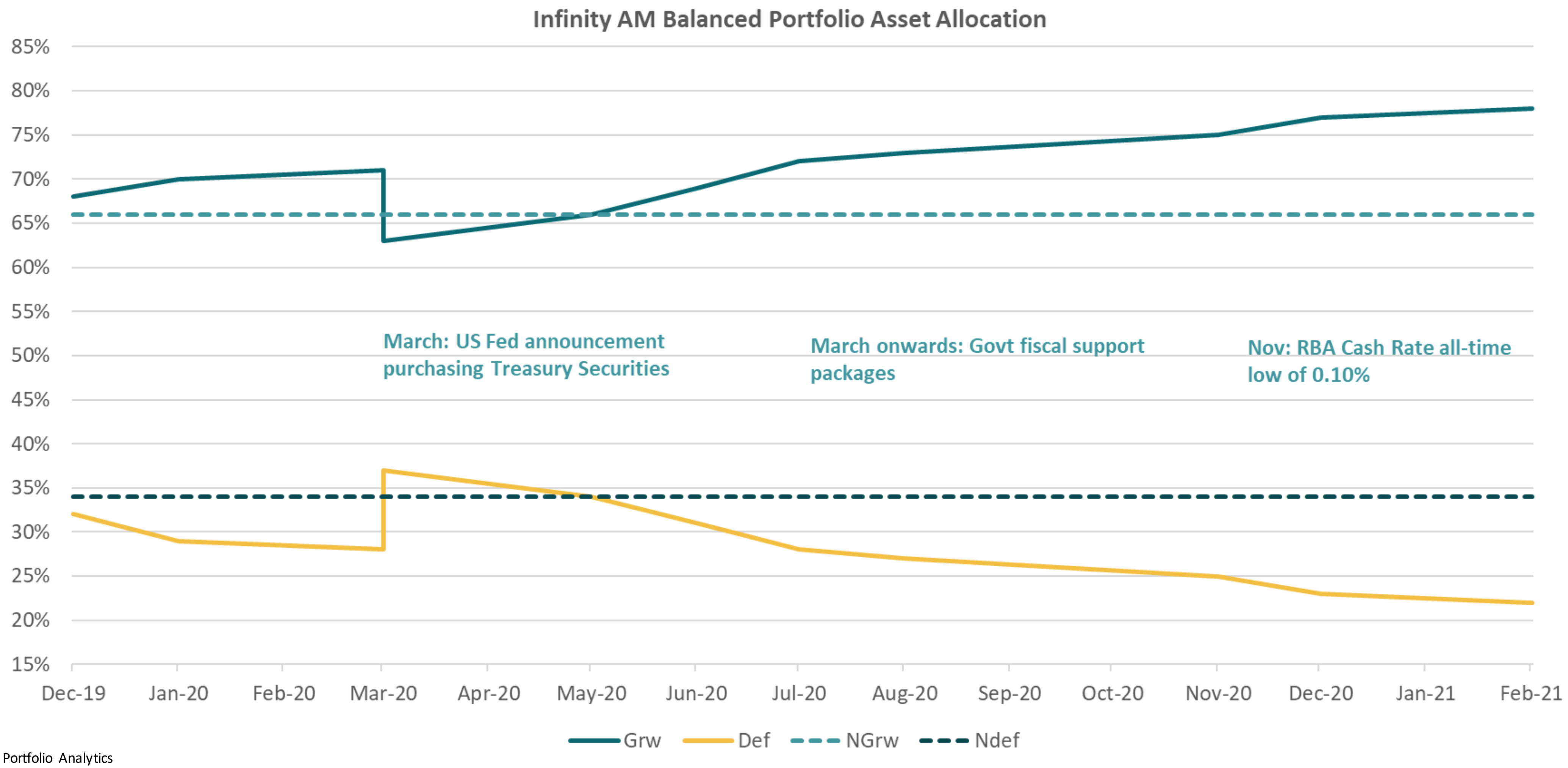
Strategic Review | **Tactical Asset Allocation**

Risk Management

Source: Infinity Asset Management

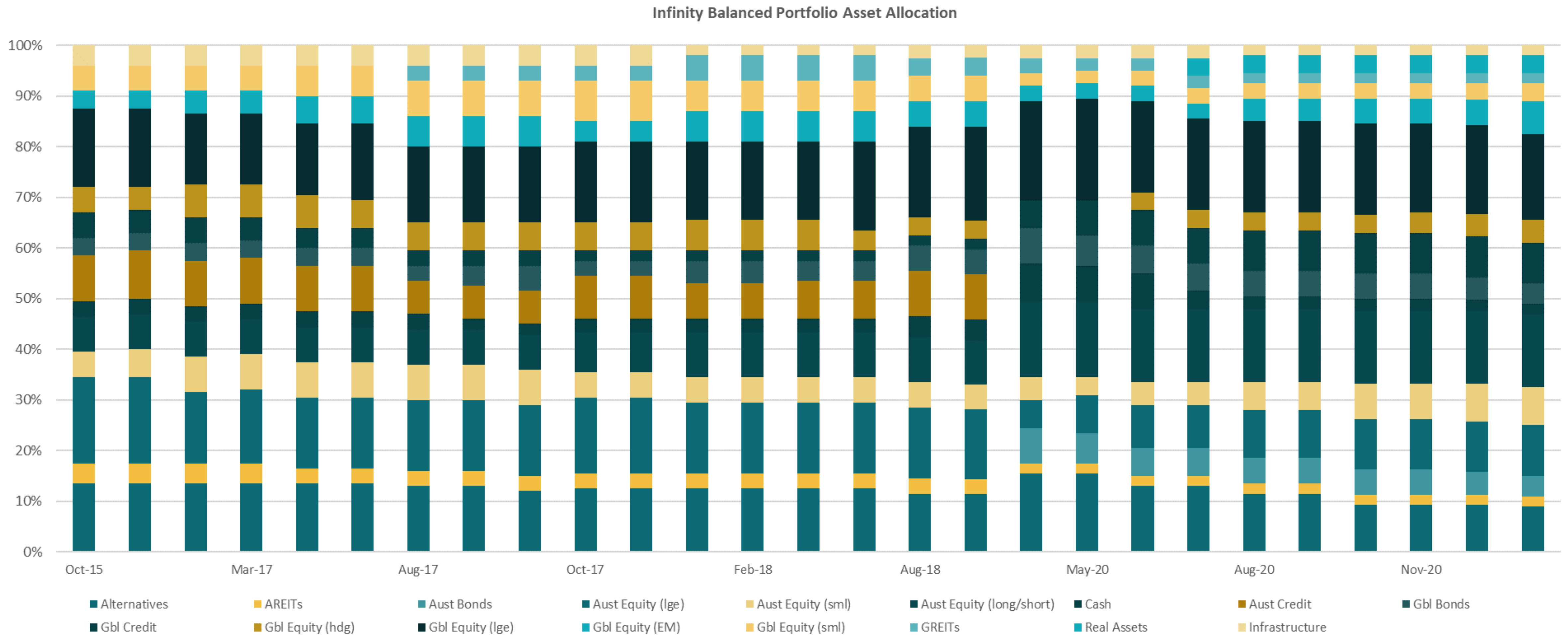
INFINITY ASSET MANAGEMENT

Infinity AM – Balanced Portfolio Asset Allocation



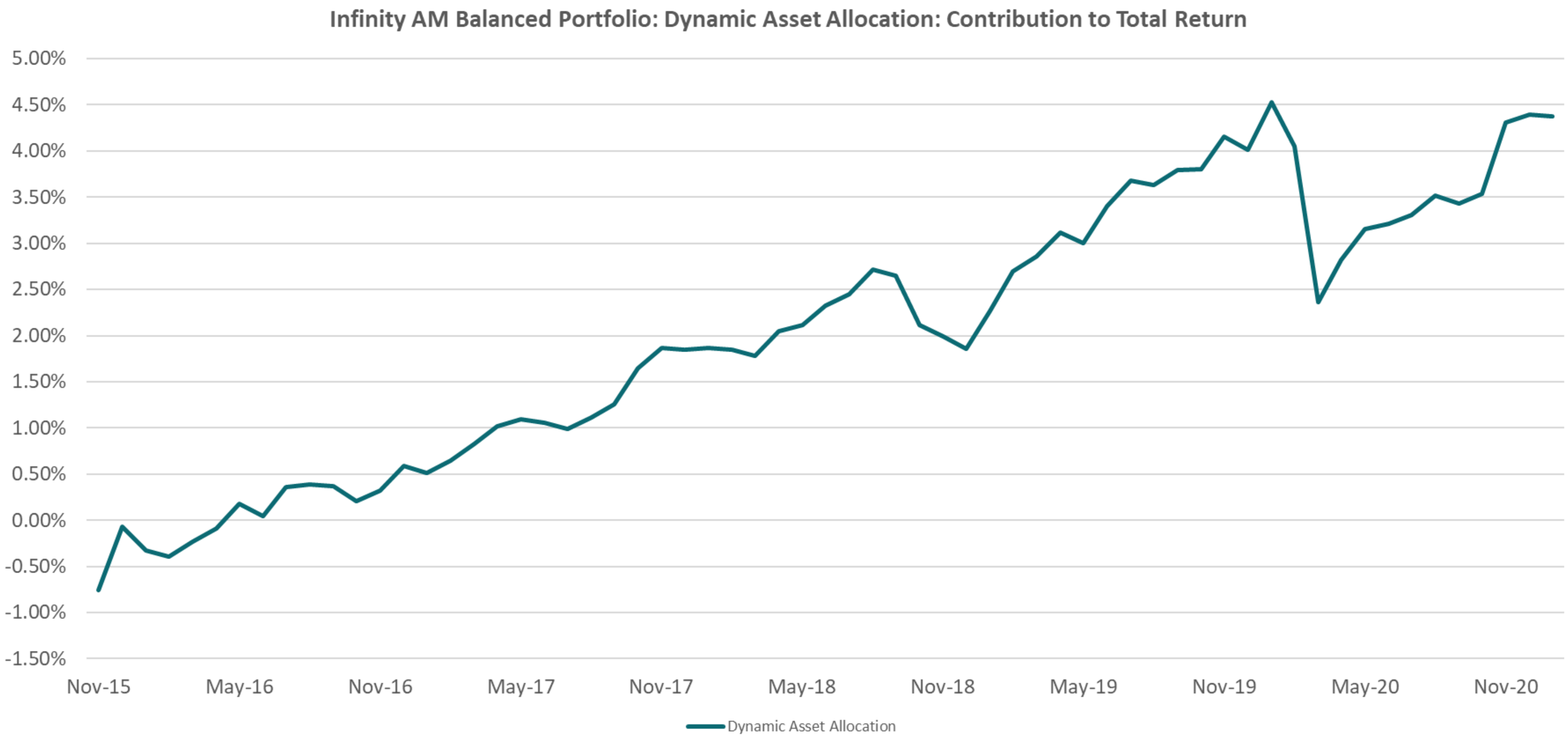
Source: Bloomberg Portfolio Analytics

Infinity AM – Balanced Asset Allocation



Source: Bloomberg Portfolio Analytics

Infinity AM – Balanced DAA



Source: Bloomberg Portfolio Analytics

INFINITY
ASSET MANAGEMENT

Introducing
MLC Managed Account Strategies

A presentation to IMAP

Presented by :

Al Clark
Head of Investments

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Dynamic asset allocation to drive returns

Portfolios that are made for many futures

We **actively manage asset allocation** to position the portfolios for evolving risks in markets and economic conditions

Our approach gives us the flexibility to **customise the portfolios' building blocks** to deliver better returns and reduce risk

Utilising our proprietary Investment Futures Framework, we build **portfolios that consider many futures**

The need for innovative asset allocation has increased in the current environment where traditional sources of return are compromised

Things we worry about…

Risks of inflationary and disinflationary environments

- Aggressive government stimulus might spur a rise in demand for goods and services, at the same time as supply and productivity increases may be losing their tailwinds due to deglobalisation (accelerated by the pandemic) – redirected supply chains, increased taxes and tariffs, prohibited investments, increase the costs of supply
- Yet the maintenance of low interest rates is critical for highly indebted governments – low real rates is a slow and less painful path to paying back debt, than defaulting
- We believe a prudent approach to building inflation hedges into multi-asset portfolios remains warranted at this time
- We're focusing on taking measured steps to embrace risk where we believe it will be rewarded and build as much exposure as possible to 'real cash flows' into our portfolios
- We're focusing on shares in industries that tend to grow revenues when inflation rises and also benefit if interest rates reduce further (tends to occur when they're leveraged) eg resources and infrastructure

'Real cash flows' come from the production of goods and services in the economy

….And how we adjust

Balance reflationary trades with protection

Asset Class	MLC Premium Assertive Model Portfolio	%
Australian Shares	BHP Group Ltd	2.04
	Commonwealth Bank of Australia	1.55
	Australia & New Zealand Bankin	1.55
	National Australia Bank Ltd	1.32
	Telstra Corp Ltd	1.07
	CSL Ltd	0.93
	Coles Group Ltd	0.88
	Wesfarmers Ltd	0.70
	Westpac Banking Corp	0.67
	Seven Group Holdings Ltd	0.56
	Ansell Ltd	0.55
	SEEK Ltd	0.49
	Woodside Petroleum Ltd	0.49
	South32 Ltd	0.49
	AGL Energy Ltd	0.45
	Harvey Norman Holdings Ltd	0.40
	Nine Entertainment Co Holdings	0.40
	BlueScope Steel Ltd	0.35
	Medibank Pvt Ltd	0.35
	Amcor PLC	0.34
	Tabcorp Holdings Ltd	0.33
	NEXTDC Ltd	0.29
	Star Entertainment Grp Ltd/The	0.28
	Worley Ltd	0.26
	Woolworths Group Ltd	0.25
	Antares Ex-20	6.00
	Fairview	2.00
Global Shares	Intermede Global Equities	12.00
	Polaris Global Equity Fund	8.00
	Arrowstreet Global Equity Fund (Hedged)	14.00
	Walter Scott EM	2.00
Global Property Securities	Resolution Capital Global Property Securities Fund	4.00
Fixed Income	Antares Income Fund	8.00
	UBS Australian Bond Fund	3.50
	PIMCO Global Diversified Debt	5.00
	Bentham Syndicated Loan Fund	3.00
Alternatives and other	MLC Inflation Plus Assertive Wholesale Unit Trust	10.00
	Ardea Real Outcome Fund	3.00
Cash	Cash Account	2.50

Increased allocation to real cash flow through overweight to miners

Increased cyclical exposure through Polaris and dedicated EM manager

Reduced nominal duration; investigating inflation linked bonds

Embedded growth protection from Inflation Plus

*For illustrative purposes. Refer to monthly report for latest holdings.

Why MLC Managed Account Strategies?

More choice from one of Australia's most experienced investment managers

Investment thinking that makes a difference

Portfolios designed to meet a range of client needs

Valuable practice efficiencies through our expertise

In-depth reporting and investment insights to support client engagement and communication

Questions

PRINCIPAL SPONSOR

Where we are looking for growth

Brad Matthews, BMIS

PRINCIPAL SPONSOR

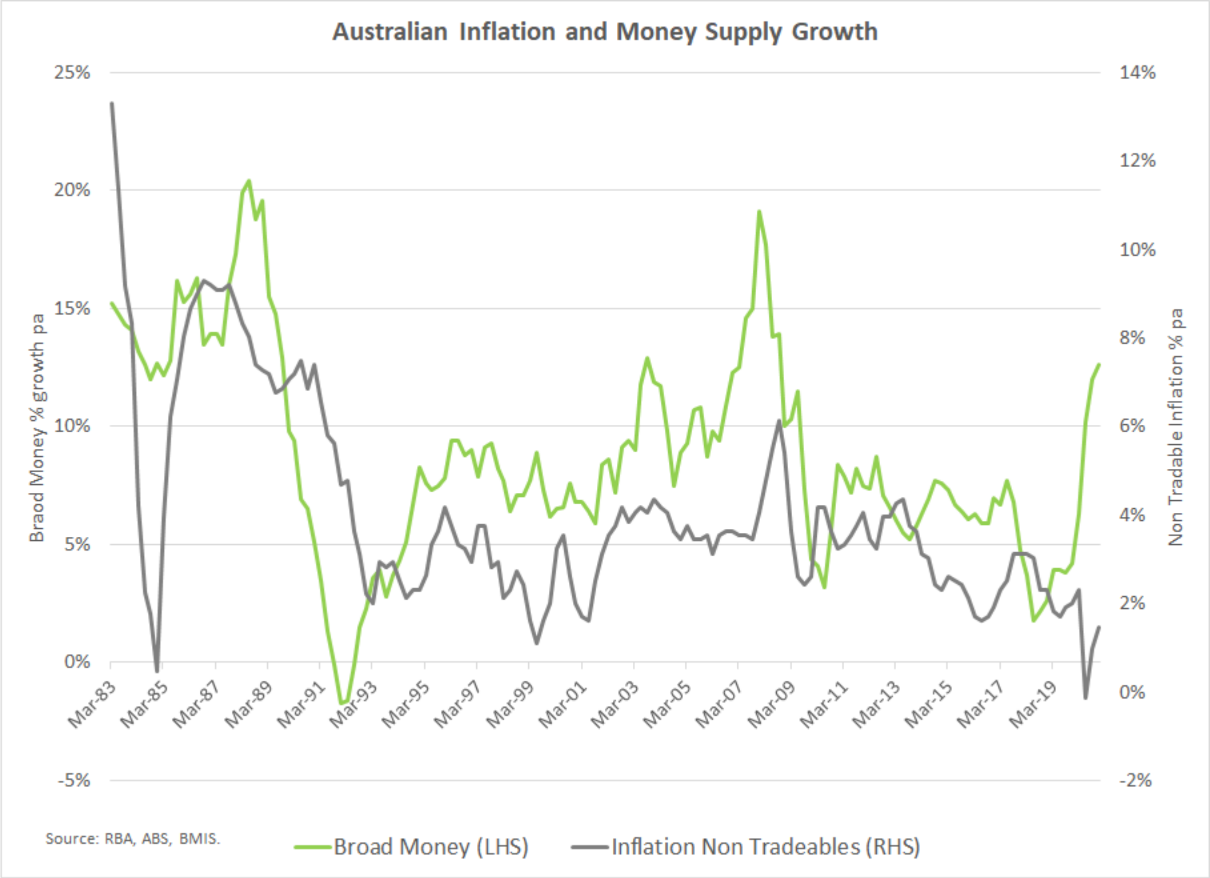
Where we are looking for Growth in 2021

Brad Matthews
IMAP Portfolio Management Conference 2021

February 2021

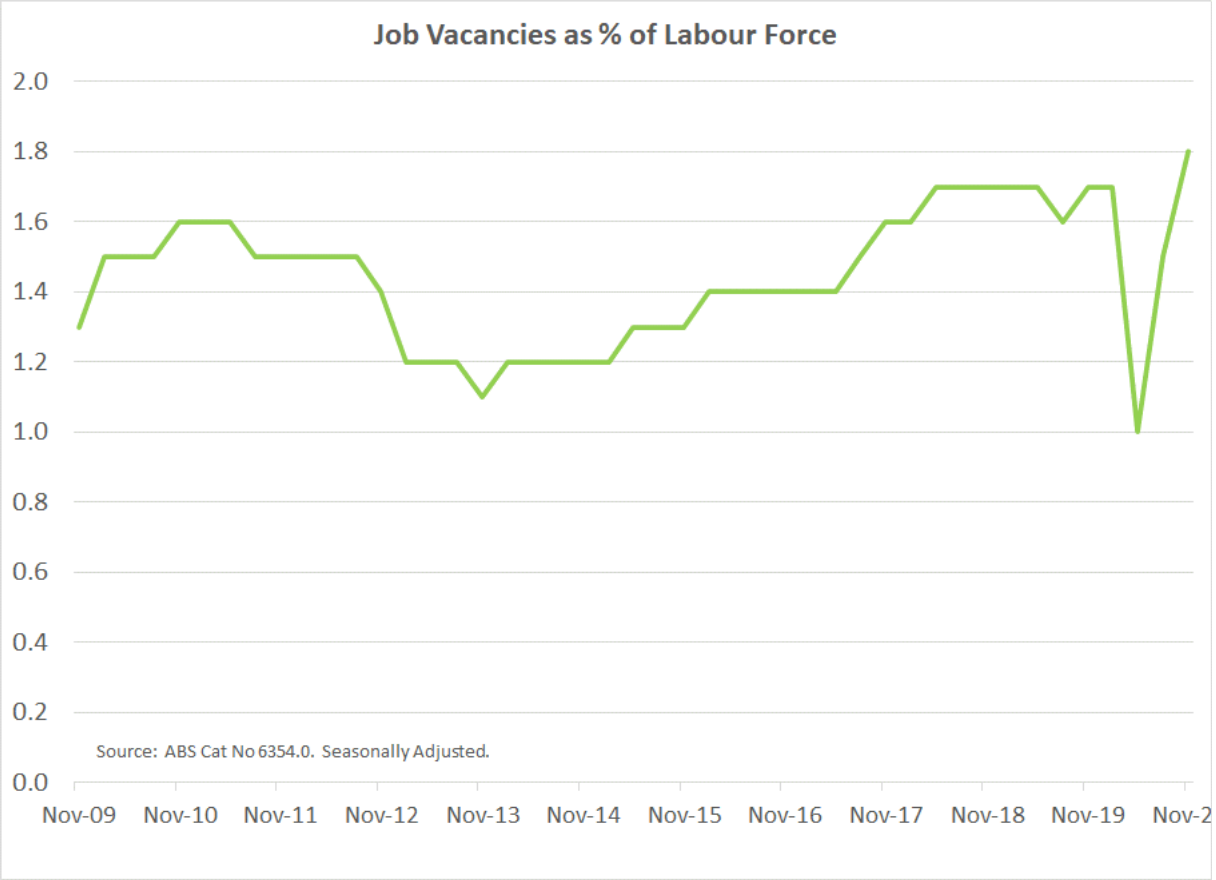
Disclaimer

The inflationary potential of monetary & fiscal stimulus can’t be ignored



Brad Matthews Investment Strategies

Spare labour force capacity may not be as deflationary as usual due to a high frictional component to unemployment



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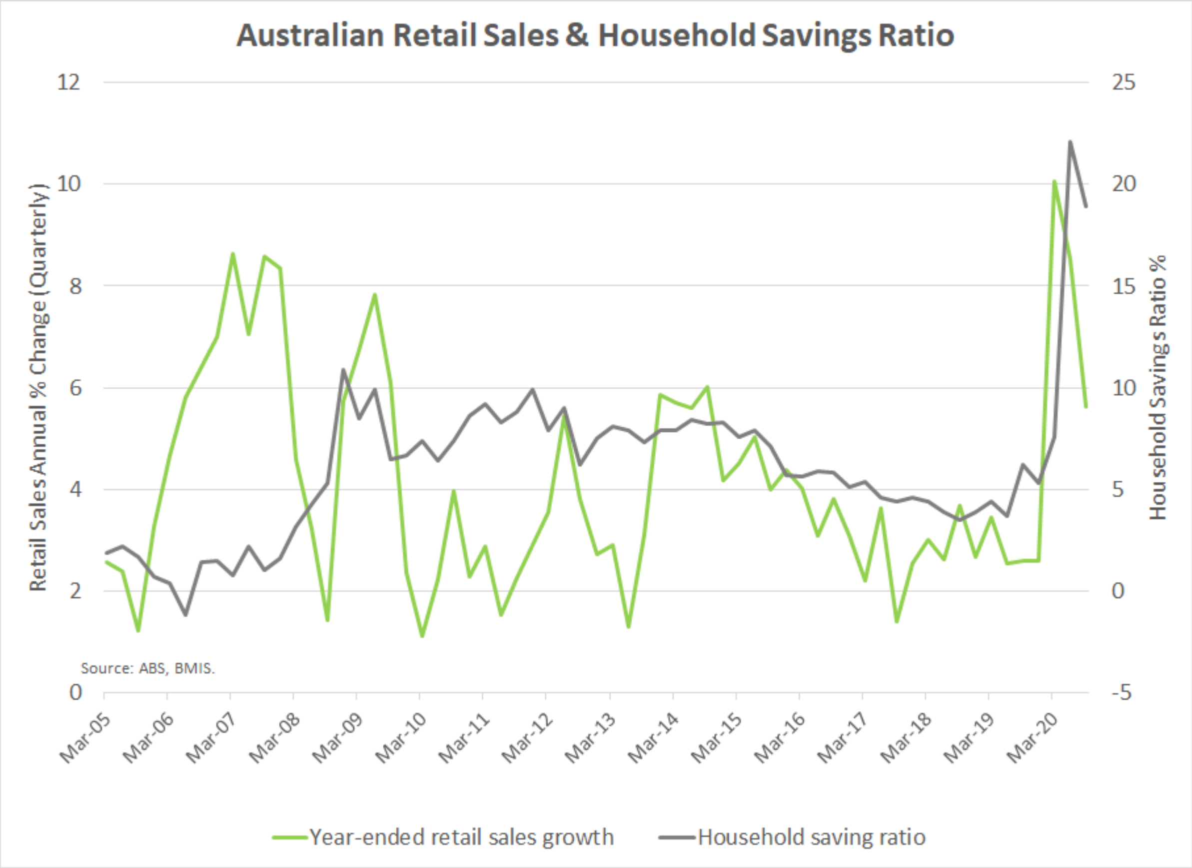
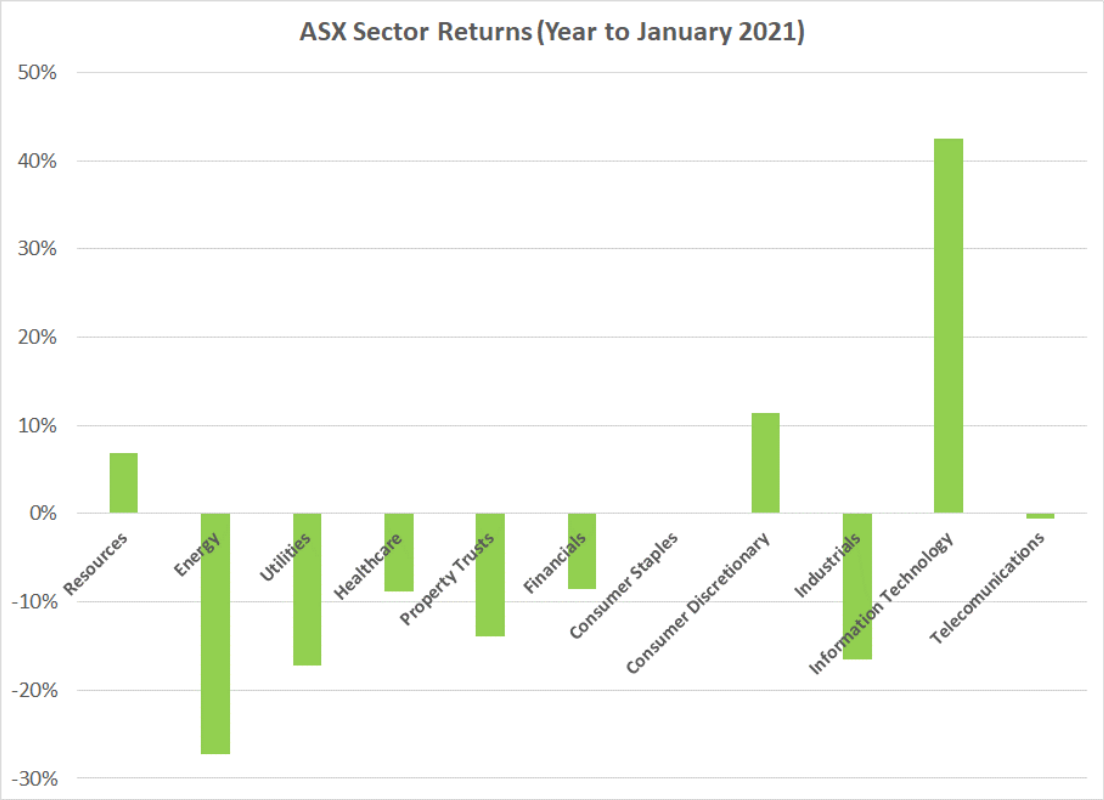
Households have capacity to maintain high levels of spending



Property trusts, utilities & infrastructure appear cheap on a relative basis under any assumption of normalization of revenue



Shopping Centre REITs	Scentre Group	Sopping Centres Australasia	Vicinity
Normalised Dividend (Pre COVID *)	$ 0.23	$ 0.13	$ 0.13
Current Share Price (18/2/21)	$ 2.76	$ 2.33	1.58
Normalised Yield	8.2%	5.5%	8.5%

Source: BMIS, ASX. * Adj for capital raise in SCP & VCX.

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2021 could see a rise in imbalances following a period of unprecedented stimulus. Emerging economies may be particularly vulnerable.

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LUNCH BREAK

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MACQUARIE

SUPPORTING SPONSORS

australianethical
BetaShares Exchange Traded Funds
challenger
etf Securities
First Sentier Investors
FRANKLIN TEMPLETON
Ironbark
iShares by BlackRock
JANA DEPTH WITH DIFFERENCE
JCB JAMIESON COOTE BONDS
Lonsec
MASON STEVENS
MLC
NANUK ASSET MANAGEMENT
Pinnacle
RESOLUTION CAPITAL
Zenith Investment Partners
ZURICH