

JANUARY 2024 For institutional, professional and wholesale investors only

ASSET ALLOCATION SOLUTION FOR A 'SUFFICIENT INCOME FOR LIFE'.

The Martin Currie Australia (MCA) Diversified Income strategy is specifically designed for retirees seeking an asset allocation for a growing income stream.

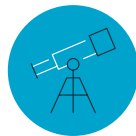
The strategy aims to deliver a growing income stream through:



A 'sufficient income for life' focus – Innovative blend of lower-risk growth assets specifically designed to maximise a growing after-tax income stream for 0% tax payers.



A unique line-up of fund managers – Martin Currie Australia selects dedicated, experienced investment managers for each asset class



Capturing forward-looking proprietary insights – MCA's unique set of fundamental and quantitative signals into expected income and the current investment landscape



Optimal asset allocation and systematic portfolio construction – Timely allocation to asset classes that are more attractive on a forward yield basis

Read more in the following document about how the MCA Diversified Income strategy seeks to provide the attributes of a 'sufficient income for life'.

Overview

We have put the 'sufficient income for life' needs of clients at the heart of the product design for the MCA Diversified Income strategy.

The MCA Diversified Income strategy brings together MCA's deep understanding of the income needs of retirees, and a 40+ year pedigree in asset allocation and managing balanced funds. MCA have been on the forefront of designing retirement income products, having established the Equity Income and Real Income strategies in 2010, Diversified Income in 2014, and Ethical Income in 2015.

We have found that even today, the industry is still not focused on how to really protect Australian retirees from the risk of impaired living standards. As such, our multi-asset portfolio looks very different to both traditional balanced funds and other income-focused approaches.

Combining a strong mix of fundamental research skills, quantitative analysis experience and market expertise, the innovative strategy seeks to optimally allocate assets across a range of Australian equities, listed real assets (REITs, utilities, infrastructure), fixed income and cash strategies.

Each asset class and strategy is underpinned by a specific investment rationale, which, when combined, seeks to provide the key attributes of what we like to call a 'sufficient income for life'.

We believe that there are few peer strategies available in the market that address income in the way that the MCA Diversified Income strategy can.



"A sufficient income for life"

- An **income stream** to support annual expenses
- **Income growth** for inflation protection
- **Capital growth** to manage longevity risk
- **Diversified growth** exposures (across a full asset allocation) to reduce income sequencing risk

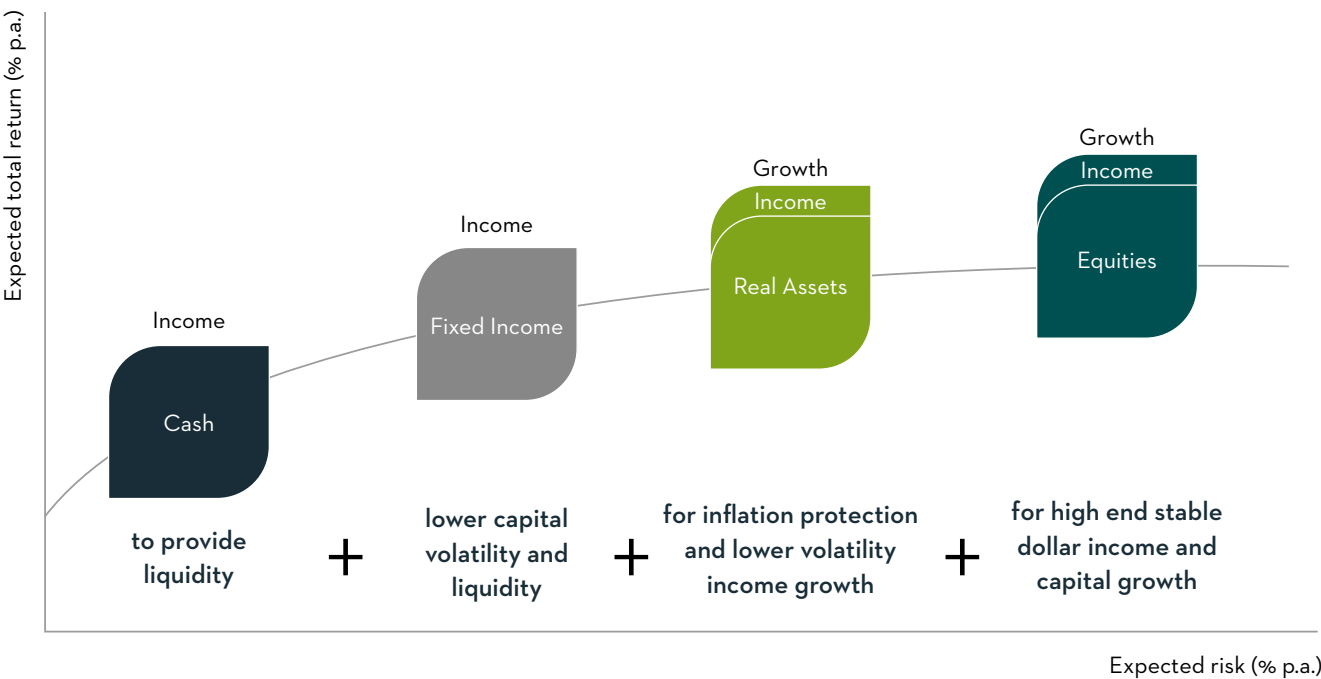
Income-focussed investment approach

We believe that a retirement income strategy and asset mix should be very different to a typical balanced fund strategy for people in the accumulation phase of their investments.

Our investment approach focuses on identifying superior expected income from equities, real assets, bonds and cash in order to provide an optimal asset allocation for retirees requiring income and growth over the medium to long term.

We believe that this combination can provide retirees with the expected benefits of low volatility, inflation protection, long-term income and capital growth, and liquidity, which minimises the need to draw down capital and provides higher yields and better income stability than stand-alone assets.

Building blocks for a 'sufficient income for life'



Past performance is not a guide to future returns.

Source: Martin Currie Australia; for illustrative purposes only.



Selection of dedicated, experienced investment managers for income

Exposure to different asset classes is achieved through investing in a range of income-focused strategies, with the asset allocation decisions and selection managed by MCA.

Each of these strategies has been specifically chosen for their alignment with our 'sufficient income for life' philosophy.

Our current exposures include:



Western Asset Management Conservative Income strategy*

- provides a high level of liquidity.

Western Asset Management Australian Bond strategy*

- ensures that the overall risk return for the portfolio is conservative; and
- aims to protect and promote the defensive attributes that fixed income offers.

Franklin Absolute Return Bond strategy*

- aims to deliver defensive and stable Australian dollar hedged returns;
- provides exposure to domestic market opportunities and select strategies from the broader global universe; and
- with individual decisions in relatively small sizes such that no single decision can overwhelm performance.

MCA Real Income strategy

- invests in listed real assets such as real estate investment trusts (REITs), utilities and infrastructure;
- aims to provide inflation protection through the non-discretionary nature of assets; and
- invests in assets with lower volatility income growth drivers outside of the business cycle such as population and urbanisation growth.

MCA Equity Income strategy

- focuses on the quality of businesses, and sustainability of dividend payments to enhance dividend security;
- avoids only considering high dividends without considering quality;
- avoids income enhancements or capital protection that could be detrimental to long-run income and returns; and
- recognises the benefit of franking credits for retirees and is low turnover.

*Please visit www.franklintempleton.com.au for more information about the experienced Specialist Investment Managers (SIM) available within Franklin Resources Inc.



A Strategic Asset Allocation (SAA) designed for Australian retirees

We set out to build our Diversified Income portfolios in a way that seeks to maximise the ‘sufficient income for life’ for our clients. This has resulted in a portfolio that looks very differently to both traditional multi-asset funds and other income-focused approaches.

Our SAA is based on identifying an optimal asset allocation that is more appropriate for the cost-of-living liability needs of Australian retirees, and identifying the strategies that are best placed to improve their income stream relative to their income risk, a proxy for the risk of impaired living standards.

Based on vigorous back-testing and analysis, our SAA starting point is:

Asset class	Strategy	SAA %
Australian equities	MCA Equity Income	30
Listed real assets*	MCA Real Income*	30
Australian fixed Income	Franklin Absolute Return Bond Western Asset Australian Bond Western Asset Australian Conservative Income	30
Cash	Cash	10
Total growth assets		45
Total defensive assets		55

*Listed real assets predominantly consist of REITs, utility, infrastructure and like securities (as defined by Martin Currie Australia). For the purpose of the table above, Australian listed real assets are allocated equally between growth and defensive assets. The allocation to listed real assets may include real asset securities listed on Australian exchanges, and up to a maximum of 10% in real asset securities listed on developed world exchanges.

This mix looks like almost a complete reversal of the traditional “conservative” 30% growth/70% defensive approach for retirement. However, in practice, these so-called “growth assets” are quite different to what is found in a traditional accumulation phase products that are based on the traditional parameters of total risk and total return and with no focus on income or inflation.

We do not agree that all growth assets are high risk and that all defensive assets are low risk, because this concept of risk is focused solely on capital volatility. Income volatility, a proxy for the risk of impaired living standards is a bigger problem than capital volatility.

We have found that “low risk” defensive assets are typically low yielding, low growth and have high income volatility. But not all growth equities are appropriate either, and the sustainability of income and future income growth must be considered. For retirees who require a reliable income stream to replace the wages that they had received when they were working, it is important to focus on a stable dollar income generated over time, rather than just targeting a headline yield.

Our research shows that with the right type of growth / defensive allocation, a retirement portfolio can not only exhibit lower income risk, better protection against inflation, but also offer higher dollar income and provide valuable franking credits to maximise after-tax income for 0% tax payers as well as long-term capital and income growth. This diversified asset allocation also helps manage sequencing risk at the point of retirement.

Dynamic Asset Allocation (DAA) that targets forward income

Our DAA process is designed to build an optimal income stream while considering the opportunities and risks from the current market and style environment.

We continually assess the attributes of each asset class and strategy, and tilt toward the allocation that we believe will maximise the expected income yield relative to our long-run or expected normal yield and valuation expectations, while minimising income risk.

We would note that the strategy does not use derivatives to implement asset allocation decisions as we believe that an important way to improve or maintain income and capital growth is to not do anything unnecessary that could impair capital.

The MCA investment team

The MCA Diversified Income strategy is managed by Reece Birtles, Chief Investment Officer & Portfolio Manager, and Will Baylis, Portfolio Manager. Reece Birtles has ultimate management responsibility for the Diversified Income strategy.



Reece Birtles
Chief Investment Officer
& Portfolio Manager



Michael Slack
Portfolio Manager
& Head of Research

The Diversified Income investment process draws on a wide range of proprietary fundamental and quantitative research metrics, and the strategy benefits from the close collaboration of the well-resourced and experienced MCA investment team.



Deep industry expertise generating best ideas

- MCA team of 17 led by Chief Investment Officer Reece Birtles
- Average tenure of 14 years, average industry experience of 22 years - across a variety of industry backgrounds¹
- Additional insights from broader Martin Currie global investment floor



A learning culture and growth mindset

- Investment expertise and rigour gained through peer review
- Key focus on continuous development and improvement
- Team culture, built on coaching and mentoring



Highest standard of professional conduct

- Living the values of investing to improve lives through the responsible management of our own business



Passion for investment excellence and focus on risk management

- Consistent investment philosophy and process applied to an extensive range of investment products
- Tailored investment options aligned to client needs
- Sophisticated, interactive risk analysis
- Robust risk culture

¹As of 31 December 2023.

Key facts

Launch date	30 May 2014
Performance objective	<p>The strategy aims to provide an after-tax total return of CPI +4% and to provide an income stream growth above inflation</p> <p>The strategy also aims to provide a total return and annual income that is greater than that of the Composite Benchmark</p>
Benchmark	<p>Composite Benchmark:</p> <ul style="list-style-type: none">• 30%: S&P/ASX 200 Accumulation Index• 30%: 50% S&P/ASX A-REIT 300 Index/50% S&P/ASX Infrastructure Index• 30%: Bloomberg AusBond Composite Bond Index• 10%: Bloomberg AusBond Bank Bill Index
Asset allocation range	<ul style="list-style-type: none">• Australian equities: 0-50%• Listed real assets: 0-50%• Australian fixed income: 0-50%• Cash: 0-20%
How to access	Martin Currie Diversified Income Fund (An Australian Unit Trust)

The characteristics shown are guidelines only and are not hard risks limits.

Industry recognition

Signatory of:



Latest PRI Rating¹

Since 2009



Policy governance
and strategy



Direct – Listed
equity – Active
fundamental



Confidence
building
measures

Top quartile

Ranking vs peers
across all three pillars²

¹Source: Martin Currie and PRI 2022. Ratings relate to the period 1 January 2022 – 31 December 2022.

Martin Currie has been awarded the highest possible rating from the Principles of Responsible Investment (PRI), with a five-star rating across all categories relevant to its investment activities. A copy of the PRI's assessment and transparency report are available on our [website](#).

²Policy governance and strategy: 95%; Direct – Listed equity – Active fundamental: 100%; Confidence building measures: 100%

The trademark shown is that of the respective owner and is used for descriptive and illustrative purposes only. The company trademark shown is not in any way associated, or to be deemed to be associated, with Martin Currie or its group of companies.

About Martin Currie Australia



A leading innovator of Australian Equity, Real Asset and Multi-Asset strategies



Specialist investment manager
of Franklin Resources Inc.



40+ years in
Australian equities



World class
ESG credentials*



Tailored investment options
aligned to client needs



17 member team of
specialist investment analysts



A\$6 billion in
Australian equities

Source: Martin Currie, as at 31 December 2023.

For further information on our market leading ESG credentials please refer to full details on our website:
www.martincurrie.com/our-story/our-stewardship-approach



Important information

This information is issued and approved by Martin Currie Investment Management Limited ('MCIM'), authorised and regulated by the Financial Conduct Authority. It does not constitute investment advice. Market and currency movements may cause the capital value of shares, and the income from them, to fall as well as rise and you may get back less than you invested.

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Past performance is not a guide to future returns.

The distribution of specific products is restricted in certain jurisdictions, investors should be aware of these restrictions before requesting further specific information.

The views expressed are opinions of the portfolio managers as of the date of this document and are subject to change based on market and other conditions and may differ from other portfolio managers or of the firm as a whole. These opinions are not intended to be a forecast of future events, research, a guarantee of future results or investment advice.

The analysis of Environmental, Social and Governance (ESG) factors forms an important part of the investment process and helps inform investment decisions. The strategy/ies do not necessarily target particular sustainability outcomes.

Risk warnings – Investors should also be aware of the following risk factors which may be applicable to the strategy shown in this document.

- Investing in foreign markets introduces a risk where adverse movements in currency exchange rates could result in a decrease in the value of your investment.
- This strategy may hold a limited number of investments. If one of these investments falls in value this can have a greater impact on the strategy's value than if it held a larger number of investments.
- Smaller companies may be riskier and their shares may be less liquid than larger companies, meaning that their share price may be more volatile.
- Income strategy charges are deducted from capital. Because of this, the level of income may be higher but the growth potential of the capital value of the investment may be reduced.

For wholesale investors in Australia:

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