

# STRATEGY GUIDE

Martin Currie Australia Diversified Growth



DECEMBER 2024

## A DIVERSIFIED PORTFOLIO, OPTIMISED FOR ALPHA



## A diversified portfolio, optimised for alpha

The **Martin Currie Australia (MCA) Diversified Growth** strategy follows a multi asset investment approach which is designed to invest approximately 70% in growth assets and 30% in defensive assets.

We have put Australian accumulation clients at the heart of product design and strategic asset allocation. We aim to provide the optimal asset allocation across Australian and global equities, listed real assets (such as property, utility and infrastructure securities), global and domestic fixed income and cash in order to produce superior medium-term returns.

### Key Pillars of the Strategy



#### A unique line-up of fund managers, with an experienced asset allocator

The MCA team has a 40+ year pedigree in managing balanced funds for Australian investors. We have carefully selected and blended the 'best of breed' Funds for each asset class from the experienced and dedicated specialist investment managers within the Franklin Templeton stable



#### Optimal asset allocation and systematic portfolio construction by capturing forward-looking proprietary insights

We use a unique set of forward-looking fundamental research skills, quantitative analysis experience and market expertise to identify the most attractive relative expected returns across a range of Australian and global equity, real asset, fixed income and cash strategies and capturing active strategy and security selection. We use this expertise to make timely strategic and dynamic decisions to optimally position the portfolio to capture outperformance.

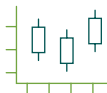


## Key Benefits of the Strategy



### Potential for long term excess returns

While equity markets are efficient over the long term, the market's behavioural biases can create temporary mispricing. Investing in shares that are trading with an attractive discount to underlying value offers the potential for excess returns over the long term.



### Fully active asset allocation and risk management

Passive approaches to asset allocation favour backwards looking data and often do not consider factor risk exposures and the current investment landscape. We make dynamic decisions based on forward-looking fundamental forecasts, which means that we can typically perform better through style and economic turning points.



### Lower cost and shorter time frame for implementation

Our systematic portfolio construction model uses unit trusts which allows us to quickly take advantage of market mispricings and capture outperformance in a transparent and cost-effective manner. This avoids the costs and delays associated with appointing or terminating managers and the flexibility ensures timely adjustments in response to changing market conditions.



### After-tax efficiency for Australian investors

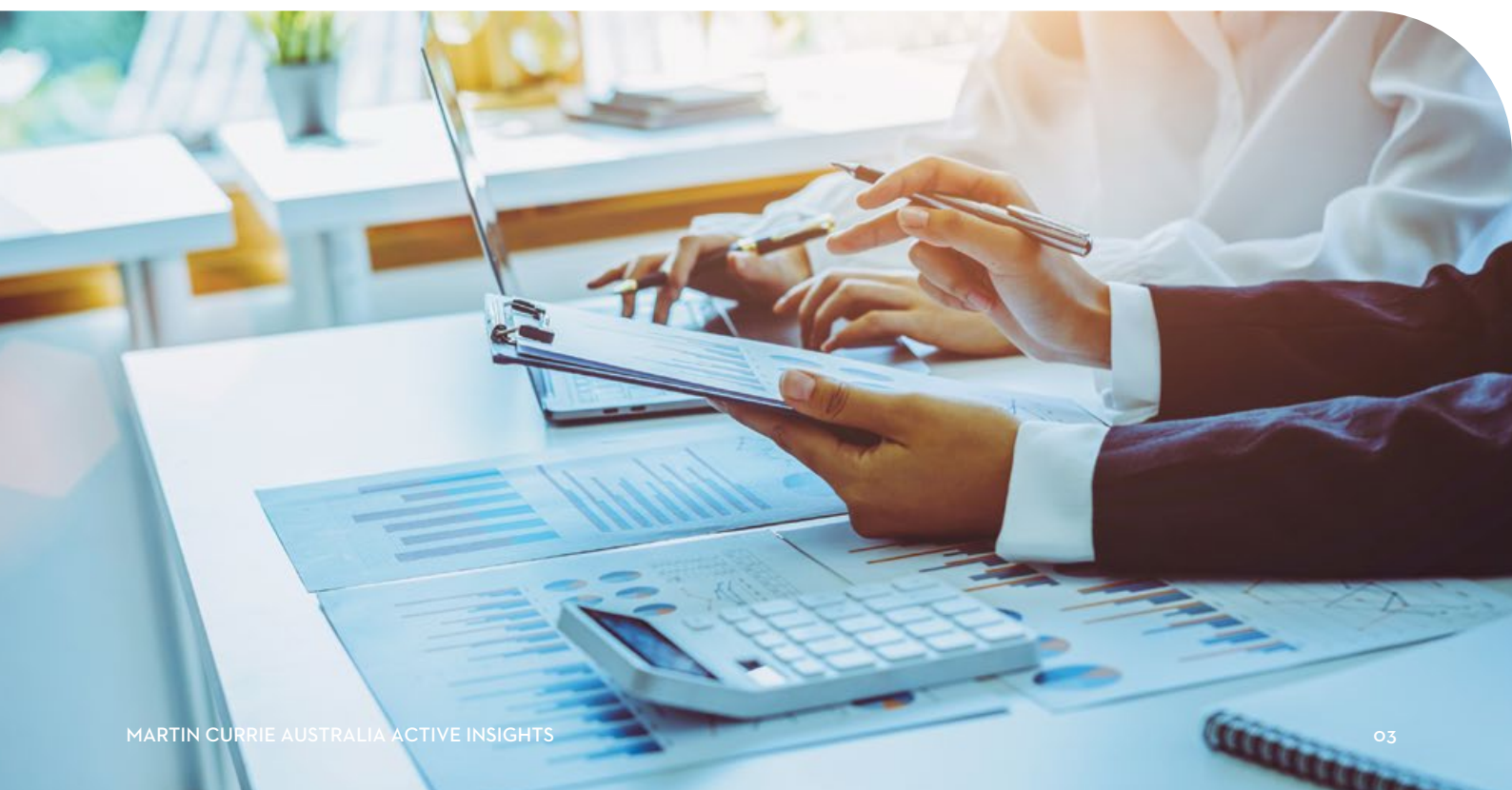
Our strategic asset allocation recognises how traditional high allocations to global equities and global fixed income are less effective after tax for Australian superannuation and pension investors.

## Who the strategy is suited to

The strategy is relevant for investors looking for:

- an active approach to investing, with a focus on alpha generation;
- a value-style investment philosophy; and
- a diversifying portfolio compared with other multi-asset investments.

We believe that our long-term track record in alpha generation through varied market cycles demonstrates our ability to steer clients' assets through the market's investment cycles more carefully and strategically, in a transparent and cost-effective manner.



## A disciplined and repeatable investment approach

### Strategic asset allocation (SAA)

We believe that our SAA is the main driver of our total returns. Based on the objective of maximising returns/utility for an appropriate level of risk, we have used our proprietary optimisation model to set the neutral long-term asset class position as follows:

Asset Class	Minimum %	SAA	Maximum %
Australian equities	15	35	45
Global equities	0	23	35
Real Assets	0	13	25
<b>Total growth assets</b>	<b>50</b>	<b>71</b>	<b>80</b>
Australian fixed income	0	12	25
Global fixed income	0	12	25
Cash	0	5	15
<b>Total defensive assets</b>	<b>20</b>	<b>29</b>	<b>50</b>
Alternative investments	0	0	6

### Dynamic Asset Allocation (DAA)

Our proprietary optimisation model enables us to undertake scenario testing for variations in expected returns on our asset allocation, and we are constantly looking for deviations of risk premiums against our long-term expectations to optimally position the portfolio to capture outperformance.

### Portfolio implementation

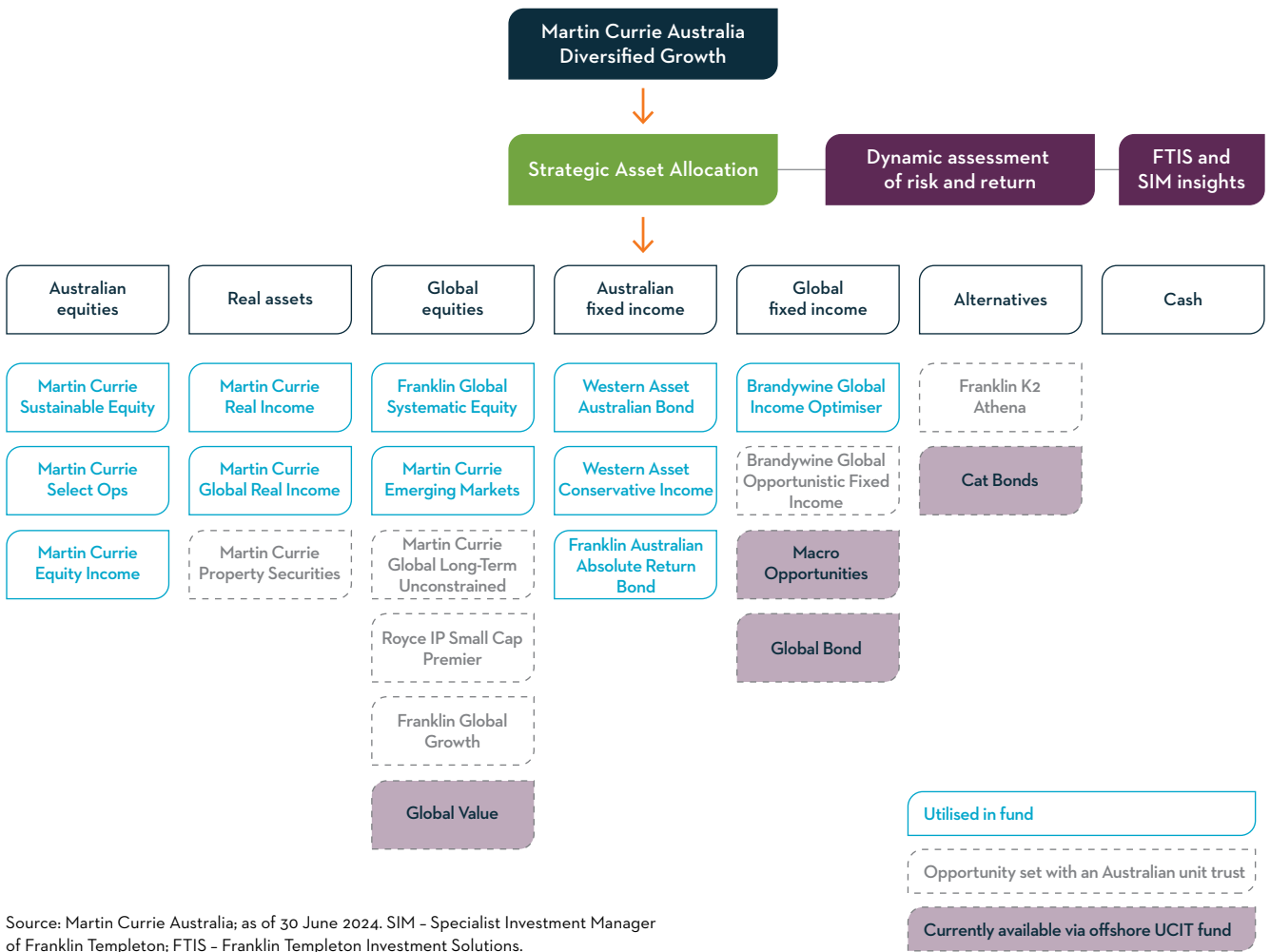
Investment positions relative to applicable asset allocation targets and limits are monitored daily and portfolio changes are based on the trades that offer the highest marginal contribution to utility. When the current allocation differs from the target allocation by the trigger amount, the trading required to achieve the desired allocation shift is executed in a disciplined manner.

The composite benchmark, and SAA targets and limits have been established for the long term. They are formally reviewed every three years on average. DAA targets and limits are determined at least half-yearly. Target allocations may be updated more frequently when asset classes are more volatile and shifts in pricing cause significant changes in expected returns.



# Best of Breed managers

We believe that while our SAA will be the main driver of our total return, the most efficient alpha capture comes from the active security selection of each of the specialist investment managers used within the Fund.



Source: Martin Currie Australia; as of 30 June 2024. SIM - Specialist Investment Manager of Franklin Templeton; FTIS - Franklin Templeton Investment Solutions.

We are constantly reviewing the opportunity set of Franklin Templeton unit trusts, both locally and offshore, and will add new Funds to the universe based on the attractiveness of their expected risk and return characteristics.



## Experienced portfolio management

The **MCA Diversified Growth** strategy invests in a blend of strategies, with asset allocation decisions and selection of the underlying strategies managed by MCA. This is managed by Reece Birtles, Chief Investment Officer & Portfolio Manager, and Will Baylis, Portfolio Manager. Reece has ultimate management responsibility for the strategy.



**Reece Birtles**  
Chief Investment Officer  
& Portfolio Manager



**Will Baylis**  
Portfolio Manager

The strategy is supported by the broader MCA investment team through detailed fundamental research and analysis. In addition, our quantitative research function is continually looking for new ways to improve the investment process and the efficacy of our stock decisions and portfolio risk/return outcomes.

## Key facts

<b>Launch date</b>	May 1974		
<b>Performance objective</b>	The strategy aims to earn an after fee return in excess of the composite benchmark over rolling three-year periods.		
<b>Benchmark</b>	<p><b>35%:</b> S&amp;P/ASX 200 Accumulation Index</p> <p><b>23%:</b> MSCI All Country (ex Australia) World Index</p> <p><b>13%:</b> 50% S&amp;P/ASX A-REIT 300 Index /50% S&amp;P/ASX Infrastructure Index</p> <p><b>12%:</b> Bloomberg AusBond Composite Bond Index</p> <p><b>12%:</b> Barclays Capital Global Aggregate Index, hedged into Australian Dollars</p> <p><b>5%:</b> Bloomberg AusBond Bank Bill Index Accumulation Index</p>		
<b>Investable universe</b>	Australian and global equities, real assets, Australian and global fixed income, cash, alternatives		
<b>Portfolio turnover</b>	<p><b>Total Growth Assets:</b> <b>50-80%</b></p> <ul style="list-style-type: none"> <li>• Australian equities: 15-45%</li> <li>• Real assets: 0-25%</li> <li>• Global equities: 0-35%</li> </ul>	<p><b>Total Growth Assets:</b> <b>20-40%</b></p> <ul style="list-style-type: none"> <li>• Australian fixed income: 0-25%</li> <li>• Global fixed income: 0-25%</li> <li>• Cash: 0-15%</li> </ul>	<p><b>Alternatives:</b> <b>0-6%</b></p> <ul style="list-style-type: none"> <li>• Australian equities: 15-45%</li> <li>• Real assets: 0-25%</li> <li>• Global equities: 0-35%</li> </ul>
<b>How to access</b>	<p>Martin Currie Diversified Growth Fund (An Australian Unit Trust)</p> <ul style="list-style-type: none"> <li>• JPM0008AU</li> </ul>		

Investment vehicles only available in certain jurisdictions. The characteristics shown are guidelines only and are not hard risks limits.



# About Martin Currie Australia



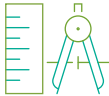
Specialist investment manager  
of **Franklin Resources Inc.**



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 Australia; as of 30 June 2024.

\*For further information on our ESG credentials please refer to full details on our website: [www.martincurrie.com/our-story/our-stewardship-approach](http://www.martincurrie.com/our-story/our-stewardship-approach)



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It is not known whether the stocks mentioned will feature in any future portfolios managed by MCA. Any stock examples will represent a small part of a portfolio and are used purely to demonstrate our investment style.

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.
- The strategy may invest in derivatives (index futures) to obtain, increase or reduce exposure to underlying assets. The use of derivatives may restrict potential gains and may result in greater fluctuations of returns for the portfolio. Certain types of derivatives may become difficult to purchase or sell in such market conditions.

Franklin Templeton Australia Limited as Responsible Entity has appointed Martin Currie Australia as the fund manager for Martin Currie Diversified Growth Fund (ARSN 088 669 292, APIR JPM0008AU). The Fund predominantly invests in units of other managed investment schemes ('Schemes') for which Franklin Templeton Australia Limited is the Responsible Entity. These Schemes are managed on behalf of the Responsible Entity by a variety specialist investment managers that can include Martin Currie Australia which is a division of the Responsible Entity (Australian equities, real assets and property); Western Asset Management Company Pty Ltd (Australian and global fixed income); Brandywine Global Investment Management, LLC (global fixed income); Franklin Advisers, Inc. (global equities and fixed income); and Martin Currie Investment Management Ltd (global equities).

Please read the relevant Product Disclosure Statements (PDSs) and any associated reference documents before making an investment decision. In accordance with the Design and Distribution Obligations and Product Interventions Powers requirements we maintain Target Market Determinations (TMD) for each of our Funds. All documents can be found via [www.franklintempleton.com.au](http://www.franklintempleton.com.au) or by calling 1800 673 776.