



# MLC Global Property Securities Strategy

## Market Benchmark Change

### August 2011

#### **What has changed?**

We've changed the market benchmark for our Global Property Securities strategy to FTSE EPRA/NAREIT Global Developed Index ("the EPRA/NAREIT Index"), replacing the UBS Global Investors Index. The new benchmark applies to the MLC Global Property Fund and our Global Property Securities strategies in the MLC Horizon portfolios and MLC Long-Term Absolute Return Portfolio.

#### **Why has the change been made?**

MLC first introduced global listed property into our Horizon portfolios in 2005. Since then, the global universe has evolved and increased in size to the point where we no longer believe the UBS Global Investors Index is representative of the broader opportunity set of investments available to our managers. While the UBS Global Investors Index benchmark successfully covers the global Real Estate Investment Trust ("REIT") universe, it excludes many companies engaging in property related activities (eg developers, property investors) which we consider eligible investments for our strategies.

#### **Why is this change necessary?**

The choice of market benchmark is important because it defines the universe of securities that are eligible for inclusion in portfolios.

If the benchmark composition is too narrow, it may constrain the investment choices of managers, resulting in a portfolio that is not adequately diversified. So long as the assigned benchmark is consistent with fund objectives and the investment skills of the appointed managers, a broader benchmark is generally preferable to one that is too narrow.

The benchmark is also used to measure manager skill from a performance perspective.

#### **How does the new benchmark differ from the old?**

The EPRA/NAREIT Index provides investors access to a broader range of global real estate opportunities than was possible from the UBS Global Investors Index, which focuses primarily on REITs.



In addition to the REITs that comprise the UBS Global Investors Index, the EPRA/NAREIT Index also includes:

- listed Real Estate Operating Companies (“REOCs”) and developers;
- more property sectors such as, storage, lodging/resorts, industrial/office mix, healthcare and specialty sectors;
- a broader exposure to stocks particularly in the Asia/Pacific region; and,
- exposure to more countries via companies that invest directly into those markets.

The broader universe of the EPRA/NAREIT Index is reflected in the higher number of securities, 289, compared to 234 in the UBS Global Investors Index. The adoption of the new benchmark with its additional countries, property sectors and securities enhances portfolio diversification and provides access to more return opportunities for clients. For example, the EPRA/NAREIT Index inclusion of REOCs provides access to a diverse range of rapidly growing Asian property markets such as Hong Kong, Japan, China, and Vietnam.

The indices are both hedged to the Australian dollar.

### **What are the portfolio implications of adopting a different benchmark?**

We expect there will be very little portfolio impact because our managers have had flexibility to invest across the broader investment universe reflected in the EPRA/NAREIT Index.

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