



# Investment Update

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23<sup>rd</sup> October 2008

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## MLC's cash portfolios

On Sunday 12 October, the Prime Minister of Australia announced a number of measures to help ensure the long term stability of Australia's banking system. At the time of writing, the Government's legislation has not been passed by parliament, though it appears the opposition parties will support the legislation proposing the following:

- guarantee all deposits of; and
- (subject to application by the issuing institution) offer a guarantee on senior unsecured debt securities issued by, a range of named Australian banks, building societies, credit unions and Australian subsidiaries of foreign-owned banks.

### What does this mean for me?

MLC recognises that investors choose to invest in MLC's cash portfolios for their safety and low risk status. Therefore MLC's cash portfolios are focused on investing in assets with a high credit quality and high levels of liquidity.

### MLC MasterKey Cash Management Trust

**MLC believes that all current underlying holdings within the MasterKey Cash Management Trust would comply with the currently proposed eligibility criteria for the Government's guarantee on debt securities.**

At the time of writing, all securities within MLC's MasterKey Cash Management Trust have been either issued by the four major Australian banks, or by other licensed banks in Australia rated A1 or better. Standard & Poor's have assessed short-term securities in the A1 category as being of the highest quality.

It is also worth noting, that MLC's MasterKey Cash Management Trust has maintained an AAAM rating issued by Standard & Poor's for well over a decade. The AAAM rating is the highest fund rating available globally. To comply with and retain such a rating, the underlying investments of the MLC MasterKey Cash Management Trust need to be of a high credit quality, maintain diversification across issuers and maintain a specified level of short-term liquidity.

### National At Call Common Fund A1



**MLC believes that all current underlying holdings within the National At Call Common Fund A1 would comply with the currently proposed eligibility criteria for the Government's guarantee on debt securities.**

At the time of writing, all securities within the National At Call Common Fund A1 have been either issued by the four major Australian banks, or by other licensed banks in Australia rated A1 or better. Standard & Poor's have assessed short-term securities in the A1 category as being of the highest quality.

The National At Call Common Fund A1 has maintained an AAAM rating issued by Standard & Poor's. The AAAM rating is the highest fund rating available globally. To comply with and retain such a rating, the underlying investments of the National At Call Common Fund A1 need to be of a high credit quality, maintain diversification across issuers and maintain a specified level of short-term liquidity.

**MLC Cash Fund<sup>1</sup>, National Cash portfolio and National Capital Secure<sup>2</sup>**

MLC believes that the underlying holdings within the MLC Cash Fund, National Cash portfolio and National Capital Secure would predominantly comply with the currently proposed eligibility criteria for the Government's guarantee on debt securities.

At the time of writing, the majority of securities within MLC's Cash Fund, National Cash portfolio and National Capital Secure have been either issued by the four major Australian banks, or by other licensed banks in Australia rated A1 or better. Standard & Poor's have assessed short-term securities in the A1 category as being of the highest quality.

**It is MLC's intention, to move the remaining securities of the MLC Cash Fund, National Cash portfolio and National Capital Secure so that 100% are eligible for the government guarantee. We are working with our underlying investment managers to achieve this. We will keep you informed of further developments.**

**NAB Fixed Rate Funds<sup>3</sup>**

The NAB Fixed Rate Funds provide a guaranteed rate of interest on your investment for the term that you select. MLC guarantees the rate of return on investments in the NAB Fixed Rate Funds. MLC guarantees that your deposits and accumulated earnings will not be reduced by

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<sup>1</sup> The MLC Cash Fund is offered as an investment option within the MasterKey range of products including Unit Trust, Investment Service, Superannuation, Pension, Business Super and Fundamentals products.

<sup>2</sup> The National Cash portfolio and/or The National Capital Secure Portfolio are offered as investment options within the National line of products including National Investment Bond, National Flexible Income Plan, National Flexible Pension Plan, National Rollover Bond Series (I,II and III), National Rollover Parking Bond and MLC MasterKey Superannuation (Gold Star and Five Star versions). These products are all closed to new investors.

<sup>3</sup> These Funds are offered as investment options within the MLC MasterKey Pension, MLC MasterKey Pension Fundamentals, MLC MasterKey Allocated Pension and MLC MasterKey Term Allocated Pension



negative investment returns while they are invested in the NAB Fixed Rate Funds. This only applies if your investment in a NAB Fixed Rate Fund is not redeemed early.

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**Important Information:**

Any advice in this communication has been prepared without taking account of your objectives, financial situation or needs. Because of this you should, before acting on any advice in this communication, consider whether it is appropriate to your objectives, financial situation and needs. You should obtain a Product Disclosure Statement or other disclosure document relating to any financial product issued by MLC Investments Limited ABN 30 002 641 661 and MLC Limited ABN 90 000 000 402 and consider it before making any decision about whether to acquire or continue to hold the product. A copy of the Product Disclosure Statement or other disclosure document is available upon request by phoning the MLC call centre on 132 652 or on our website at [www.mlc.com.au](http://www.mlc.com.au)

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