

# Helping you grow and protect wealth

**At MLC, we design investments based on the fundamental need of investors; to grow and protect wealth for the long term.**

## The MLC difference

### A market leader

MLC has been designing multi-manager investments for more than 25 years. These are used by many of Australia's largest companies and by 1.9 million Australians.

Rather than just delivering good returns over a single period or timeframe, our strategies have consistently delivered strong peer-relative returns on an after-tax and after-fees basis.

### Scale

Diversifying across a wide range of some of the world's best investment managers and implementing the strategy efficiently takes significant scale and resources.

As at 30 June 2010 we had over A\$50 billion in multi-manager products. This makes us one of Australia's largest asset managers and within the top three largest multi-managers in the world.

## Our principles of investing

We believe:

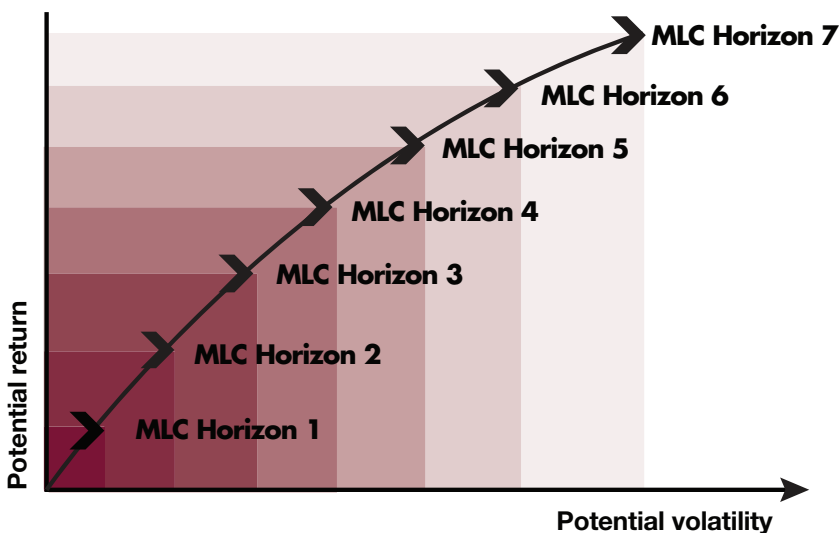
- You need to take a long-term approach to achieve long-term financial goals.
- The best way to grow wealth is to use excellent investment managers to find the best investments.
- The only reliable way to identify excellent investment managers is to do extensive research.
- Smart diversification reduces risk and broadens opportunities.
- Efficient implementation reduces costs and taxes.

## A long-term approach to investing

Reacting to short-term market movements is usually wealth destroying, so we apply a long-term view when designing and building investments.

Firstly we consider the objectives of the investment and the level of volatility desired. We then look at the different classes of assets and calculate how we expect them to perform over long periods of time. This helps us to formulate the asset allocation for the investment because longer-term data is far more reliable for predicting the outcomes of asset classes.

## The MLC Horizon range of portfolios



Each MLC Horizon Portfolio aims to grow wealth for an expected level of volatility and is designed to be a complete solution to meet an investor's financial goals.

# Helping you grow and protect wealth

## Getting asset allocation right is what matters most.

Research tells us asset allocation is what really makes an impact on investor outcomes. With this in mind, we concentrate on finding the right allocations between asset classes and sub-asset classes and design investments that help investors achieve their financial goals.

## Selecting excellent investment managers to find the best investment opportunities

Finding the best businesses to invest in around the world is a specialist skill.

We look for investment managers who can demonstrate a sustainable competitive edge, have a robust investment process and the right people and experience to apply it.

We also ask our managers to build portfolios that reflect their best ideas and meet regularly with them to understand their operations and ensure they're investing the way they say they are.

## Combining different investment managers

We blend managers with different, but complementary, insights into investment markets. This diversification gives managers the freedom to run with their convictions without having much impact on the overall risk of the investment.

By selecting only the best managers, who will each outperform at different times, long-term returns won't be diluted by combining several different managers.

## Determining each manager's allocation

Each asset class strategy we design has a desired risk and return profile. This is used as the basis for determining the appropriate combination of managers to achieve that profile.

Determining the allocation to each manager starts with our judgement based on intimate knowledge of each manager's investment approach. Data analysis is then used to test the proposed combinations.

## Analysing manager portfolios

We use an analytical tool which contains details of every security in each manager's portfolio and their characteristics. This helps us to monitor the managers' style and ensures they're consistent with the strategy's objective.

We use this information to confirm the combination of managers that best meets the objectives of the portfolio.

## Smarter Diversification

Most managed investments have a certain level of diversification to mitigate risk—after all, you don't want all your eggs in one basket. At MLC however, we believe diversification helps in more ways than one.

Our investments are diversified across asset classes, across investment managers, within asset classes and across assets. This leads to more consistent outcomes for our investors, and also ensures they have access to the best investment opportunities.

So, by taking a smarter approach to diversifying our portfolios, we're not just protecting your clients' wealth, we're finding more opportunities to grow it.

## Fine tuning our investments

We stress-test our investments through 40 potential economic and investment environments and against historical market performance data from the last 100 years. This helps us to develop a clearer picture of how the investment will perform in different market conditions and provide investors with portfolios which have already experienced a range of future outcomes.

And, throughout the lifetime of an MLC investment we're able to continually fine tune it by applying our Strategic Overlay process. This allows us to make changes to allocations, should our medium-term view (3-7 years) of the market

environment change. We'll make these adjustments to the investments if we believe we can reduce risk or enhance returns for clients.

## Implementing investment decisions efficiently

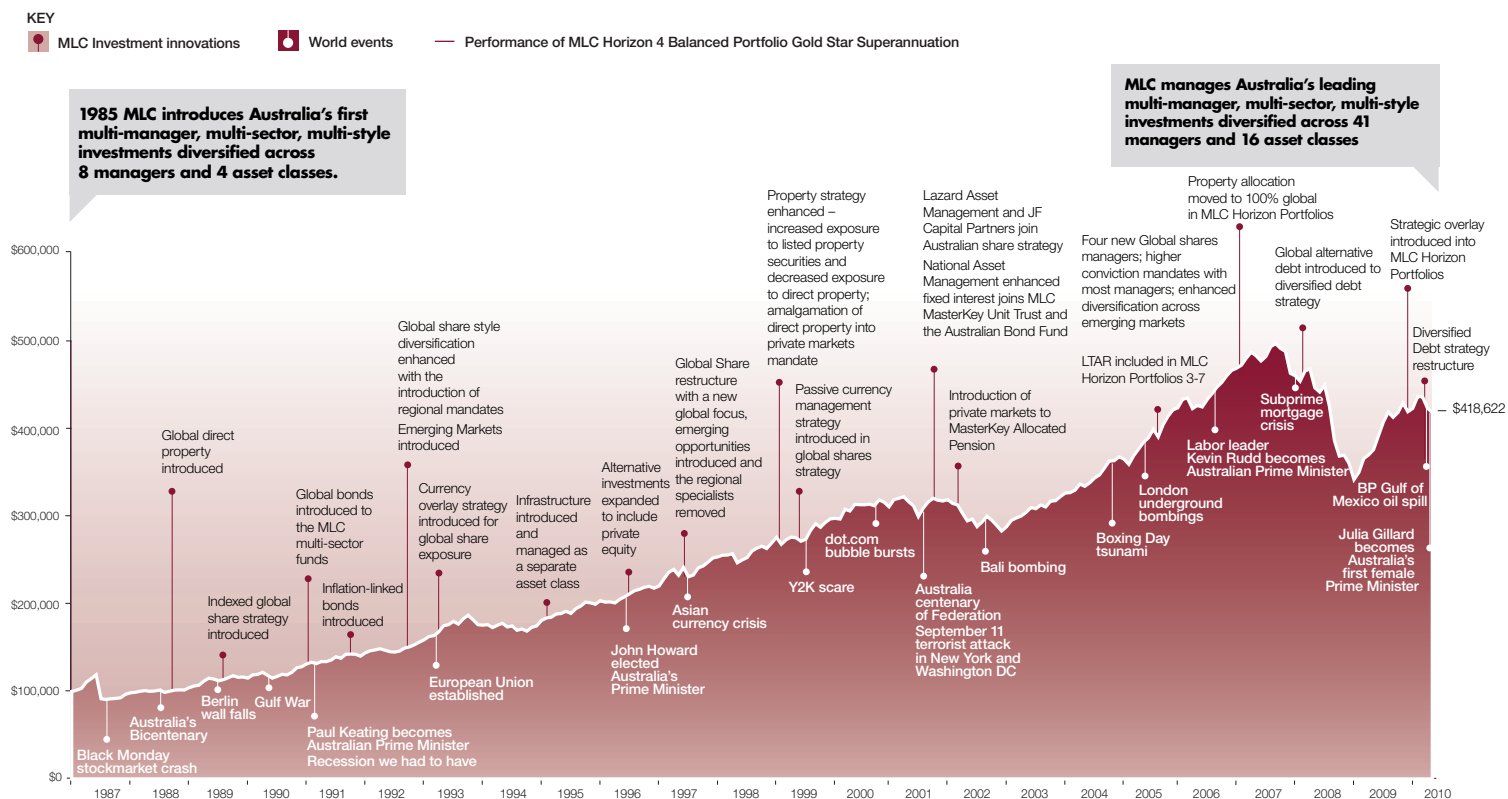
Great investment ideas can only result in great outcomes if they're efficiently implemented. Our size enables us to have a well-resourced and experienced team of investment professionals dedicated to carefully managing cashflows, market movements and strategy changes within our investments to deliver better returns and avoid unnecessary tax and costs.

## Continuous innovation

Our investment process doesn't stop once we've designed and implemented our investments. To ensure our investments continue to perform we:

- actively research asset classes and seek new opportunities to increase returns and reduce risk in our investments, and
- continuously review current and potential managers to ensure we have the best combination to manage our portfolios.

## MLC Investments – continuous innovation



Source: MLC Investments

Please note: Chart doesn't represent all portfolio innovations

## Sustainable performance

While short-term performance usually makes the headlines, we don't believe it's a reliable indicator of future or long-term performance.

After all, markets are unpredictable and the financial landscape is constantly evolving.

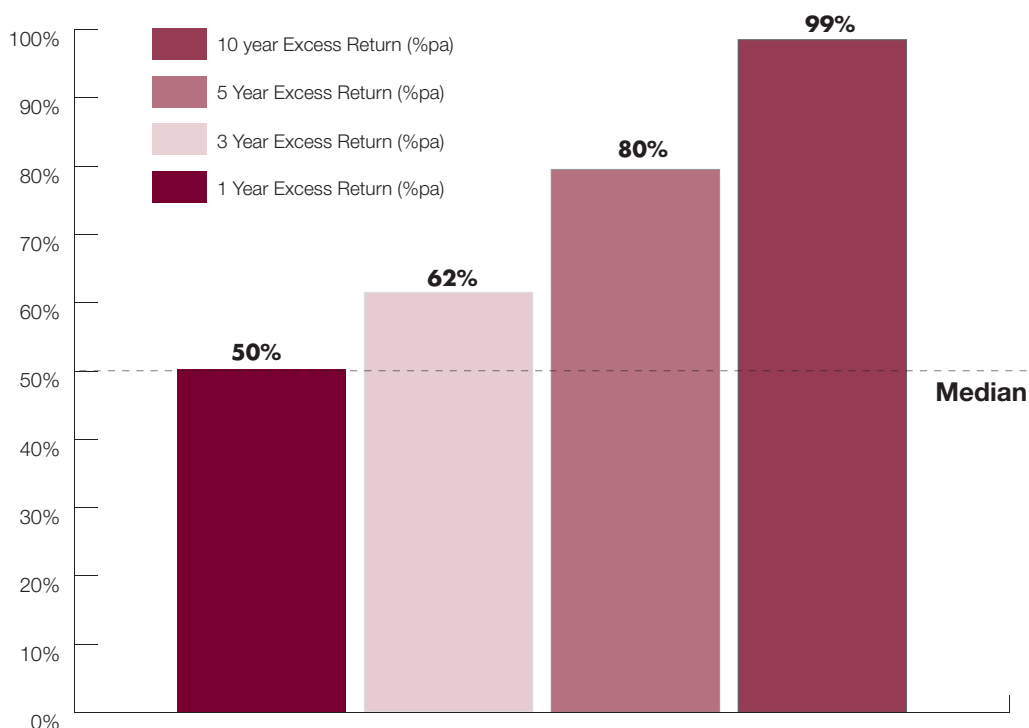
So it's only natural we measure ourselves on our long-term performance, not only because we take a long-term approach to investing but because we believe the long term is a better indicator of sustainable achievement.

### % of time MLC Horizon 4 Balanced Portfolio has outperformed median manager<sup>1</sup>

Over rolling 1yr periods	50%
Over rolling 3yr periods	62%
Over rolling 5yr periods	80%
<b>Over rolling 10yr periods</b>	<b>99%</b>

## MLC Horizon 4

### Peer relative measure: % of time MLC Horizon 4 Balanced Portfolio outperformed median manager<sup>1</sup>








































Source: MLC Investments and Mercer

<sup>1</sup> as at 30 June 2010 MLC Horizon 4 Balanced Portfolio Gold Star Superannuation after account fees & tax

# Providing access to world class managers

Our investment manager line-up as at 30 June 2010

<b>Australian Shares</b>		
<b>Balanced Equity</b> Australian shares	BALANCED EQUITY MANAGEMENT	
<b>Concord</b> Australian shares		
<b>Contango</b> Australian shares		
<b>Dimensional</b> Australian shares, Global shares		
<b>JF Capital</b> Australian shares	JF Capital Partners	
<b>Lazard</b> Australian shares		
<b>Maple-Brown Abbott</b> Australian shares (including MLC IncomeBuilder)		
<b>Northcape</b> Australian shares		
<b>Northward Capital</b> Australian shares		
<b>Vanguard</b> Australian shares-MLC IncomeBuilder™		
<b>Wallara</b> Australian shares		
<b>Global Shares</b>		
<b>Capital International</b> Global shares, Emerging market shares		
<b>Carnegie</b> Global shares		
<b>Dimensional</b> Australian shares, Global shares		
<b>Harding Loevner</b> Global shares		
<b>Mondrian</b> Global shares		
<b>Sands Capital</b> Global shares		
<b>Tweedy, Browne</b> Global shares		
<b>Walter Scott</b> Global shares		
<b>Property</b>		
<b>Challenger</b> Australian property securities		
<b>LaSalle</b> Global property securities		
<b>Morgan Stanley</b> Global property securities	Morgan Stanley	
<b>Resolution Capital</b> Global property securities, Australian property securities		
<b>Debt Securities</b>		
<b>Amundi</b> Global multi-sector bonds		
<b>Antares</b> Australian bonds, Australian inflation-linked bonds, Cash, Enhanced cash		
<b>Deutsche</b> Global absolute return bonds		
<b>Franklin Templeton</b> Global multi-sector bonds		
<b>Goldman Sachs</b> Global government bonds		
<b>Oaktree</b> Global high yield bonds, Global bank loans		
<b>PIMCO</b> Global multi-sector bonds	P I M C O	
<b>Rogge</b> Global non-government bonds		
<b>Shenkman Capital</b> Global banks loans		
<b>Stone Tower</b> Global mortgages	Stone Tower 	
<b>UBS</b> Australian bonds, Australian inflation-linked bonds		
<b>Wellington Management</b> Global non-government bonds		
<b>W.R. Huff</b> Global high yield bonds	W.R. HUFF ASSET MANAGEMENT CO., L.L.C.	
<b>Other</b>		
<b>Bridgewater</b> Alpha strategy		
<b>JP Morgan</b> Currency management		
<b>MLC Global Private Markets</b> Global private assets		
<b>Nephila</b> Insurance related investments		
<b>Ruffer</b> Multi-asset class real return strategy		
<b>State Street</b> Currency management		

## Independent opinions on MLC Horizon series

<b>Chant West</b>		'MLC has a very stable and experienced senior investment team that has been responsible for introducing several innovative investment strategies over the past 20+ years. MLC's key differentiator is its scale, which allows it to conduct extensive proprietary research, tailor manager mandates and use high conviction strategies to construct quality investment portfolios.' <i>This is an overall rating awarded by Chant West, and different ratings may have been awarded to individual products.</i>
<b>Lonsec</b>		'Lonsec considers MLC to be a market leader and highly innovative when it comes to implementation. MLC has a clear focus on minimising implementation leakage and tax efficiency through minimising trading costs, reducing market impact and limiting the realisation of capital gains, and has allocated substantial resources in order to achieve these objectives.' <sup>2</sup>
<b>S&amp;P</b>		'S&P considers MLC one of the more innovative managers in the peer group.' <sup>3</sup>

## Important information

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Past performance is not indicative of future performance. The value of an investment may rise or fall with the changes in the market. Please note that all return figures reported are quoted to 30 June 2010, unless otherwise stated.

The specialist investment management companies are current as at 30 June 2010. Funds under management figures are as at 30 June 2010, unless otherwise stated. Investment managers are regularly reviewed and may be appointed or removed at any time without prior notice to you.

- 2 The Lonsec Limited ('Lonsec') ABN 56 061 751 102 rating (assigned February 2010) presented in this document is limited to 'General Advice' and based solely on consideration of the investment merits of the financial product(s). It is not a recommendation to purchase, sell or hold the relevant product(s), and you should seek independent financial advice before investing in this product(s). The rating is subject to change without notice and Lonsec assumes no obligation to update this document following publication. Lonsec receives a fee from the fund manager for rating the product(s) using comprehensive and objective criteria.
- 3 To the extent that any ratings, opinions or other information of Standard & Poor's Information Services (Australia) Pty Ltd (ABN: 17 096 167 556, Australian Financial Services Licence Number: 258896) ('Standard & Poor's') constitutes general advice, this advice has been prepared by Standard & Poor's without taking into account any particular person's financial or investment objectives, financial situation or needs. Before acting on any advice, any person using the advice should consider its appropriateness having regard to their own or their clients' objectives, financial situation and needs. You should obtain a Product Disclosure Statement relating to the product and consider the statement before making any decision or recommendation about whether to acquire the product. Past performance is not a reliable indicator of future performance. Ratings can change or cease at any time and should not be relied upon without referring to the meaning of the rating. For more information regarding ratings please call S&P Customer Service on 1300 792 553 and also refer to Standard & Poor's Financial Services Guide at [www.fundsinsights.com](http://www.fundsinsights.com). Each analytic product or service of Standard & Poor's is based on information received by the analytic group responsible for such product or service. 'S&P' and 'Standard & Poor's' are trademarks of The McGraw-Hill Companies, Inc.© 2010 Standard & Poor's Information Services (Australia) Pty Limited.