



Asset Management

Goldman Sachs Asset Management

- Manages **global government bonds** for MLC, since 2010.
- Manages \$672 billion, across the company, as at 30 June 2011
- Origins dating back to 1840
- Headquartered in New York, USA.

Why has MLC chosen Goldman Sachs?

MLC uses Goldman Sachs because it has a well resourced and experienced global investment team. Team members are organised into smaller specialist teams each responsible for a key investment strategy; enabling each team to focus primarily on enhancing portfolio returns, while ensuring accountability for outcomes. That's why they are an appropriate choice as a specialist global government bond manager for MLC. The team is supported by an impressive internally developed risk management system that efficiently monitors, allocates and attributes the key investment risks in the portfolio.

Philosophy on investing

Goldman Sachs's investment philosophy is founded upon the belief that consistent long-term positive excess returns can be generated in the global government bond markets by well resourced and skilled portfolio teams applying high quality fundamental and market analysis. Superior outcomes can be achieved through thoughtful application of portfolio construction techniques combined with disciplined and detailed portfolio risk management.

Investment process



Goldman Sachs's investment process seeks to harness the global investment universe by:

- Adopting a global perspective to compare and contrast investment opportunities around the world
- Employing nine specialist strategy teams that each conduct very detailed fundamental and quantitative research in their search for attractive investments.

Using a disciplined risk management approach, they capture the value of, and the inherent diversification benefits amongst, the multitude of investments decisions implemented.



Investment people

Goldman Sachs Asset Management's portfolio team:



Philip Moffitt
Managing Director;
Senior Strategic
Advisor to Goldman
Sachs Asset
Management (24
yrs)



Andrew Wilson
Managing Director,
Co-Head of Global
Fixed Income and
Liquidity
Management, Co-
Head of GSAM
EMEA (26 yrs)



Sam Finkelstein
Managing Director,
Global Head of
Macro Strategies
(14 yrs)



Iain Lindsay
Managing Director, Co-
Head of Global Lead
Portfolio Management
(21 yrs)

Stock story – short 30 year US swap curve trade

- The team initiated a short US 30 year duration trade in October 2010 based on the view that the yield curve would significantly steepen as risk premiums increase at the long end of the curve. Expectations for more QE were reinforced by the Federal Reserve's minutes and their plan to revisit their proposal for inflation targeting put upward pressure at the long end.
- On 2 November the portfolio team increased its short position in US 30 year rates based on two key factors: 1) investors were still not positioned for an uptick in US growth, and the team felt that the market was still vulnerable to positive surprises in upcoming data; and 2) the Federal Reserve appeared willing to keep rates low until inflation increased, which would drive long-dated yields higher.
- At the end of November, the team took profits on its short US position as yields had already risen considerably and risk assets had begun to underperform.
- In mid February the team removed its short 30 year swap position.

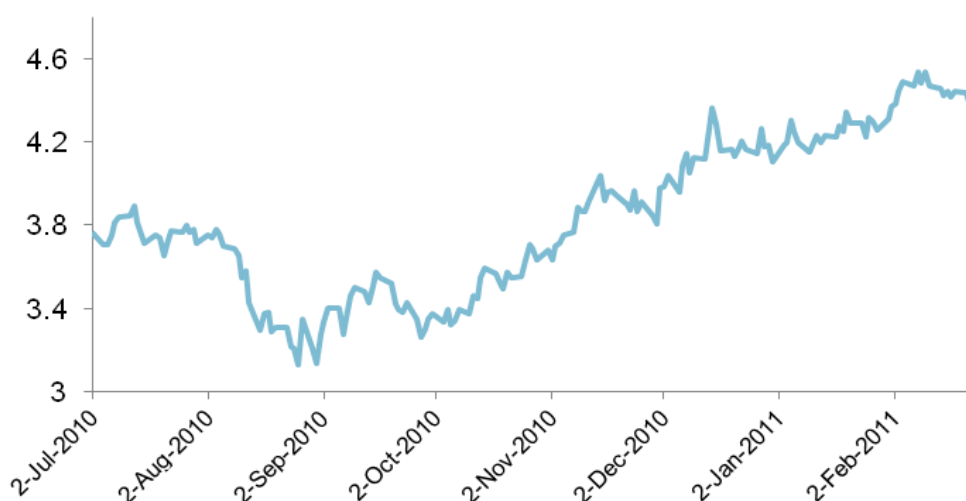


Chart 1: Short 30 year US Swap Yields

This stock may no longer be included in Goldman Sachs's portfolio as their view may have changed since this document was prepared.

Disclaimer:

The information contained in this material has been provided to you by MLC Limited (ABN 90 000 000 402) and MLC Investments Limited (ABN 30 002 641 661) and is intended as general information only for residents of Australia. It is not intended to be a solicitation from Goldman Sachs to invest in any of its products directly, or to engage Goldman Sachs directly. The information is current as at 16 September 2011, except for the amount managed which is updated as stated. It has not been prepared to take into account individual investment objectives, financial situation or investment needs. Prior to making an investment decision, you should assess whether the information in this material is appropriate to your particular investment objectives, financial situation or investment needs. It is recommended that you obtain financial advice specific to your situation before making any financial investment or insurance decision. Past performance is not indicative of future performance. The future value of your investment may rise and fall with changes in the market.

An investment with MLC Limited or MLC Investments Limited does not represent a deposit with, or a liability of National Australia Bank Limited (ABN 12 004 044 937) or other member company of the National group of companies and is subject to investment risk including possible delays in repayment and loss of income and capital invested.

None of MLC Limited or MLC Investments Limited or other member companies in the National Group of companies, or appointed managers guarantee the capital value or performance of any specific investments selected by investors except where specified in the current disclosure document.

Goldman Sachs is a registered trade mark of Goldman, Sachs & Co.

