



Contango Asset Management Ltd

- Manages Australian shares for MLC, since 2001
- Manages \$2 billion, across the company, as at 31 December 2009
- Origins dating back to 1998
- Based in Melbourne.
- 50% owned by investment/management staff

Analysing the global economy helps Contango to understand the outlook for the Australian economy and to identify the best Australian companies to invest in.

Why has MLC chosen Contango?

MLC use Contango because of their long-term proven implementation of the business cycle approach and the calibre and experience of the investment team. Contango selects the sectors and stocks that are expected to outperform based on business cycle, industry, and fundamental company analysis. Contango may hold a broad range of stocks, anywhere between 40-60 stocks depending on the stage of the business cycle.



Stephen Babidge
CIO, Portfolio
Manager/Analyst

Philosophy on investing

Contango's investment philosophy is based on the successful 'business cycle' approach to funds management developed and used by its senior executives over many years.

The 'business cycle' approach is premised on the belief that macro-economic factors (such as economic growth) influence the relative performance of both industries and stocks. The approach requires, as a first step in investment decisions and portfolio management, a close monitor of the level, direction and rate of change of a wide range of economic variables in order to determine the outlook for the sharemarket and to determine the industries that will outperform or underperform the market. This analysis occurs before the process of in-depth stock research and selection begins.

Investment process

The decision making structure at Contango is flat and promotes collective ownership of portfolio decisions. While Stephen Babidge has overall responsibility for the investment team, investment decisions are made on a team basis with each of the nine investment managers providing input and insights. This is an attractive feature of the investment process practiced at Contango as the considerable experience of each team member is harnessed.

A review of the macroeconomic factors, including the outlook for high growth areas like China, is held on a monthly basis. This analysis provides input to the monthly strategy meetings which determine the sector biases of the portfolio. Weekly equity meetings are held to review stock selection.

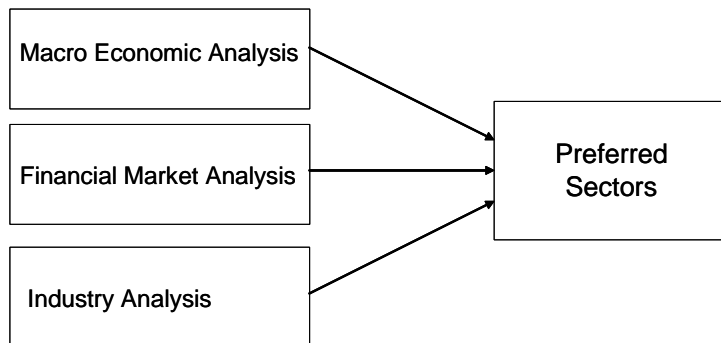


The process is designed to deliver high returns with a target outperformance of 3.5% per annum and a tracking error of between 1.5% to 4% to the S&P/ASX 300 Accumulation Index.

During periods of strong growth, the portfolio will have a growth bias while at other times it will have a more defensive (value) profile. Contango selects its best ideas for the high conviction portfolio that it manages for MLC.

In addition to internally generated insights, Contango uses a number of external sources of economic data and analysis. Regulatory factors, industry life cycle and competitive forces are also analysed to determine structural trends at the industry level. In combination these factors determine active sector positions along with stock research.

Top Down Analysis



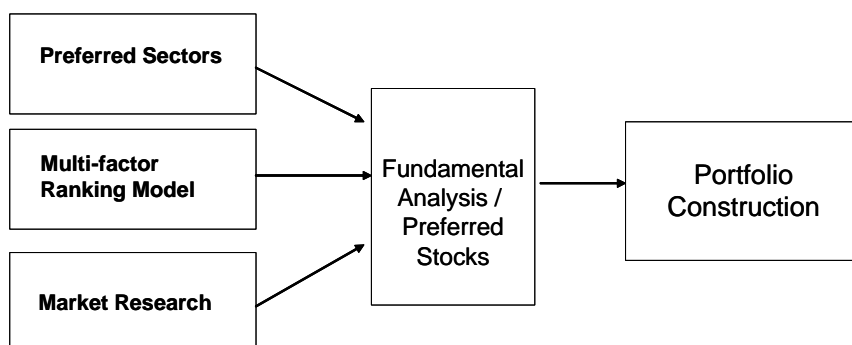
Stock Selection

Having identified the sectors/industries that offer the most potential, Contango's analysts then review the full range of stocks paying particular attention to companies in the preferred sectors.

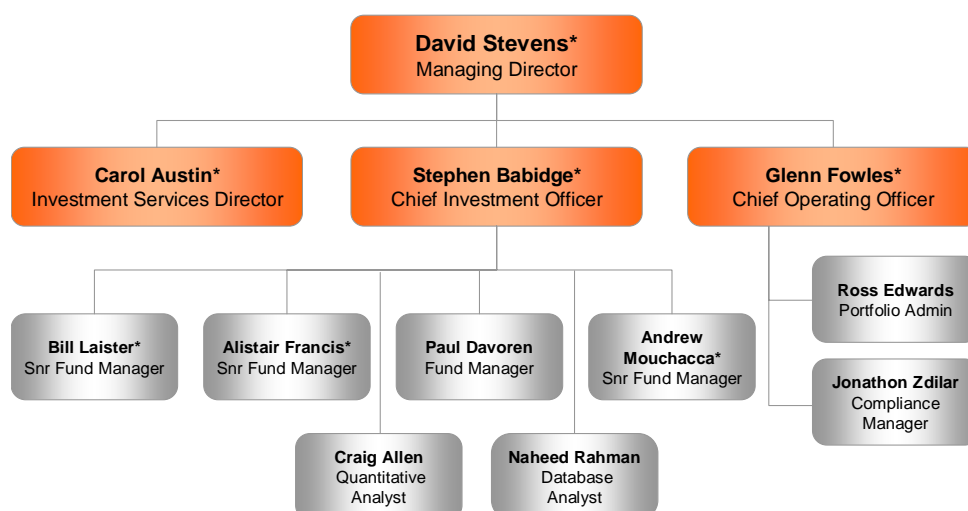
Using their proprietary database, stocks are filtered using a multi-factor ranking model. This process helps to identify high priority research targets. Contango's analysts review all stocks in the ASX300, paying particular attention to those highlighted by the sector analysis and the stock ranking model. Fundamental analysis includes company visits, meetings with management as well as a thorough analysis of business strategy and operational capabilities.

Contango also reviews a wide range of market and performance indicators as part of their analysis of individual stocks.

Stock Selection



Investment people



* own equity

David Stevens, B Ec

David has worked in the investment industry for 30 years. His roles have included Investment Analyst, Portfolio Manager, Senior Portfolio Manager, Investment Director, Chief Investment Officer, Chief Executive Officer and Managing Director.

He has been licensed as an Investment Manager in Australia, the United Kingdom and the United States.

Prior to launching Contango with Stephen Babidge, David was Chief Investment Officer from 1990 and Chief Executive Officer from 1992 of HSBC Asset Management. During his tenure as Chief Executive Officer, funds under management grew from \$700 million to in excess of \$6.3 billion. Previously, David had also worked with Australian Eagle Insurance Co, Wardley Marine International Investment and Hudson Conway Limited.

With Stephen Babidge, David has been pivotal in the creation of the 'business cycle' investment approach that Contango intends to use as the manager of the investment portfolio of the Company.

Stephen Babidge, B A (Acc), F Fin, CA

Stephen has worked in the funds management, investment banking and chartered accounting fields for over 25 years. His roles have included Audit Supervisor, Manager - Corporate Services, Senior Investment Manager, Head of Equities, Chief Investment Officer and Executive Director.

Stephen is a member of both the Institute of Chartered Accountants and the Securities Institute of Australia.

Prior to launching Contango with David Stevens in 1998, Stephen had been Head of Equities from 1990 and the Chief Investment Officer from 1995 at HSBC Asset Management. Previously, Stephen had worked with Coopers & Lybrand in Adelaide and ANZ Capital Markets in Melbourne.

As is the case with David Stevens, Stephen has also been pivotal in the creation of the 'business cycle' investment approach that Contango has successfully used to date and will be implementing on behalf of the Company.

Carol Austin, B Sc, B Ec(Hons)

Carol has worked in the investment industry for over 25 years. Her roles have included Research Economist, Chief Economist, Director - Corporate Affairs, General Manager - Business Development.

Prior to joining Contango, Carol worked with Rothschild Australia Asset Management, Commonwealth Funds Management, BHP and the Reserve Bank of Australia.

Carol has extensive experience in economic analysis and forecasting.

William Laister, B Ec

William has worked in the investment industry for over 25 years. His roles have included Resources Analyst, Head of Trading, Investment Manager, Senior Investment Manager - Resources and Head of Australasian Equities.

Prior to joining Contango, William was Head of Australasian Equities for HSBC Asset Management. Previously William worked with the stockbroking firms, Wilson and Co and Morgan Stockbroking, in Brisbane.

William has been involved in resources analysis, portfolio construction and management throughout his career. He travels regularly throughout Australia reviewing greenfields sites, mining operations and growth opportunities for companies, especially energy, base metal, gold and precious metals companies listed on the Australian stockmarket.

Andrew Mouchacca, Ph.D, F Fin

Andrew has worked in the investment industry for 10 years. He has worked as a Research Analyst/ Database Manager and is currently an analyst/portfolio manager with responsibilities in the energy, utilities and capital goods sectors. He also specialises in small industrial companies.

Andrew has been involved in developing Contango's proprietary quantitative stock selection model and several portfolio management tools. These models and techniques are used in the management of portfolios and assist in the selection and valuation of market securities and portfolio construction.

Prior to joining Contango, Andrew was with the research house, MINTEL Australia.

Alistair Francis, B Ec, CA, F Fin

Alistair has worked in the investment industry for over 20 years. His roles have included Audit Accountant, Senior Audit Accountant, Senior Tax Accountant, Project Accountant, Investment Manager and Senior Investment Manager.

Prior to joining Contango, he was an Investment Manager with HSBC Asset Management. Prior to that, Alistair worked with Potter Warburg in Melbourne and Credit Lyonnais Rouse Limited in London.

Paul Davoren, B Sc (Hons), F Fin

Paul has 14 years experience in the finance and resource sectors. Paul started his career as a geologist, principally engaged in Diamond Exploration. He moved into a business analyst role with Ashton Mining researching, analysing and evaluating gold and diamond projects and acquisitions.

Paul has worked with Merrill Lynch and Deutsche Bank stock broking as an equity analyst. Paul has strong analytical and modelling skills as well as several years business experience in resource companies.

Paul completed a Bachelor of Science Degree with Honours at Monash University, majoring in the Geological Sciences. He also has completed a Graduate Diploma in Applied Finance and Investment at the Securities Institute of Australia.

Craig Allen, B com, B Sc

Craig completed a double degree in Commerce and Science at the University of Melbourne specialising in Finance and Computer Science. Prior to joining Contango, Craig's work history included working for ObjectMastery a financial software firm and Goldman Sachs JBWere.

Craig has responsibilities for equities in the Real Estate sector, maintaining and developing the proprietary quantitative systems and undertaking quantitative research as required by the investment team.

Naheed Rahman, B Com, B IS

Naheed has completed a double degree in Commerce and Information Systems at the University of Melbourne specialising in Economics and Finance. Prior to joining Contango, Naheed was a Portfolio Analyst at Warakirri Asset Management, involved in fund manager research and the dealing of securities.

Naheed is responsible for maintaining and developing the equity database, running various risk analytics and stock research.



Naheed is currently undertaking level two of the Chartered Financial Analyst (CFA) program.

Glenn Fowles, BBS (Acc & Fin)

Glenn has worked in the financial services industry since 1985. His roles at fund management organisations have included that of Company Accountant, Operations Manager, Financial Controller, Finance Director, Chief Operating Officer and Chief Executive Officer. Glenn has extensive experience in all aspects of investment administration, including investment accounting, custody, information systems, compliance and taxation.

At Contango, Glenn is responsible for operations, finance, company secretarial and compliance. In addition to being a Director, Glenn also fills the role of Company Secretary.

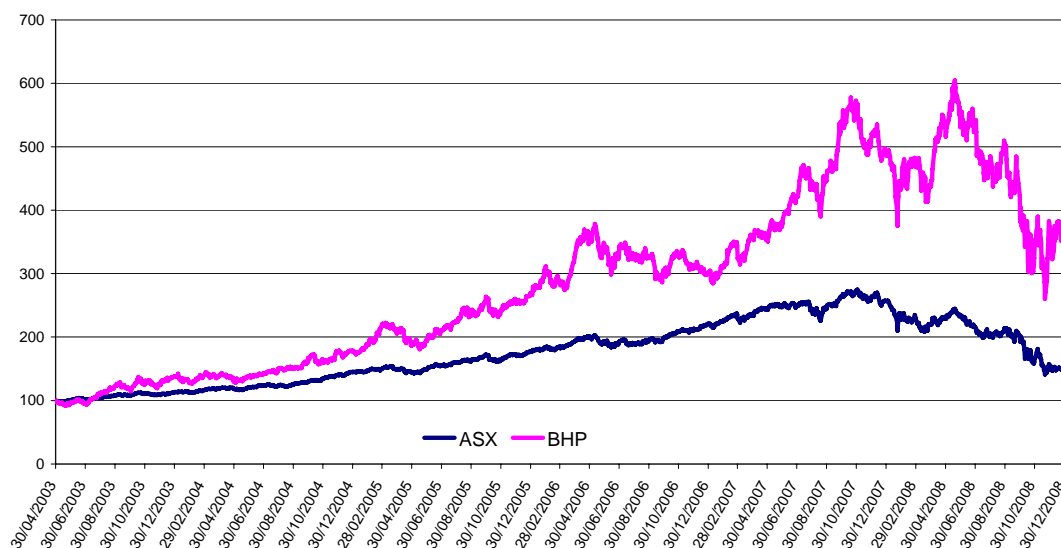
Stock story - BHP

As part of its Business Cycle analysis, Contango monitors growth patterns across the world. From the late 1990's, Contango's research indicated that global growth was becoming more resource intensive as regions like China, India, Brazil, Russia, and the Middle East were growing at a much faster pace than developed countries. Contango viewed these changes as structural and positioned its portfolio to take advantage of them.

The global financial crisis and the associated sharp decline in global growth has had a negative impact on commodity prices and the valuation of resource companies. The aggressive use of stimulatory policies by the US and China have helped to stabilise growth. Going forward, Contango expects global growth to have a stronger bias towards infrastructure development which will support strong profit growth by quality resource companies.

BHP is the world's largest global mining house. Its diverse interests in petroleum, aluminium, base metals, carbon steel materials (iron ore and coking coal), diamonds, energy coal and stainless steel materials mean that it is well placed to capitalise on the future growth in demand of industrial raw materials.

Cumulative Returns: BHP vs ASX300 (accumulation basis)



BHP is a well managed company with world class resources. Fundamental analysis shows that BHP offers strong earnings growth which will lead to higher valuations as new projects come on stream over the next several years.

Over the 5 years to May 2008 the portfolio that Contango has managed for MLC has been overweight BHP. Over that period, BHP has returned 39.6% pa and outperformed the ASX 300 accumulation index by 21.2% pa. Contango subsequently sold down their holdings in BHP in June 2008 as the global recession undermined demand and prices of metals and minerals. Contango see earnings risk in both 2009 and 2010 and assuming current metal prices persist for another 12 months then earnings could fall to around the \$US8 billion range

in 2010. Contango will look to move overweight over the next 6 months as evidence of stronger economies driving demand for metals emerges.

The information contained in this material has been prepared by MLC Limited (ABN 90 000 000 402) and MLC Investments Limited (ABN 30 002 641 661) and is intended as general information only and is current as at 31 January 2009, 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.

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