



FRANKLIN TEMPLETON INVESTMENTS

Franklin Templeton Investments

- Manages **global multi-sector bonds** for MLC, since 2010
- Manages \$685 billion, across the world, as at 30 June 2011
- Origins dating back to 1947
- Based in San Mateo, USA with bond professionals in 8 other offices around the world
- Employs 131 bond investment professionals

The company was founded in 1947 in New York. The company was named after US founding father Benjamin Franklin because Franklin epitomised the ideas of frugality and prudence when it came to saving and investing. The company's founders anticipated that both institutional and retail investors would be inspired by Franklin's convictions.

Why MLC has chosen Franklin Templeton

Franklin Templeton is an outstanding total return focussed global multi-sector bond manager. Although analysis from the macro team is an important driver of positions, judgement and experience of the investment team are key to ultimate performance outcomes. Franklin Templeton's unique investment approach is naturally benchmark agnostic and complements MLC's other managers in this sector, as it has a strong focus on taking positions in both the bonds and currencies of emerging market countries.



MICHAEL HASENSTAB, PH.D.

Senior Vice President,
Co-Director/Portfolio Manager,
Global Fixed Income

Philosophy on investing

Franklin Templeton is an active investment manager, adding value to clients' portfolios through in-depth, original, fundamental research. The managers of MLC's mandate actively manage portfolios from a bottom-up, research-driven perspective. They systematically anticipate changes in interest rates in developed bond markets and credit yield spreads of emerging market bonds, and adjust country weightings and portfolio duration accordingly.

Investment process

- The core of the investment process is the Franklin Templeton Fixed Income Group's global investment platform. Importantly, the

London, New York and San Mateo offices, as well as local investment management offices in India, China, Korea, the United Arab Emirates, Brazil and Singapore, function as one fully integrated investment team. Having such broad expertise creates opportunities to actively manage and take advantage of unique dynamics in individual markets. The team employs fundamental, country-by-country macroeconomic research, coupled with quantitative analysis, which combines in-depth country research, macro analytic models and on-the-ground insight from local market participants and policymakers with rigorous risk management and portfolio construction techniques.

- The Franklin Templeton portfolio capitalises on international investment opportunities in both sovereign and local currency markets. The portfolio managers and the research team seek investment opportunities throughout the world by identifying market disequilibria, or inefficiencies, in the fixed income and currency markets. Fund managers apply an active management, benchmark-agnostic style, pursuing absolute returns over a one to three-year time horizon.
- The investment process combines qualitative analysis of macroeconomic factors with sophisticated quantitative tools. Managers focus the investment process on fundamental research to identify long-term opportunities and use short-term market inefficiencies to build positions in such investments. These views are applied to currency, duration and sovereign credit exposure—unconstrained by the benchmark—allowing for portfolio holdings to be easily shifted to reflect anticipated changes. The portfolio and research team adds value by independently evaluating and exploiting the three drivers throughout both developed and emerging bond markets. The team’s approach has been to take a very broad, global perspective and look beyond the core markets (mostly developed) that get the most attention. There are scores of peripheral markets that not only provide excellent sources of diversification, but often offer the potential for higher returns, than traditional markets.

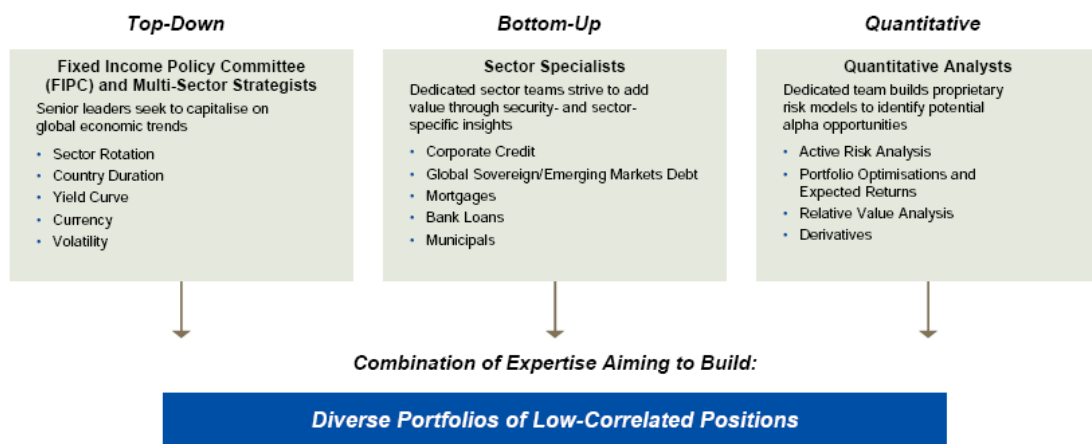
Franklin Templeton Fixed Income Group Overview

Broad Capabilities and Deep Resources in One Platform

- Global platform with more than 30 years of investment experience
- Pursuit of diversified sources of potential alpha across securities, sectors and global markets

Multiple Sources of Expertise

- More than 100 investment professionals globally seek return opportunities across sectors around the world



Investment people

The Franklin Templeton Fixed Income Group is an integrated global fixed income platform made up of over 130 investment professionals in multiple offices around the world.

The Global Bond team responsible for managing MLC’s mandate has an average of 14 years of industry experience and eight years tenure with the firm. Dr. Michael Hasenstab, co-Director of the international bond department of the Franklin Templeton Fixed Income Group, is the lead portfolio manager for the strategy and has ultimate responsibility and accountability for all strategy implementation decisions. The Global Bond team leverages information from the entire Fixed Income Group as well as other investment management groups within the firm such as the Templeton Global Equity Group.

Franklin Templeton Global Fixed Income Team

Portfolio Management—22 Professionals

Name	Title	Years Experience
Christopher Molumphy, CFA	Chief Investment Officer, Fixed Income	24
Michael Hasenstab, Ph.D.	Co-Director/Portfolio Manager, Global Fixed Income	16
John Beck	Co-Director/Portfolio Manager, Global Fixed Income	24
Canyon Chan, CFA	Portfolio Manager, Global Fixed Income	19
David Zahn, CFA	Portfolio Manager, Global Fixed Income	17
Warren Keyser	Portfolio Manager, Global Fixed Income	26
Robert Waldner, CFA	Portfolio Manager, Global Fixed Income	24
Vi-Minh Tran, CFA	Portfolio Manager, Global Fixed Income	16
Brian Henry, CFA	Institutional Portfolio Manager	21
William Ledward	Portfolio Manager, Emerging Market Debt	26
Claire Husson, CFA	Portfolio Manager, Emerging Market Debt	11
Nicholas Hardingham, CFA	Portfolio Manager, Emerging Market Debt	11
Stephen Dover, CFA ¹	International CIO/Portfolio Manager—Local Asset Management	27
Marco Freire ¹	Portfolio Manager, Brazilian/Latin American Fixed Income	7
Denis Ferrari	Portfolio Manager, Brazilian/Latin American Fixed Income	14
Weimen Chang ^{1,2}	Portfolio Manager, China Joint Venture	15
Santosh Kamath ¹	Portfolio Manager, Indian Fixed Income	18
Sachin Desai ¹	Portfolio Manager, Indian Fixed Income	11
Umesh Sharma, CFA ¹	Portfolio Manager, Indian Fixed Income	11
Dong-il Kim, CFA ¹	Portfolio Manager, Korean/Asian Fixed Income	24
Jeong Suk Kim ¹	Portfolio Manager, Korean Fixed Income	16
Mohieddine Kronfol ^{1,2}	Portfolio Manager, Middle East/North African Fixed Income	15

Product Managers—2 Professionals

Name	Title	Years Experience
Elsa Goldberg	VP, Senior Product Manager	14
Adam Grotzinger, CFA	VP, Senior Product Manager	7

Research—17 Professionals

Name	Responsibilities
Sonal Desai, Ph.D.	Director of Research
Vivek Ahuja ¹	India/Asia
Jennifer Bousman	Central and Eastern Europe
Laura Burakreis	Middle East and Africa
Fatma Charwood	Emerging Markets
Carlos Thadeu De Freitas Gomes Filho	Brazil
Calvin Ho, Ph.D.	Latin America, Europe, FX Models, Global Macro
Seung Beom Kim ¹	Korea
Ki Ram Moon ¹	Korea
Min Ah Park ¹	Korea
Pallab Roy ¹	India
Isaac Salem	Latin America
Hyung-Cheol Shin, Ph.D.	Asia, Interest Rate Models, Global Macro
Kang Tan, Ph.D.	Asia, Global Macro
Diego Valderrama, Ph.D.	Dollar Bloc, UK, Global Macro
Tony Zhang ^{1,2}	Asia
Yuhui Zhu	Quantitative

Trading—5 Professionals

Name	Title
Philip Spires	Senior Trader
Michael Messmer	Senior Trader
Cristiano de Aguiar Vianna ¹	Trader, Brazil
Andre Maldonado, CFA ¹	Trader, Brazil
Matt Henry	Trader

1. Local Asset Management professional.

2. Individual is not an employee of Franklin Resources, Inc. (FRI) or a wholly owned subsidiary of FRI. However, this individual is part of our joint venture or strategic partnership relationships worldwide and is an integral part of our overall fixed income research efforts.

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Case study - Japan

Franklin Templeton began to build a net negative position to the Japanese yen in late 2009. They first started to build the position in August and had almost reached full size in December. This net negative position to the Japanese yen serves as a hedge toward a potential rise in US interest rates. There is a strong correlation of the dollar-yen exchange rate and the interest rate differential between the US and Japan. Thus, Franklin Templeton's strategy of hedging duration exposure in the US through net negative exposure to the yen was particularly effective last year.

While the recovery in the US will continue to be moderate, this gradual improvement in the economy should combine with the large financing needs of the government to push up Treasury yields over the medium term. The timing of this move is hard to forecast as ongoing slack in the economy will keep inflationary pressure low over the near term, however, Franklin Templeton are confident it will happen in the US well ahead of Japan and this increase in the interest rate differential will favour the US dollar. Consequently, Franklin Templeton are positioning to not only be cushioned from rising yields through having no exposure to US Treasuries, UK Gilts, or Japanese Government Bonds, but they are positioning to capitalise on rising yields in the US through a negative position in the yen against the dollar.

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