

UBS Global Asset Management

- Manages **Australian bonds** and **Australian inflation-linked bonds** for MLC, since 1985
- Manages \$626 billion, across the company, as at 31 December 2009
- Offices in 25 countries
- Employ 3,800 employees

Why has MLC chosen UBS?

UBS's truly integrated global approach produces superior research. This research then underpins the valuation framework where opportunistic discrepancies between intrinsic and market values are identified. Their strong global presence and dedicated domestic team positions UBS as a manager of choice for MLC.



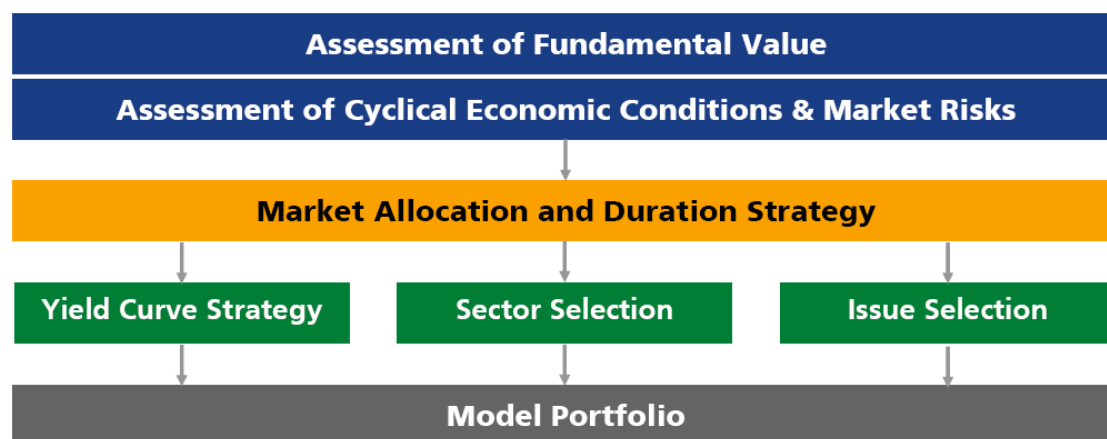
Philosophy on investing

UBS Global Asset Management's core investment management business is their price/intrinsic value investment philosophy, founded on their commitment to securities research and fundamental analysis. UBS seeks to identify the extent to which fixed income assets are mispriced relative to long-term equilibrium value (market price versus fundamental value analysis). This fundamental style has been in place for over 20 years. Over the years, they have gradually refined and honed the application of their philosophy to reflect clients' evolving needs and the development of increasingly sophisticated valuation and risk management systems.

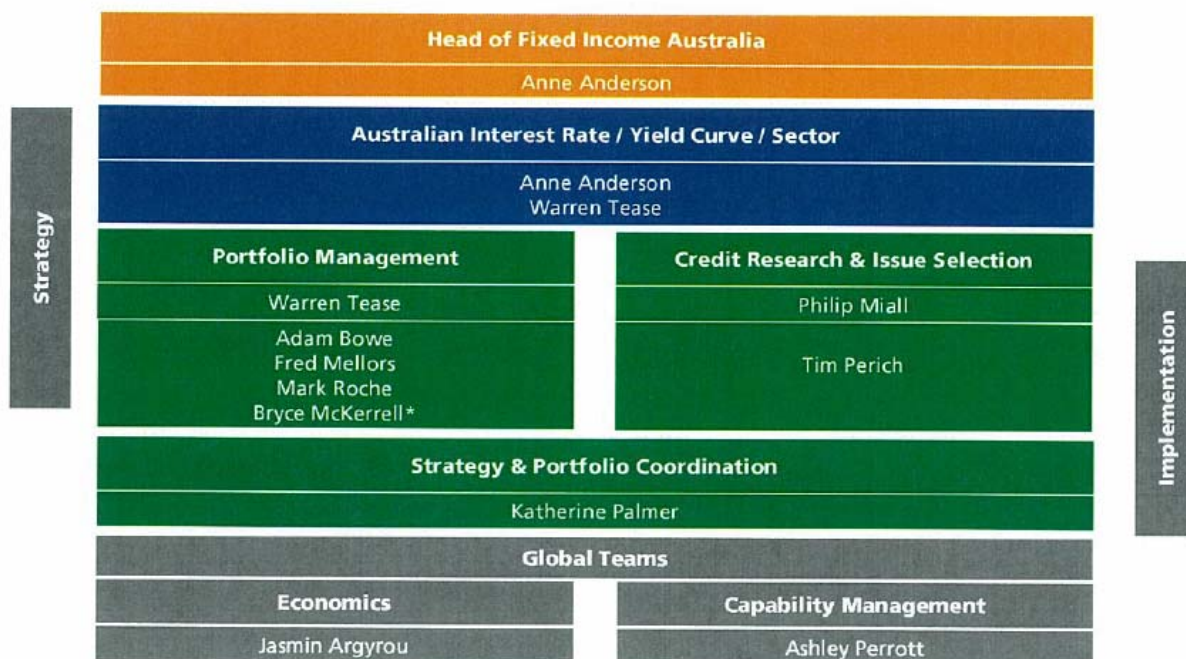
Investment process

UBS's fixed income capability offers a diverse range of global and local market-based investment strategies based on a disciplined investment philosophy and process. The investment process is anchored in the fundamental analysis applied to every level of a portfolio, which forms the basis of broader strategic themes as well as sector and security selection decisions. Rigorous fundamental research is supplemented by market behaviour analysis to identify attractive investments, allowing globally resourced investment teams to evaluate and exploit opportunities. UBS's state-of-the-art risk management seeks to ensure that portfolio construction captures compensated risks to generate returns.

UBS Global Asset Management – Fixed Interest Investment Process



Investment people



Note: As at January 2009
*Interim internal transfer

Staff Involved in the investment process

Anne Anderson
Head of Fixed Income (Australia)
Managing Director
Years of investment industry experience: 27
Years of investment experience at UBS Global Asset Management: 16
Education: Macquarie University (Australia), BEc, M App Fin

Warren Tease
Deputy Head of Fixed Income (Australia)
Executive Director
Years of investment industry experience: 24
Years of investment experience at UBS Global Asset Management: 4
Education: University of Sydney (Australia), BEc (Hons); Kiel Institute of International Economics (Germany), Advanced Studies Certificate – International Economic Research

Philip Miall, CPA
Senior Credit Analyst (Australia)
Director
Years of investment industry experience: 13
Years of investment experience at UBS Global Asset Management: 1.5
Education: University of Queensland (Australia), BComm

Katherine Palmer
Head of Strategy & Portfolio Coordination
Director
Years of investment industry experience: 12
Years of investment experience at UBS Global Asset Management: 10
Education: University of Western Australia, BEc; Securities Institute of Australia, Graduate Diploma of Applied Finance & Investment

Tim Perich, CA, CFA
Credit Analyst
Associate Director
Years of investment industry experience: 9
Years of investment experience at UBS Global Asset Management: 2
Education: Edith Cowan University (Australia), BBus (Hons)

Frederick Mellors, CFA
Portfolio Manager
Director
Years of investment industry experience: 9
Years of investment experience at UBS Global Asset Management: 3
Education: The Australian National University, BAct, BComm

Adam Bowe, CFA
Portfolio Manager
Director
Years of investment industry experience: 6
Years of investment experience at UBS Global Asset Management: 4
Education: University of QLD (Australia), BCom (Hons), BEc

Mark Roche, CFA
Portfolio Manager
Associate Director
Years of investment industry experience: 5
Years of investment experience at UBS Global Asset Management: 3
Education: University of New South Wales (Australia), BComm

Ashley Perrott
Senior Capability Manager, Fixed Income (Asia Pacific)
Director
Years of investment industry experience: 24
Years of investment experience at UBS Global Asset Management: 5
Education: University of NSW (Australia), BComm

Jasmin Argyrou
Senior Research Analyst (Asia Pacific)
Director
Years of investment industry experience: 10
Years of investment experience at UBS Global Asset Management: 8
Education: University of Sydney (Australia), BEc



Stock story

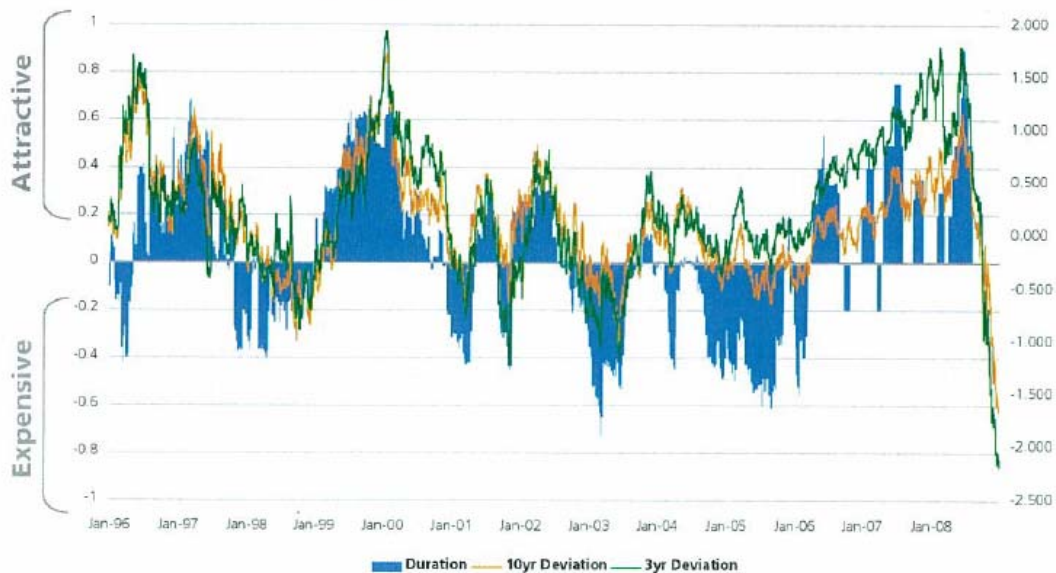
UBS has a sound track record of adding alpha from active duration management. 2008 presented an excellent opportunity to implement a long duration strategy.

Through the first quarter of 2008, UBS' market valuations indicated that interest rates were significantly deviating from long-term equilibrium. At this time, the RBA was tightening cash rates. It was a non-consensus view, but UBS built a large long duration position.

UBS' assessment of the economic cycle and the belief that Asia would not de-couple from the global downturn led to the judgement that Australian bonds represented exceptional value. This turned out to be the case with a very sharp drop in bond yields and a 4% cut in cash rates by the end of 2008 delivering returns in excess of 16% for the year. The portfolio UBS manages for MLC outperformed the benchmark by more than 1%.

Active Duration Position vs Deviations from Equilibrium

As at 31 December 2008



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