

## MODERATE MULTI-BLEND FUND

as at 31 December 2009

### WHOLESALE FUND RETURN AS AT 31 DECEMBER 2009<sup>1</sup>

	3 months (%)	6 months (%)	1 year (%)	2 years (%)	3 years (%)
Growth Return	1.90	10.12	11.58	-7.71	-7.09
Distribution Return	0.59	3.03	5.11	7.45	8.69
Total Return	2.49	13.15	16.70	-0.26	1.60
Benchmark Return <sup>2</sup>	2.31	11.37	14.11	-1.58	1.16

<sup>1</sup> Performance figures are calculated using withdrawal values and assume that income is reinvested. Annual management fees and expenses have been taken into account; however, no allowance has been made for entry fees, tax or any rebates that may be given.

<sup>2</sup> 23.5% ASX 200 + 12% MSCI ex Aus (35% hedged) in \$A + 2.5% GICS200 Pty Trusts 2.5% FTSE NAREIT Hedged + 21% UBSW Composite All Maturities + 12% UBSW Bank Bill + 17% Barclays Capital Global Agg Hedged \$A + 4% GTAA Benchmark + 2% MSCI AC Asia ex Japan + 3.5% Enhanced Commodity Fund Benchmark.

Past performance is not a reliable indicator of future performance.

### INVESTMENT MARKET COMMENTARY

The year 2009 was a mixed one for investors, but ended on an optimistic note. The concerted efforts of global authorities managed to pull the global economy from recession, and helped support one of the quickest recoveries in history in asset markets.

For the December quarter global equity markets continued to rally following on from a solid recovery over the previous quarter. Once again, the local currency index outperformed the un-hedged index. In local currency terms, global equities staged a 4.6% rise over the quarter whilst in un-hedged Australian dollar terms the index managed a 2.2% rise. Strength in the Australian dollar against the major currencies was the cause of the divergence in performance between local currency and un-hedged global equity returns.

The Australian equity market also moved slightly higher, managing to outperform the un-hedged global index but underperformed the global local currency index. The performance of the market was driven higher by the Material sector with heavy weights BHP and Rio Tinto moving strongly higher. Whilst the defensive sectors such as REITs and Healthcare were the lagged performers.

Domestic bond yields ended the quarter relatively unchanged at the short end of maturity spectrum whilst at

the longer end, yields managed to moved higher. This was in a period of heightened volatility where bond yields initially rose, retreated and then rose again. . This led to a steepening of the upward sloping yield curve and reflected investors concerns of possible higher official cash rates to stem eventual inflationary pressures. The UBS Composite All Maturities Index posted a rise of 1.0% over the quarter.

Globally, sovereign bond yields moved higher over the quarter as the increased supply of global sovereign bonds weighed on these markets. Inflationary concern and investor preference for growth assets also weighed on bonds yields. The Barclays Global Aggregate Index (Hedged) recorded a slight positive return of 1.1% over the quarter.

Hedged global listed property managed to post modest gains over the quarter, however the Australian listed property market performed poorly and significantly underperformed. The hedged global REIT index recorded a rise of 5.4%, whilst the S&P/ASX 200 Property Accumulation index moved 5.0% lower. Investor's appetite for retail REITs appeared to wane as Westfield Group and GPT significantly lagged in performance over the quarter. This lead to the domestic REITs significantly underperforming the global REITs that tends to be more diverse.

### FUND AND MANAGER PERFORMANCE COMMENTARY

The returns for the Moderate Multi-Blend Fund continued to be positive over the December quarter. Growth assets rallied in late December on optimism that the global economic recovery would gather momentum in 2010. The late surge lifted growth assets into positive territory in the last month of 2009, allowing them to beat their defensive peers' returns for the month and also extended their significant outperformance for the past 12 month period.

The Moderate Fund added relative value through manager allocation while a small positive was achieved by maintaining an underweight to Australian fixed interest (worst performing sector for the quarter) and overweight international fixed interest. Global alpha and Asian equity allocations detracted value. The underlying managers for Australian and international shares and bonds also contributed towards positive above benchmark performance.

Over the quarter, the Australian Shares Multi-Blend Fund outperformed the benchmark, to deliver strong returns. The performance of the underlying managers varied over the quarter with the blended portfolio up solidly relative to the benchmark. The allocation to smaller companies manager's also assisted performance. The standout performers were Alleron, MIR, and BTIM beating the benchmark by 3.64%, 1.1% and 0.85% respectively. The performance of the underlying managers in the International Shares Multi-Blend Fund led to outperformance of the benchmark over the quarter. Tradewinds was the standout performer with much of the relative outperformance due to their significant overweight exposure to and stock selection in the materials sector and significant underweight exposure in the financials sector.

Following a strategic review of the global equity portfolio, the manager line-up was refined over the quarter with the introduction of a new range of investment managers, selected not just for their individual capabilities and ability to deliver alpha given current market opportunities, but also for their complementary characteristics.

AllianceBernstein was removed from the portfolio in late November, outperforming the benchmark over the allocated period. Performance was driven largely by positive security selection in the consumer discretionary and finance sectors. The Boston Company was also removed from the portfolio in late November, slightly underperforming the benchmark over the period invested. Stock selection in the financials and materials sectors detracted the most from performance. The Fund gained exposure to new managers MFS, AQR, Schrodgers, Lazard and Trilogy in December. Over the short period invested, MFS, Trilogy and Schrodgers outperformed their respective benchmarks while Lazard and AQR underperformed.

The Asian Equity Fund, managed by Lion Global Investors, underperformed its benchmark over the quarter. Both asset allocation and stock selection detracted from performance. In terms of allocation, the fund continued to lose ground by overweighting cash as well as being underweight Singapore. With regards to stock selection, consumer discretionary and information technology holdings detracted the most from relative performance.

The underlying managers for the REIT sector were positive. Our domestic manager, Perennial performed in line with the domestic A-REIT benchmark. On the international front, European Investors outperformed their respective benchmark largely owing to their stock selection in Singapore, France, US and UK. CBRE GRES also outperformed their respective benchmark owing to their stock selection in Asia and Australia.

The enhanced commodity strategy managed by Credit

Suisse gained some value both in an absolute and relative sense. The strategy returned 9.49% for the quarter vs. the GSCI benchmark return of 9.17%. The global tactical asset allocation strategy run by Mellon Capital trailed its benchmark for the quarter by 1.4%. The key detractors were a large underweight to Japanese bonds, which outperformed while bonds in general, to which the strategy is overweight, lost value. Currency positioning also cost performance as overweight positions in the Yen, Swiss Franc and Canadian Dollar lost value as these currencies depreciated against the Australian Dollar. The equity country allocation component, however, added value driven in the main by an underweight position in Japanese equities.

The underlying managers for the defensive asset classes were strong for the quarter. Domestically, Colonial First State and AllianceBernstein strongly outperformed largely due to long duration position plus sector and security selection. Our international managers continued on their winning streak with both Standish Mellon and Franklin Templeton strongly outperforming over the quarter.

#### ASSET CLASS

Asset Class	Neutral Benchmark (%)	Asset Allocation Range (%)	Actual Asset Allocation (%)
Cash	12.0	9 - 15	11.89
Australian Fixed Interest	21.0	18 - 24	17.60
International Fixed Interest	17.0	14 - 20	20.15
Property Securities	6.0	3 - 9	4.91
Australian Shares	23.5	20.5 - 26.5	23.98
International Shares	14.0	11 - 17	13.85
Other	7.5	4.5 - 10.5	7.62
TOTAL GROWTH ASSETS	50	40 - 60	100.0

## MANAGER ALLOCATION

The current manager line-up and the allocation to each manager is as follows:

		% of Portfolio
Australian Shares	BT	5.29
	Ausbil	5.62
	MIR	3.40
	Schroders	5.52
	Alleron	2.46
	SPI	0.00
Smaller Companies	Contango	0.60
	Northcape	0.52
	Souls	0.59
International Shares	AQR	1.16
	Lazard	1.14
	Mellon Capital	4.19
	MFS	1.92
	Schroders	1.14
	Tradewinds	1.16
	Trilogy	1.14
	Lion Global	1.94
	Derivatives	0.01
	OAM Asset Management	0.00
	Mellon Capital	0.00
Property Securities	Perennial	2.38
	CBRE	1.54
	European Investors	1.00
Other	Mellon Capital	3.99
	Credit Suisse	3.63
Australian Fixed Interest	AllianceBernstein	9.02
	CFS	8.57
International Fixed Interest	Franklin Templeton	10.08
	Standish Mellon	10.07
Cash	IMS	11.96
<b>TOTAL</b>		<b>100.00</b>

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