Product Profile – Diversified Fixed Interest Fund

Go Further

"Gain market exposure and meaningful active returns across global fixed interest markets."

Why the QIC Diversified Fixed Interest Fund?

1. Achieve meaningful fixed interest active return from diversified sources
2. Enhanced investment outcomes delivered through a disciplined, rigorous and repeatable investment process
3. Strong governance framework to better control risk
4. Managed by a leading and innovative global manager of fixed interest solutions

A Leading Global Fixed Interest Manager

With the leadership of Susan Buckley, the QIC Global Fixed Interest (GFI) team has developed into a leading global manager of fixed interest solutions.

Comprising more than 20 experienced investment professionals, the team aims to deliver meaningful contributions through a diverse range of innovative solutions to a growing client base.

Investment Philosophy

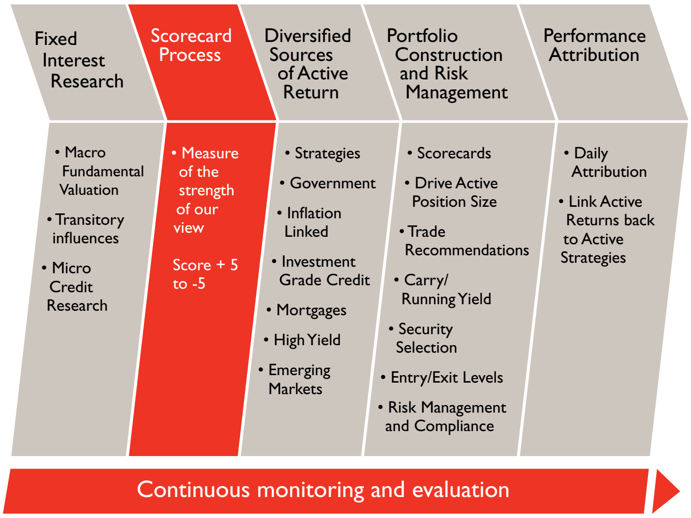
To exceed client objectives we strive for excellence in our investment approach, process and people. Our quest for excellence is built on our belief that:

- Fundamental factors drive fixed interest markets towards 'fair value' in the medium to long term
- Diversified portfolios should be constructed from strategies across the broadest possible interest rate and credit market opportunity set
- Managing fixed interest as one global investment class expands the opportunities to add value
- A research driven approach provides a foundation for all active positions with GFI portfolios leading to better investment decision-making
- A strong governance framework must be in place to manage risk for our clients.

Five-Step Disciplined Process

QIC's Global Fixed Interest team employs a five step rigorous, disciplined and repeatable approach to portfolio construction decisions. This approach features:

1. Scorecard process, which pulls together this research in a transparent framework that measures the 'strength of our view'.
2. An in-built system that allows continual monitoring and evaluation of our positions.



The 'QIC GFI Scorecard' – a robust framework for better decision-making.

Research is the cornerstone of QIC Global Fixed Interest's investment approach. This encompasses all macro fundamental research of the factors determining the outlook for interest rate and credit markets. This includes analysis of transitory influences, which can cause yields to move away from 'fair value' such as central bank rhetoric, economic data announcements and terrorism. In researching credit markets, GFI adopts a bottom-up approach to analysing corporate and industry strength.

The QIC GFI Scorecard captures, simplifies and quantifies this research. The final "score", which is a combination of both valuation and transitory factors, translates into recommended position sizes. This proven, systematic approach to decision-making leads to superior portfolio recommendations.

Strong Governance Framework to Better Control Risk

Our systems and processes enable a stronger governance framework to better control risk. QIC GFI uses the BlackRock Solutions Green and Aladdin Packages to ensure that portfolio managers are fully cognisant of all risks in the portfolios.

This is an integrated solution incorporating:

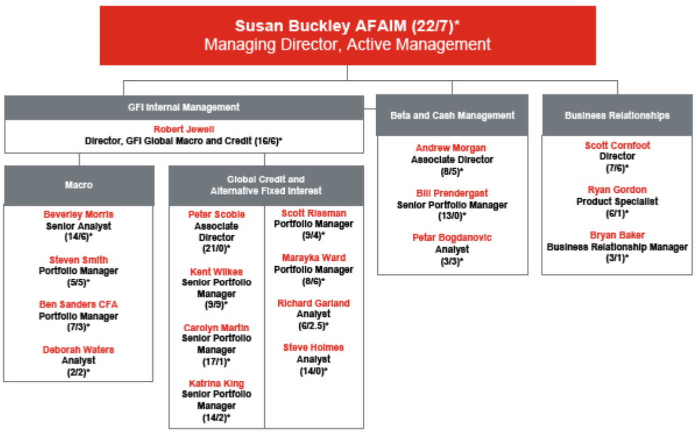
- Portfolio Management and Trading
- Compliance
- Operations
- Risk Management, including stress testing
- Performance Attribution
- Reporting.

Combined with the GFI Scorecard process, it provides a powerful tool for portfolio managers to access continuous real time information on portfolio positions. This means timely and informed decision-making as well as the ability to provide clients with up to date and meaningful information on the performance of their fixed interest portfolio.

The QIC GFI team

QIC GFI Dealing Room,

The team is broken into specialist areas that are focused and accountable for outcomes in macro, global credit, beta and cash management, external management and business management.



Weekly and quarterly meetings serve as the formal opportunities for the whole team to question, refresh and revalue our assumptions. The team environment also facilitates real-time information flow among all investment professionals.

The QIC GFI Difference

At QIC we believe in 'going further' for our clients to help them achieve their investment objectives. Our people and robust process are the foundation of our proven capabilities, however where QIC GFI 'goes further' than other managers is through:

1. A 'Scorecard' process that delivers better decision-making.
2. A corporate governance structure that better controls risk.

This has delivered a strong track record of performance and most importantly provides clientswith the confidence that we can continue to achieve their investment objectives.

About the QIC Diversified Fixed Interest Fund

The QIC Diversified Fixed Interest Fund (DFI) is a pool of domestic and international fixed interest portfolios that are actively managed to lift returns and minimise risk. The Fund brings together the strengths of the QIC Global Fixed Interest investment approach and some of the world's leading managers of global credit to create a product with access to returns across the entire global fixed interest market.

Generating Meaningful Active Return from Key Diversified Sources

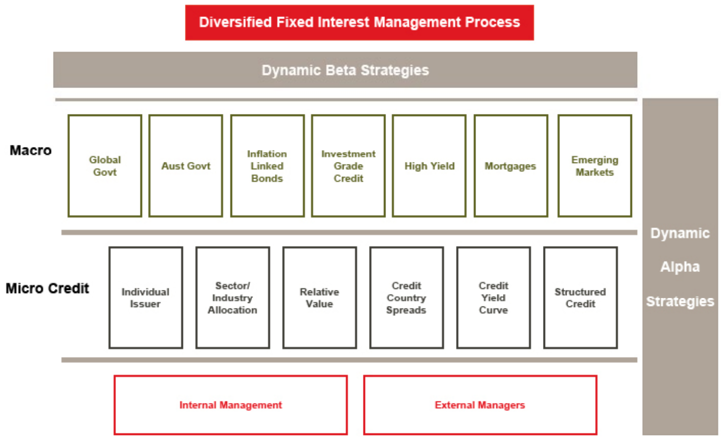
The QIC DFI Fund reflects our investment philosophy (as outlined above) by seeking to add meaningful active returns (approximately 1%) from the broadest possible set of interest rate and credit sources.

To effectively capture a globally diversified portfolio, the DFI benchmark is:

Benchmark	Universe	DFI weight
Lehman Global Aggregate (hedged in AUD)	Global	60%
UBSA Composite Bond Index	Australia	40%

Both benchmarks include a diverse range of securities due to the government/credit composition which make up each index.

The diverse range of market and active return generating opportunities, including Macro, Global Credit and External Management, of the DFI fund are illustrated below.



Source: Macro Sector Rotation

GFI actively manages the asset allocation relative to the benchmark to capture active return across a medium-term horizon as well as short-term opportunities.

The macro driven sector rotation process comprises three key steps:

1. Macro Economic forecasts - GFI establishes its view on the current business cycle and forecasts future global economic growth. It divides the economic cycle into three clear stages: early, mid and late. From here GFI can broadly define different core asset allocations that are appropriate for the current point in the cycle.
2. Returns forecasts – based on economic forecasts GFI produces expected returns for the various DFI asset classes. From here GFI sets future limits and establishes a dynamic asset allocation process.
3. Sector Allocation and Rotation – the ranges for sector allocation are set and actual sector rotations driven by the 'scorecard' process.

Source: Global Credit

The micro Global Fixed Interest team adds value by applying a bottom-up approach in managing fundamental credit risk, but does this with macro credit and industry views clearly in focus.

Comprehensive research is undertaken to analyse credits and their relative value as well as corporate strength and industry outlook. From this analysis credit allocation, industry allocation, as well as selecting the individual corporate securities are determined.

Source: External Management

GFI aims to employ the highest conviction alpha managers to generate meaningful active return. We believe that for managers to add the most value and meet alpha targets they should be able to manage with maximum latitude within their area of expertise.

The appointment of a specialist manager for DFI is evaluated alongside QIC GFI internal capabilities to determine the best sector approach and manager skill set.

Source: Pure Alpha Strategies

The global fixed interest market has evolved in complexity to include dozens of sectors and sub-sectors covering thousands of securities. Not only is there a myriad of bonds to choose from but also the rapid growth in derivatives markets has added a further level of complexity and at the same time offers further opportunities for QIC GFI.

Utilising the existing fundamental research and Scorecard process, GFI exploits a broad range of pure alpha strategies. This provides the DFI fund with an even broader range of active return strategies in order to maximise the consistency of active return.

Controlling Risk

Tracking Error: 1.5% (ave. ex-post), 4.0% (max. ex-ante)

Duration: +/- 3 years

Portfolio managers use the following tools to ensure they are aware of all risks in the DFI fund:

- Daily risk exposure reports
- Daily profit and loss reports
- BlackRock Solutions risk process – recognised as a superior provider of daily risk metrics such as VAR and tracking error
- BlackRock Aladdin package (previously mentioned).

Performance

The QIC DFI Fund has built a strong track record of performance since it's inception in February 2004 exceeding its performance objective. Contact us or go to www.qic.com for the latest performance figures.

Find out more …

Contact the QIC GFI team via:
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Ryan Gordon p: 61 7 3020 7016 or e: r.gordon@qic.com

Who is QIC?

QIC is a leading institutional investment manager with over $65 billion* in funds under management. We bring global specialists from all asset classes together into one highly integrated organisation to deliver extensive experience, global capability and a strong track record of innovation for clients.

Finding a better way

QIC's heritage has forged a culture of openly challenging conventional investment thinking to find a better way to achieve your investment objectives. Across all major asset classes, QIC merges some of the industry's best, pragmatic investment minds with a proven environment of innovation for client benefit.

Our sole focus is to develop a complete understanding of your needs and work together to design investment solutions that are more meaningful at the total portfolio level and deliver your specific return objectives.

Some innovative solutions we've provided to clients include:

- Separating active returns from market returns to allow a client to independently choose the alpha and beta sources and diversification they wanted
- Managing funds on a real, after-tax basis to enable a client to maximise net investment returns for members
- Developing an inflation-linked market in Australia to cater for a client's specific investment requirements
- Building a solution to generate higher fund level alpha from fixed interest to help a client diversify their sources of return.

What we offer

A broad range of solutions across equities, fixed interest, property, infrastructure, absolute return strategies and capital and exposure management.

Why QIC?

QIC will offer you investment solutions that are meaningful at both the asset class and total portfolio level and only if they are relevant from your point of view. You get access to leading-edge thinking and solutions developed specifically for you or leveraged from the real investment needs of our clients. We encourage you to interact with and challenge us as we also challenge your thinking in a constructive way to help you go further for your clients or members.

We go further.

16/07/2008

* As at 31 March 2009