

## Product Profile – Global Credit Opportunities Fund

Go Further

“Access attractive yield from a fund with defensive infrastructure-like characteristics.”

QIC

### Why the Global Credit Opportunities Fund?

1. Take advantage of current credit market turmoil and invest in products with strong assets and stable cashflows
2. Gain diversification from a fund with low correlation to traditional asset classes
3. Enhanced investment outcomes delivered via extensive bottom-up research and analysis via a disciplined, rigorous and repeatable investment process
4. The ability to “short” positions delivers more alpha and smooth returns through the cycle
5. Our scale and premium relationships ensure a strong deal pipeline

### About the QIC Global Credit Opportunities Fund

The QIC Global Credit Opportunities Fund (“GCOF”) is a high yield fund that invests predominantly in global infrastructure debt and other securities that exhibit defensive characteristics. Our investment focus is placed firmly on the debt components of these sectors, in particular loans. Loans provide a number of advantages over high yield bonds: volatility of returns tends to be lower; loans are typically secured and expected credit losses are generally lower.

QIC has chosen to invest in infrastructure debt as there are attractive investment characteristics that deliver relatively high risk-adjusted returns with low correlation to traditional asset classes. Infrastructure assets have high barriers to entry and monopoly-like characteristics which are not as sensitive to economic cycles as many other asset classes. Revenues are often hedged or partly hedged against the impact of inflation.

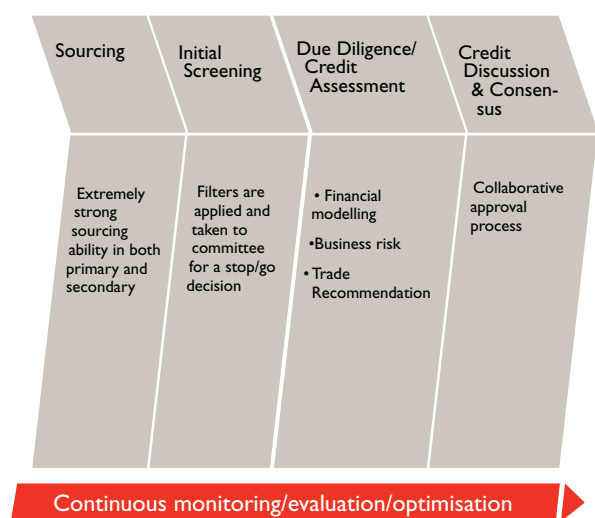
Whilst infrastructure debt is the cornerstone of the Fund, QIC has the flexibility to invest in a broad range of investments in global high yield markets, principally infrastructure, securitised and corporate sectors and structured credit markets. QIC also has the ability to take on “short” positions, either to hedge or as a directional play. This allows us to deliver greater alpha generation capability as well as smoothing portfolio returns.

The QIC GCOF reflects our investment philosophy by seeking to add meaningful active returns (approximately 3%). The GCOF benchmark is the UBS Bank Bill Index.

## Investment Process

The GFI investment process aims to provide access to significant investment opportunities through rigorous and extensive research, undertaken by our highly experienced team of professionals.

GFI utilises a proven Scorecard approach to assess and monitor a multitude of qualitative and quantitative factors that give conviction to investment decisions. This robust and repeatable process measures our strength of view in terms of both long term views and shorter term transitory influences.



An important input into the credit process is our macro overview. Our macro research provides in-depth, top-down analysis that is vital to assess the broad economic environment. This analysis allows us to compare relative value across the opportunity set, and evaluate the value of credit within the broader economy.

Essentially, the strength of GCOF is founded on extensive bottom-up research provided by our credit analysts. Our investment philosophy has been used to develop a process that is rigorous, repeatable and disciplined. As a leading-edge funds manager, our scale and premium relationships with global counterparties allow us significant access to deal sourcing in both the primary and secondary markets.

All relevant opportunities are covered by dedicated credit specialists, with experience and skill across respective industries. Exhaustive due diligence and credit assessment is undertaken to assess risks and provide a trade recommendation to the High Yield Committee. The High Yield Committee is formed of senior GFI members, an infrastructure representative and an external consultant.

The ongoing evaluation of the portfolio is considered a vital and collaborative process that aims to constantly monitor the mix of individual holdings and appraise our assumptions to ensure investment decisions continue to meet desired objectives.

## Controlling Risk

**Tracking Error:** The volatility of the fund is not expected to exceed 10%.

**Duration:** The modified duration of the fund is expected to be approximate to the UBS Bank Bill Index.

Portfolio managers use the following tools to ensure they are aware of all risks in the 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).

## A Leading Global Fixed Interest Manager

With the leadership of Susan Buckley, the QIC Global Fixed Interest (GFI) team has developed into a leading 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 build on our believe that:

- Fundamental factors drive fixed interest markets towards 'fair value' in the medium to long term
- Transitory influences can cause short run market value deviation, providing opportunities to generate active returns for clients
- 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 to expand 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.

## 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 clients with the confidence that we can continue to achieve their investment objectives.

## 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:

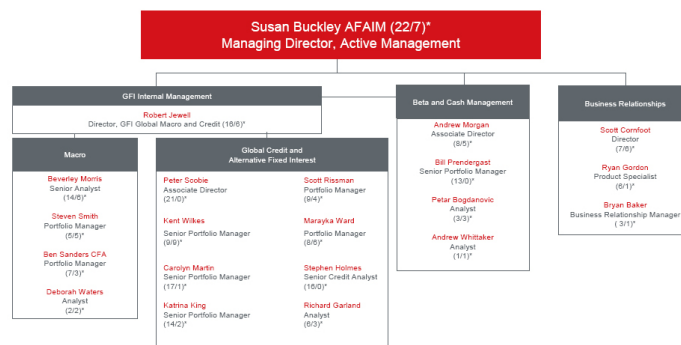
- Portfolio Management and Trading
- Compliance
- Operations
- Risk Management, including stress testing
- Performance Attribution
- Reporting.

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



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.

## Performance

Contact us or go to [www.qic.com](http://www.qic.com) for the latest performance figures.

## Find out more ...

Contact the QIC GFI team via:

Scott Cornfoot p: 61 7 3360 3942 or [s.cornfoot@qic.com](mailto:s.cornfoot@qic.com)

Ryan Gordon p: 61 7 3020 7016 or [rgordon@qic.com](mailto:rgordon@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.

\* As at 31 March 2009

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