June July '10

LONG TERM PERFORMANCE UPDATE

MTAA SUPER FUND

MTAA Super Investment Strategy

MTAA Super aims to maximise the long-term returns of members by utilising an investment approach that balances investment returns and risks. MTAA Super's investment approach consists of two distinct portfolios:

- The Market Linked Portfolio holds assets such as shares, fixed interest and cash. This portfolio is subject to usual market fluctuations with returns largely reflecting the performance of the share market.
- The Target Return Portfolio invests in unlisted alternative assets including infrastructure, property, private equity funds, natural resources and high-yield debt. Each asset in the Target Return Portfolio aims to achieve a target rate of return set by MTAA Super. The target reflects the risks and expected returns inherent in the investment.

MTAA Super's Conservative, Balanced and Growth Options offer members a choice among combinations of expected risk and return. These choices are in ascending order. That is, the risk and return of the Balanced Option is expected to exceed that of the Conservative Option and, similarly, the Growth Option is expected to involve higher risk and return than the Balanced Option.

MTAA Super aims to achieve the target risk and return settings for the three investment choices by adjusting the asset allocation between the options. For example, the Conservative Option has 32 per cent allocated to cash and 19 per cent allocated to shares, whereas the Growth Option has 3 per cent allocated to cash and 32 per cent to shares.

Each of the three investment options has a significant strategic asset allocation to the Target Return Portfolio[1], ranging from 25 per cent for the Conservative Option to 65 per cent for the Growth Option. The Target Return Portfolio includes assets such as landmark buildings, power stations, ports and airports. Individual exposures are controlled to ensure a diversified exposure to a large number of different assets operating in a range of sectors and countries.

The Target Return Portfolio provides the three main investment options with a diversified source of growth. Otherwise, these investment options would have to rely largely on shares to generate growth with the consequent greater exposure to the wide swings in the sharemarket. In terms of achieving the risk objectives for each of the investment options, the growth injected through the allocation to the Target Return Portfolio comes with moderate risk – around mid-way between the risk of shares and fixed interest.

Long Term Success of Target Return Portfolio

With the 2009-10 financial year recently completed, it is timely to consider the outcome for the Target Return Portfolio. With the disruption of the global financial crisis (GFC) receding, the Target Return Portfolio once again has posted a positive return. While returns were negative in the previous year in the wake of the GFC, the underlying operating performance of most assets in the Target Return Portfolio was solid and that continues to be the case. The negative return in 2008-09 was in large part a reflection of the deleveraging process – and hence the delay in cash flows to investors – that accompanied the GFC. To the extent that leverage in the Target Return Portfolio is lower as a result, the risk of the portfolio is also reduced.

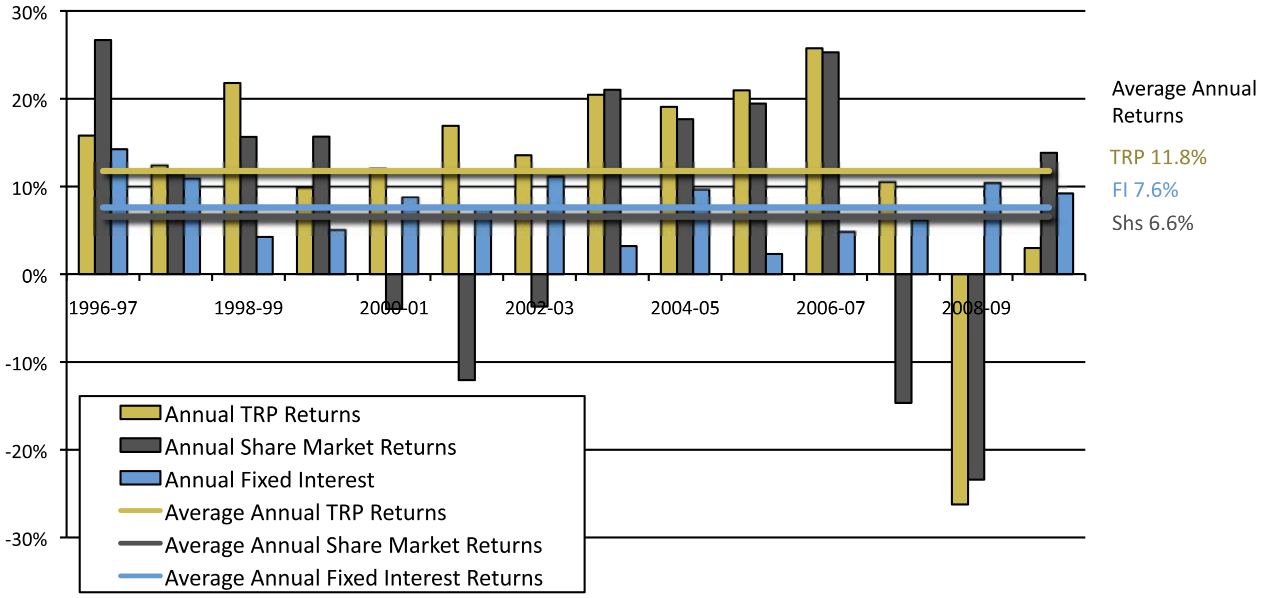
1 The Target Return Portfolio should not be confused with the Target Return Option, which is an investment option that is 95 per cent allocated to the Target Return Portfolio and 5 per cent allocated to Cash

(Continued on page 2...)

MTAA SUPER CONTACT INFO **Website:** www.mtaasuper.com.au **Email:** mtaasuper@mtaasuper.com.au **Phone:** 1300 362 415 **Fax:** 1300 365 142 **Address:** Locked Bag 15, Haymarket NSW 1236

As investing for retirement is a long term proposition, it is also important to keep in mind the longer term performance of the Target Return Portfolio. One of the key premises of MTAA Super's investment strategy is that the return of the Target Return Portfolio will be higher than shares and fixed interest over the long term. The chart below shows that over the last 14 financial years the performance of the Target Return Portfolio has easily exceeded (by 4-5 per cent per annum) that of shares and fixed interest.

Moreover, the Target Return Portfolio had only one year of negative returns over this period (at the height of the GFC), whereas shares had five negative years.



The financial year 2009-10 represents preliminary returns for June 2010. The graph shows gross time-weighted returns for the Target Return Portfolio. These returns differ from credited investment performance due to the impact of fees and taxes. Share market returns are 50 per cent S&P/ASX300 Accumulation Index 50 per cent MSCI World Ex Australia A$ hedged assuming monthly rebalancing. Fixed interest returns are 50 per cent UBS Australia Composite Bond Index and 50 per cent Barclays Global Aggregate Bond Index A$ hedged monthly rebalancing. Past performance is not an indicator of future performance.

MTAA SUPER CONTACT INFO

Website: www.mtaasuper.com.au
Email: mtaasuper@mtaasuper.com.au

Phone: 1300 362 415
Fax: 1300 365 142

Address: Locked Bag 15, Haymarket NSW 1236