MLC MasterKey Super Fundamentals

Fund Snapshot

MLC Horizon 1 - Bond Portfolio

Fund Overview

About the Fund

The MLC Horizon 1 Bond Portfolio aims to grow your wealth for a low to moderate level of expected volatility. The Portfolio is invested almost entirely in defensive assets with a priority of preserving your capital.

The Portfolio is designed to be a complete investment portfolio solution. Its well diversified across debt sectors and across investment managers who invest in many companies and securities around the world.

Key Information

APIR Code MLC0743AU

Status Onsale

Product Size as at 31 Jan 2013
$80.02M

Commencement Date
4 Dec 2006

Important Announcements

31 Jan 2012
Indicative Investment Fee
The Indicative Investment Fee shown in the Fund Overview is at a point in time and represents an annualised fee. Consequently, the recent changes made to the Investment Fees will not be fully reflected in the Fund Profile Tool until

a) the data is refreshed in March 2012 and then

b) subsequent monthly recalculations occur (for the next 12 months).

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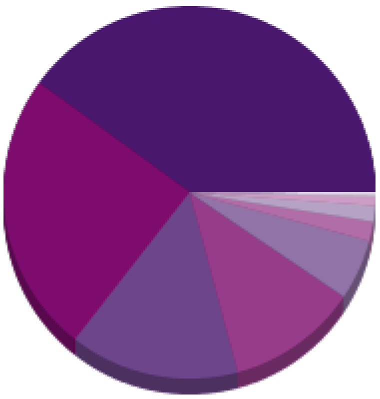
Fund Breakdown

By Asset Class as at 31 Dec 2012

The information displayed reflects the actual asset allocation based on the holdings within the fund at the effective date.



By Manager as at 31 Dec 2012

Asset Class	Manager	Percentage	Investment Amount
Australian Bonds	Antares	20.0%	$1,997
	UBS	20.0%	$1,996
Cash	Cash	1.8%	$175
Enhanced Cash	Antares	24.4%	$2,436
Global Absolute Return Bonds	Deutsche	9.9%	$995
	Peridiem	1.5%	$148
Global Bank Loans	Shenkman Capital	0.9%	$87
Global Government Bonds	Goldman Sachs	5.3%	$533
Global High Yield Bonds	Oaktree	0.5%	$48
	Peridiem	0.3%	$27
	W.R. Huff	0.5%	$53
Global Mortgages	Stone Tower	0.4%	$39
Global Non-Government Bonds	Rogge	7.3%	$733
	Wellington Management	7.3%	$734
Other	Other	0.0%	$0
Total		**100.0%**	**$10,000**

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Performance

Historical Performance

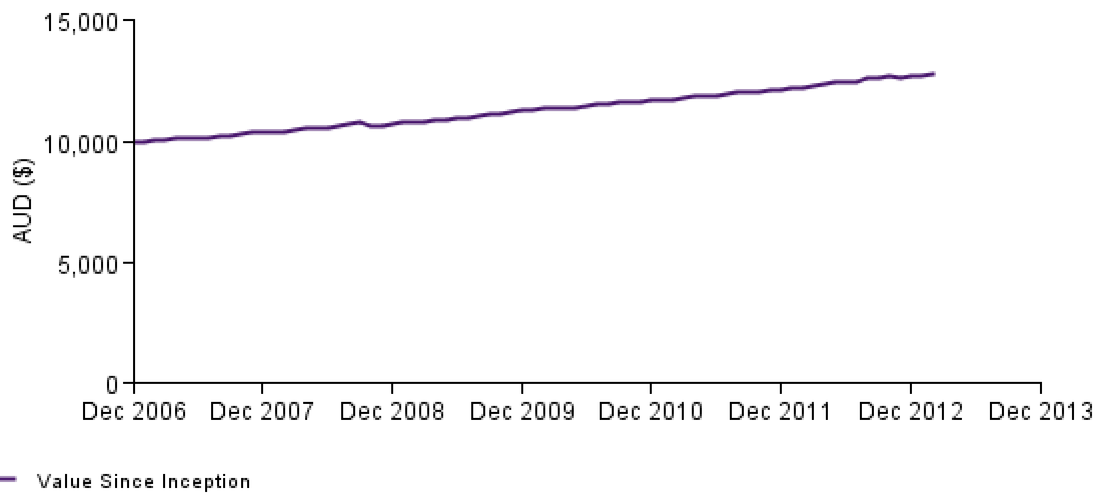
Absolute Fund Returns as at 28 Feb 2013

Returns for periods one year or greater are calculated on an annualised basis. All returns are calculated using end of month redemption prices assuming all distributions are reinvested and are net of management fees which include administration fees, issuer fees and investment fees and prior to tax considerations, and do not allow for initial entry fees.

The returns outlined above represent historical performance only and is not an indication of future performance. The value of an investment may rise or fall with changes in the market. Returns are calculated in accordance with FSC Standard No 6.

	3 month	6 month	1 Year	3 Years	5 Years	10 Years	Since Inception 4 Dec 2006
Fund Performance	0.8%	1.7%	4.3%	4.0%	4.1%	N/A	4.0%

Value Since Inception - MLC MasterKey Super Fundamentals



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Commentaries

Fund Commentary

As at 31 January 2013

The portfolio returned 1.0% (before fees and tax) over the quarter to 31 January 2013. The one year return was also solid: 5.9% (before fees and tax).

Bold moves by the policy makers and major central banks provided support for bond markets and underpinned the continuing strong returns in non-government bonds and non-investment grade bonds.

In late November, European finance ministers and the International Monetary Fund agreed to unlock previously frozen eurozone loans to Greece and to consider further debt relief. This announcement, combined with the previous action of the European Central Bank to buy bonds of eurozone member states, meant European bonds produced strong returns this quarter.

US economic data released during the quarter revealed that the worlds largest economy is continuing to expand, though at a fairly low growth rate. Although an agreement on reducing overall debt is yet to be reached, stabilising house prices and a boom in low cost energy are having a positive impact on the economy.

In Australia, data indicated that the economy is losing some growth momentum. The negative combination of falling commodity prices and a strong Australian dollar is a concern. In response, the Reserve Bank of Australia cut the official cash rate by a total of 0.5% to 3.0% during the quarter. The cash rate is now equal to the historic low it reached in early 2009, at the height of the GFC.

The portfolio outperformed its benchmark by 0.2% over the quarter. All managers produced positive returns and most outperformed their market benchmarks. Key strategies that helped performance were overweight positions in non-government bonds both in Australia and overseas, and in US non-investment grade bonds.

Note:
- Please refer to the Market commentary for an overview of what happened in domestic and global markets over the quarter.
- Fund commentary for this fund will be updated two to three weeks after the end of the month

Market Commentary

As at 31 January 2013

Share market investors continued to enjoy very strong returns during the last three months. Australian shares have outperformed global markets in the quarter and over the 12 months. Fixed income investors have enjoyed solid performance over the past few years as lower bond yields have boosted returns. However, those returns have moderated more recently, as bond yields rose from their historic lows of 2012.

Periods to end January 2013	3 mths	1yr	2yr	3yr	5yr	10yr
Cash	0.8	3.8	4.4	4.5	4.9	5.4
Australian bonds	0.0	7.3	8.9	7.8	8.0	6.3
Global investment grade bonds (hedged)	0.8	7.9	9.9	9.2	8.9	7.9
A-REITs	6.0	31.7	15.6	11.9	-4.7	2.9
Global REITs (hedged)	10.0	28.1	15.3	20.5	4.3	na
Australian shares	9.0	20.1	6.2	6.9	1.6	9.8
Global shares (hedged)	9.7	19.5	9.2	12.8	3.7	10.4
Global shares (unhedged)	7.8	17.7	3.5	4.7	-1.1	3.3
Emerging markets equities (unhedged)	7.1	10.0	-1.7	1.9	-0.8	10.5

Sources: Datastream, MLC Investment Management

Benchmark data include UBS Bank Bill Index (Cash), UBS Composite Index (Aust bonds) Barclays Global Aggregate hedged to A$ (Global bonds), S&P/ASX200 A-REIT Accumulation Index (A-REITs), MLC Global property strategy benchmark hedged to A$ (Global REITs), S&P/ASX200 Accumulation index (Aust shares, MLC global equity strategy benchmark (MSCI All Country Indices hedged and unhedged in A$) and MSCI Emerging Markets Index in A$ (Emerging Markets).

Listed real estate assets have enjoyed extraordinary gains over the past year. The higher yields that were offered on these securities proved extremely attractive to investors. However, the longer term returns from these assets are still disappointing, which reflects their extremely poor performance during the worst of the global financial crisis.

Over recent months, unhedged global share returns have again lagged those of hedged global shares. The strength of the Australian dollar in the last few years has resulted in hedged global shares outperforming unhedged global shares over all the time periods shown in the table. However, the difference in returns has narrowed, as the Australian dollars gains against the major currencies have abated.

Efforts by the worlds major central banks in particular, the US Federal Reserve, the European Central Bank and the Bank of Japan to inject liquidity into financial markets are having an ongoing and positive impact on market sentiment. In addition, world share prices have climbed and key surveys and other forward-looking economic data suggest the world economy is continuing to improve. That improvement has been seen in all major regions of the world including, perhaps surprisingly, the eurozone. Despite this improvement, much of the eurozone remains in recession. Economic conditions on the European periphery are still catastrophic.

The US has largely avoided the much-feared fiscal cliff, the automatic and massive tightening of fiscal policy that was due to take effect at the start of the year. The US private sector seemed to be gaining some momentum ahead of the fiscal cliff, despite an unexpected defence-led decline in overall US GDP in the final quarter of 2012. However, US budget developments remain a source of uncertainty for the US economic outlook. Planned spending cuts that are due to take effect over the coming months could also reduce US economic growth.

The improvement in the major economies does augur well for the prospects of the trade-dependent economies in the emerging world. In China, leading indicators are improving and the economy appears to be accelerating. A better global economy should support exports and domestic demand should respond to policy initiatives.

Stronger share markets and an improvement in global growth are welcome. Still, global growth continues to be hampered by high levels of private sector debt in a range of countries, and policy makers inability or unwillingness to stimulate growth (particularly, but far from exclusively, in Europe). Austerity measures in much of the eurozone and the UK designed to rein in fiscal deficits and stabilise public debt have achieved neither aim: tighter fiscal policy has tended to worsen economic conditions and further undermine public finances.

Australias economy slowed over the course of 2012, but still posted an internationally respectable 3.1% growth in output for the year to September. However, the boost to Australias national income from the boom in our terms of trade ended in 2012. While still historically high, Australias terms of trade has fallen by around 14% from its recent peak as prices for our key resource exports have declined. These declines, and the uncertain global environment, meant capital spending plans were wound back, particularly in the mining industry.

Concerns over Australias growth prospects and the uncertain global environment prompted the Reserve Bank of Australia (RBA) to reduce official interest rates on four occasions during the year, taking the cash rate to its global financial crisis low of 3%. Late in 2012, Treasurer Wayne Swan announced that the government was no longer committed to achieving a surplus in the current fiscal year. A surplus would have required further fiscal tightening, which could adversely affect growth in an already uncertain economic environment.

More recently, Australias economic data have tended to fall short of market expectations, adding to concerns about the durability of Australias growth. December quarter inflation data were also below forecasts, which may provide further scope for the RBA to reduce interest rates from their already extremely low levels.

Information in this report does not take into account your objectives, financial situation or needs. Before acting on the information you should consider whether it is appropriate to your situation. You should consider the relevant Product Disclosure Statement before making a decision about the product. Past performance is not a reliable indicator of future performance. Please also see Advice Warning and Important Information.

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MLC MasterKey Investment Bond

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