



With the Christmas season nearly upon us, and hopefully the worst of the financial crisis behind us, we wanted to give you an indication of market performance and how MLC's strategies have delivered. The September quarter was in stark contrast to last year's when the collapse of Lehman Brothers created havoc in markets worldwide. Returns have improved this quarter with evidence of a recovery in one year returns now appearing.

The returns recovery is a welcome confirmation that staying invested and not capitulating to fear when markets were falling was the right decision, in fact it is now starting to pay off. Markets can recover quickly, often when the news headlines are still negative. Waiting for the news to improve means you can miss out on some great returns.

Australian Shares

Up until September the market recorded seven positive consecutive months. The early signs of economic improvement and a profit reporting period which turned out to be better than expected have clearly helped.

Your MLC portfolio is well positioned to benefit from any economic recovery via the ownership of cyclicals such as Fairfax Media, James Hardie and News Corporation. A significant performance contributor has also been ownership of bank stocks. Like it or not, the Australian banks have emerged from the global crisis stronger and with greater market share. The market has recognised this and their share price performance has been outstanding. ANZ and National Australia Bank were up 46% and 37% last quarter, around double the market rise. Both banks feature prominently in MLC's Australian share portfolio in addition to CBA, Westpac and Suncorp.

Global Shares

A notable feature of the global market has been the significant out-performance of emerging markets over developed markets. For the year to 31 October, the emerging markets index had risen 20% while the unhedged MSCI World Index was down by nearly 15%.

One other point that might interest you is the additional exposure you get via the ownership of companies in developed economies. These companies are significant exporters of goods and services to developing economies like India and China. Companies, such as Unilever and Nestle, who have set up major operations in emerging countries, are listed on developed market exchanges but actually receive a significant portion of their sales and profits from trade with emerging economies.

Bonds

Bond markets have been progressively recovering from the dislocation caused by the collapse of Lehman Brothers last year. As in the previous quarter, we have been seeing a recovery in the pricing of bonds such as corporate and high yield bonds which have more risk than cash and government bonds. So very simply, the message here is what hurt returns last year is actually helping this year. And the reason you are benefiting is because MLC maintained their strategy and exposures to the various bond categories.

Listed property

The Australian and global listed property markets continue to recover. Many trusts have successfully raised more capital from shareholders and this has helped stabilise the sector. While returns for the quarter are strongly positive locally and globally, one year returns to October are still substantially negative at around -6%.

Horizon portfolios

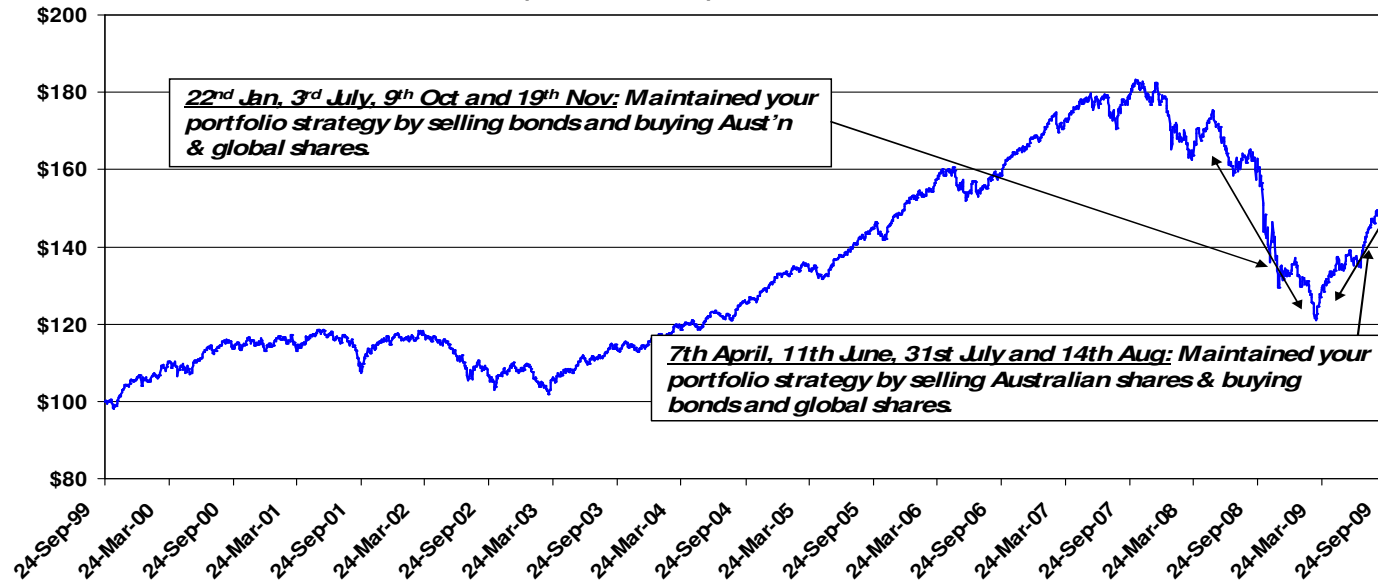
Lastly, let's look at the performance of the Horizon portfolios, in particular the Balanced and Growth Funds. At the end of September, the one year return after fees of the Balanced Fund (Horizon 4) was -0.9% and the Growth Fund (Horizon 5) was -1.5%. Three year returns were marginally negative while the five year returns remain positive.

One final thing to remember is the disciplined rebalancing that MLC undertook when markets were falling. This has advantaged investors considerably. As share markets were falling last year, MLC were directing hundreds of millions of dollars into them to maintain their asset allocation.

This has meant investors have participated fully in the market recovery this year, more so than if they had let asset allocation drift and not followed a disciplined rebalancing approach. You may have heard us refer to our philosophy of "Strategic Asset Allocation", this rebalancing approach is Strategic Asset Allocation in action!

Disciplined rebalancing & daily dollar cost averaging has contributed to your recovery

Value of \$100 invested in MLC Super GS Horizon 4 Balanced Portfolio on
24th Sept 1999, Net of super tax and all Retail fees



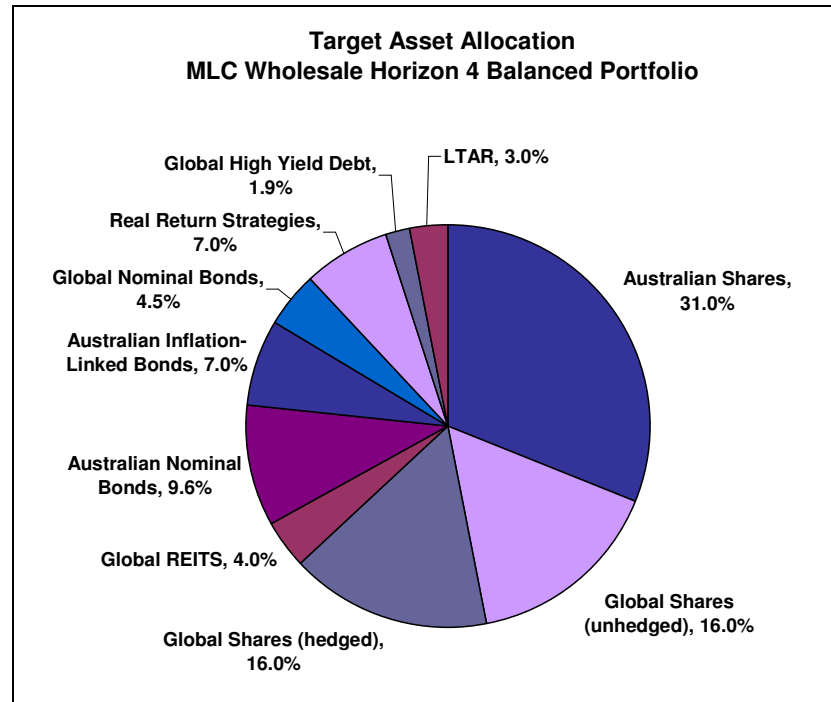
Returns based on MLC Super GS Horizon 4 Balanced Portfolio and are net of management fees which include administration fees, issuer fees and investment fees and any Super tax payable, but do not take into account entry/exit fees or policy charges.

Recent Performance

Importantly, investors who showed discipline to remain both invested in the market and invested with MLC have achieved significant results since then. Performance to the end of September 2009 for Horizon 4 (our most popular portfolio) has been 11.5% for 3 months and 19.9% for 6 months. This has been driven from very strong performance in broader equity markets, and enhanced in particular in Global Property (11.5% above its index for the past 1 year) and Australian Equities (4% above its index for the past 1 year).

Long Term Outperformance

And finally whilst short term performance can take up much of our energies and focus, its the long term results which really matter for investors. And we're pleased to confirm that MLC's 1, 3 and 5 year performance to the end of September 2009 sees them above the average of all their competitors. Peer relative performance going back to 1991 using the MasterKey Gold Star Balanced portfolio has been above median for 1 year performance **58% of the time**, 3 year performance **63% of the time** and for 5 year performance **76% of the time**.



In Summary:

It has greatly pleased us that the managers we have chosen to invest your money have done exactly what we expected them to do in such volatile times of the past year. It brings comfort to know that your money has been in good hands and secure through what has been arguably the greatest market turmoil and financial crisis of all time. We have always said that one day this will all pass and better times will return, however in the heat of the demise it is often hard to see through to the other side.

We look forward to 2010 and no doubt the new challenges and opportunities it will bring. In the meantime, if you have any queries or would like to speak with us about your own plans and goals, please call us.

We wish you and your family a merry Christmas and all the very best for the new year.

Kind regards

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