

ING Diversified Fixed Interest

Investments
Personal Super
Pension

Colonial First State Investments Limited ABN 98 002 348 352, AFS Licence 232468 (Colonial First State) is the issuer of interests in FirstChoice Personal Super, FirstChoice Wholesale Personal Super, FirstChoice Pension, FirstChoice Wholesale Pension and FirstChoice Employer Super from the Colonial First State FirstChoice Superannuation Trust ABN 26 458 298 557. The investment information in this option profile is historical, produced as at the date specified above. The information below (except performance and key data information) relates to the FirstChoice Investments option only. Information for other options in the FirstChoice product range will be different and is available at colonialfirststate.com.au or by calling us on 13 13 36. We may change asset allocation and securities within the option at any time. Past performance is not an indicator of future performance for this option or any other option available from Colonial First State.

	3 months (%)	1 year (%)	3 years (%) pa	5 years (%) pa	7 years (%) pa	10 years (%) pa	Inception (%) pa
Investments	2.20	10.41	-	-	-	-	7.26
Distribution Return	0.95	6.17	-	-	-	-	4.68
Growth Return	1.25	4.24	-	-	-	-	2.58
Personal Super	1.91	9.04	-	-	-	-	6.13
Pension	2.21	10.42	-	-	-	-	7.27
UBS Australian Composite Bond Index 0+ Yr	1.94	11.37	-	-	-	-	

All returns are calculated on an annualised basis using exit price to exit price with distributions reinvested, net of management costs, transaction costs and for FirstChoice Personal Super and FirstChoice Employer Super net of tax payable by the trustee. All return calculations exclude contribution surcharge, excess contribution tax or individual taxes payable by the investor and all other fees and rebates disclosed in the relevant product disclosure statements available on our website or by calling us. For FirstChoice Investments, the 'distribution' component is the amount paid by the way of distribution, which may include net realised capital gains.

Investment objective

To provide income and achieve returns (before fees, charges and taxes) that exceed the UBS Australian Composite Bond Index (all Maturities), over periods of three years or more.

Investment strategy

The option invests predominantly in a diversified mix of Australian and international defensive assets. The option is actively managed in accordance with ING Investment Management Limited's (INGIM's) fixed interest and cash investment process.

Investment category

Fixed Interest and Income

Minimum suggested time frame

3 years

Investment ranges	Range	Benchmark
Cash	0% - 90%	0%
Australian fixed interest	0% - 90%	45%
International fixed interest	0% - 90%	45%
Australian and international high yield debt	0% - 20%	10%

Key data	Size of	Management	Date
Investments	\$5.31m	1.56%	Jun 2009
Personal Super	\$12.77m	1.57%	Jun 2009
Pension	\$61.45m	1.56%	Jun 2009

* Management costs include management fees, estimated performance fees (if applicable), investment expenses and custody fees but do not include contribution fees, transaction costs or adviser or plan service fees which may also apply. Please refer to the PDS for full details of the applicable fees and costs.

Income distributions	Cents per	Franking	Realised
Total 10/11	5.44	0.36%	3.90%
Total 09/10	4.13	0.60%	0.72%

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Market review

Commonwealth 10-year bond yields moved substantially lower over the December quarter, falling from 4.22% to 3.67%. By comparison, there was a relatively modest overall movement in longer-dated US maturities, with the yield on the 10-year Treasury bond falling from 2.0% to 1.90%. Although both domestic and US bonds were increasingly sought after by investors wishing to diversify their exposure away from Europe, the limited decline in US yields was reflective of signs of consolidation in the US economy.

Within the domestic money market the yield on 90-day bank bills fell from 4.92% to 4.48% over the quarter. This occurred as the Reserve Bank of Australia (RBA) eased monetary policy by 0.25% in both November and December, bringing the official cash rate to its present level of 4.25%. Although the underlying measures of inflation increased at an average annual rate of approximately 2.5%, the mid-point of the RBA's target band, in the third quarter, the RBA acted to cushion the domestic economy from the impact of deepening economic and financial uncertainty in Europe.

Within the credit markets, attention similarly remained firmly focused on Europe. Ratings agency Standard & Poor's (S&P) placed 15 European nations, including the two regional powerhouses of Germany and France, on review for a possible ratings downgrade, citing "high levels of government and household indebtedness". Moreover, S&P warned of a "rising risk of economic recession in the euro zone as a whole in 2012". Against this backdrop, credit spreads in Europe widened over the quarter, reflected in the 48bp widening in the European iTraxx

credit index. In contrast, the comparative credit indices in Australia and the US tightened by 36bp and 21bp respectively.

Portfolio performance

Performance benefited from the favourable impact of sectoral positioning and the contribution from the portfolio's credit securities. This was complimented by a short duration position held in the early part of the quarter. During the period, we increased our exposure to government bonds, while retaining an underweight position in supranational securities. Performance consequently benefited, as supranational and non-government issues underperformed against a backdrop of ongoing sovereign credit stress in Europe.

Outlook

In line with the RBA's observation that global growth momentum appears "likely to weaken over the coming year" we believe that further monetary easing is in play. Therefore, given that 3-year bonds are currently yielding well below 4%, we prefer shorter-term securities and cash that can generate earnings closer to 4.25%. We similarly see limited medium-term investment potential for US 10-year bonds at their current yield levels.

We similarly believe that a cautious stance with regard to the broader credit sector remains warranted. Nevertheless, within the local market we retain a favourable view of good quality, non cyclical, non financial corporate bonds. These tend to perform well in a low, albeit positive, global economic growth environment, and should consequently benefit as a good quality alternative to highly levered sovereign debt and equity investments.