

18 October 2010

QIC LAUNCHES DYNAMIC INFLATION PLUS SOLUTION

QIC's Global Fixed Interest (GFI) boutique has launched a new solution which takes a dynamic approach to managing inflation linked fixed income assets and portfolios.

The *QIC GFI Inflation Plus Fund* has been developed to deliver inflation plus returns with significantly less volatility than traditional approaches such as inflation-linked bonds (ILB).

The Fund will actively manage interest rate and inflation exposures separately to deliver a return target of Australian CPI plus 4% per annum over a rolling three-year period.

The Managing Director of QIC's Global Fixed Interest team, Susan Buckley said "The traditional approach to protecting against inflation from fixed income perspective has been to invest in inflation-linked bonds - but this approach has a number of limitations which impact on investment outcomes," Buckley said.

"Many investors don't realise that a key risk in an ILB benchmark is interest rate risk, not inflation risk.

"A typical ILB benchmark can have nine years of interest rate duration, which can result in significant volatility for investors in what is often thought to be a conservative investment strategy. In a rising interest rate environment the long duration of these benchmarks can also lead to negative returns.

"The performance of inflation benchmarks through September 2010 clearly demonstrated this variability of return with performance initially falling 1.3% before improving to be mildly positive at month end.

"The QIC GFI Inflation Plus Fund, which actively managed our interest rate and inflation exposures, delivered a less volatile return of 1.33%.

"In traditional inflation linked bond products, investment outcomes are often driven by the composition of the ILB benchmarks rather than the client's specific investment objectives. In other words, the benchmark is in the driving seat rather than the investor.

"Inflation-linked bonds also have a history of underperforming in extreme market conditions, which is when the fund most needs the benefits of diversification.

"Utilising QIC GFI's long-established rigorous research-based approach, the QIC GFI Inflation Plus Fund's portfolio positions will continually be reviewed to reflect current market conditions and take advantage of opportunities as they arise.

"There remains significant uncertainty in the medium to longer-term inflation outlook. Current pricing in inflation markets is providing strong opportunities to protect investment portfolios now."

QIC GFI remains one of Australia's largest and most innovative fixed income teams with more than 25 investment professionals. It manages a comprehensive suite of fixed interest strategies ranging from benchmark-driven products to innovative alpha and smart beta solutions for more than 50 Australian and international institutional clients.

QIC is one of Australia's largest institutional fund managers with \$55.4 billion¹ under management.

- Ends -

For more information contact: Gerard Reilly, BBS - 61 7 3221 6711 or greilly@bbspr.com.au

¹ As at 30th September 2010

QIC Limited ACN 130 539 123 (“QIC”) is a wholesale funds manager and its products and services are not directly available to retail investors. QIC is a company government owned corporation constituted under the Queensland Investment Corporation Act 1991 (Qld). QIC is regulated by State Government legislation pertaining to government owned corporations in addition to the Corporations Act 2001 (“Corporations Act”). QIC does not hold an Australian financial services (“AFS”) licence and certain provisions (including the financial product disclosure provisions) of the Corporations Act do not apply to QIC. Please note however that some wholly owned subsidiaries of QIC have been issued with an AFS licence and are required to comply with the Corporations Act. Past performance is not necessarily indicative of future performance.