

### Highlights

Intense market volatility and low consumer confidence have provided challenging conditions in the first half of 2011-12. A benefit of QIC's House of Boutiques is the diversification of asset classes and while short-term performance has suffered across actively managed portfolios, some boutiques have benefited.

The volatility in markets and currencies has underscored the value of the service provided by QIC Capital Markets, which focuses on currency hedging, asset allocation rebalancing and downside risk management services.

Furthermore QIC's Private Capital business incorporating QIC Global Real Estate, QIC Global Infrastructure and QIC Global Private Equity continues to perform well as investors seek defensive assets to escape market instability.

Longer-term performance relative to benchmark and peers remains strong across QIC's boutiques.

Highlights across our business include:

1. QIC was awarded a \$1.5bn private equity mandate with Victorian Funds Management Corporation and welcomed several other large clients.
2. Queensland BioCapital Fund was rebranded as QIC BioVentures and is now recognised as one of QIC's investment boutiques. QIC BioVentures will continue to invest in and actively manage companies in the biotechnology and life sciences sector.
3. The results from the Peter Lee Associates Investment Consultant Survey 2011 reflected the continuing strength of consultant perceptions of QIC Global Real Estate and QIC Global Fixed Interest.
4. QIC successfully intensified its strategy toward long-term ambitions in China, Europe and the US providing the dual benefit of accessing new markets and trading capabilities for existing clients and expanding our client base.

Total funds under management as at 31 December 2011 was \$60.6 billion (\$60.2 billion as at 30 June 2011).

### Financial Results

Six months to 31 December	2011	2010
EBIT (\$m)	14.6	17.9
NPAT (\$m)	10.1	12.5
Return on Equity (%)	27	33
Return on Assets (%)	4	6

Revenue and expenses for the financial year to date to 31 December 2011 are largely consistent with the prior year. Profitability for the period to 31 December 2011 is lower than the prior corresponding period largely due to less favourable investment markets and increasing investor caution in relation to making new investments.

### Corporate Entertainment and Hospitality<sup>^</sup>

Event	Date	Cost
Staff function: Family Day	07/08/11	\$23,899
Client function: Golf Day	26/08/11	\$11,470
Client function: Caulfield Guineas	08/10/11	\$27,385
Staff and Client functions: 20th Anniversary Celebration	13/10/11 & 02/11/11	\$102,640
Staff function: Executive Leadership Workshop plus client function	30/11/11	\$15,000
Staff functions: Christmas	25/11/11 & 09/12/11	\$43,512
Client function: Tennis	08/01/12 (paid pre 31 Dec 11)	\$5,682

<sup>^</sup> Individual functions > \$5,000 only.

### Non-Financial Results

Six months to 31 December	2011	2010
QIC Growth Fund – 5-year return against objective*	Objective: 6.87% Fund return: 2.73% **	Objective: 6.96% Fund return: 5.87%
Work-related injuries and illnesses	7	4
Percentage of clients that rate quality of QIC's strategic investment advice as above average#	100%	N/A
Number of current projects operating within approved budgets <sup>^</sup>	100%	100%

\* The QIC Growth Fund's objective is to achieve performance in excess of CPI+4% over a rolling five-year period.

\*\* The rolling five-year performance of the Growth Fund fell as a result of the strong 2006 calendar year return being replaced by a flat 2011 calendar year return, due in large part to the relative performance of listed equities in those years.

# Source: Peter Lee Associates Client Satisfaction Survey 2011.

<sup>^</sup> Based on projects > \$100k.

### Capital Program

The Middle Office Alliance Program implements a scalable, efficient and cost-effective support platform for QIC's investment boutiques. It forms part of the Target Operating Model and is progressing within approved schedule, budget and scope.