

Wholesale Global Fixed Income Fund

Quarterly Investment Report to 31 Dec 2008

Fund performance

Wholesale Global Fixed Income Fund	3 mth%	1 yr %	3 yr % p.a.	5 yr % p.a.	7 yr% p.a.
Distribution return	0.0	7.4	6.5	6.7	7.3
Growth return	-0.4	-8.3	-3.7	-2.4	-2.1
Total return^{1 & 2}	-0.4	-0.9	2.8	4.3	5.2
Barclays Capital Global Agg (Currency Hedged AUD) -AUD	4.8	9.2	6.7	7.1	7.6

Review and outlook

Market review

Global government bond yields fell sharply through the December quarter against a backdrop of intensifying global gloom. Equity and commodity prices slid sharply, and the incoming flow of negative economic news confirmed that a global recession was unfolding. In response, many central banks aggressively eased monetary conditions. The US Federal Reserve (Fed), for example, cut a further 175 basis points (bps) in the quarter, taking the Fed Fund rate to an unprecedented low range of 0.00% - 0.25%. The Fed also announced that it would be using a range of "extraordinary" policy measures – including expanding its balance sheet, buying of agency and mortgage backed securities, and using the Term Asset-backed Securities Loan Facility to facilitate the extension of credit to household and small businesses. Other central banks were also involved in the global monetary easing, for example, the European Central Bank cut rate by 175bps and the Bank of England cut a large 300bps.

Australian government bonds yields also dropped sharply over the quarter. Domestic economic activity data provided further confirmation that slowdown is underway, and the RBA responded with dramatic rate cuts easing in October, November and December to take the cash rate to 4.25%.

Credit markets came under renewed pressure as spreads widened further in the wake of the Lehmann Brothers failure as government "rescue" packages were arranged for the banks in several developed countries and equity markets found new lows for the year. Sharply wider credit spreads reflected the market's expectation for further banking write-downs and fear of other failures. These fears were almost realised as Citigroup began to

falter before receiving some much needed financial assistance from the US Government. Nevertheless on the home front, the major Australian Banks remained well positioned to weather the storm and retained balance sheet flexibility.

Fund review

The fund underperformed the benchmark during the December quarter.

Non-governments bonds markedly underperformed as investors flocked to the safety of government debt. Consequently, our sector underweight in government bonds detracted as well as our currency exposure.

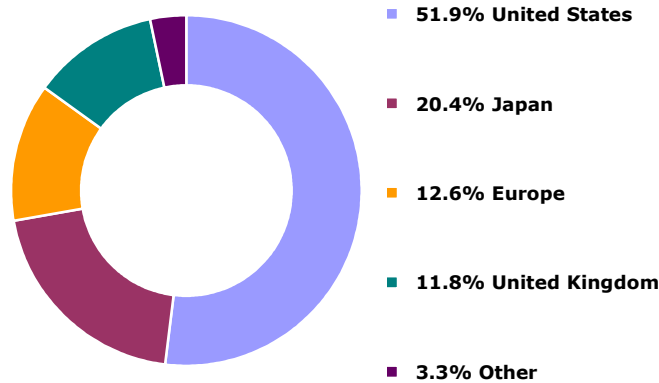
On a combined basis, yield-curve and country positioning was the largest contributor, with the small overweight in European bonds.

Outlook

AllianceBernstein Fixed Income believes the outlook for global economic growth over the near term remains quite poor. However, they believe that the current spread between credit-sensitive sectors and risk-free government bonds has fully priced in this consensus economic outlook. Further, AllianceBernstein Fixed income also believes that much of the deleveraging process that banks and hedge funds were undergoing has stopped, and this should provide a better technical picture in credit markets. Finally, AllianceBernstein believes that the significant monetary easing and ongoing process of fiscal stimulus will improve economic growth in the second half of 2009 and thus will keep their current strategy of overweighting credit-sensitive sectors in the coming months.

Portfolio analysis

Country allocation



Fund Information

The Fund typically holds a portfolio of global fixed interest securities and derivative instruments.

The objectives are twofold: to provide unitholders with capital appreciation and to outperform the Lehman Brothers Global Aggregate Index, hedged into Australian dollars.

Fund facts

Inception Date: August 1993
Fund Size (31 Dec 2008): \$458.6m

Duration vs benchmark

	Duration (years)
Wholesale Global Fixed Income Fund	5.15
Barclays Capital Global Agg (Currency Hedged AUD) -AUD	5.12

Notes

1. Past performance is not necessarily indicative of future performance. Performance figures are calculated using exit prices, are net of ongoing fees and expenses and assume distributions are reinvested and tax is not deducted. The Distribution return reflects total distributions paid from the Fund, while the Growth return reflects changes in the capital value of units.
2. The Wholesale Global Fixed Income Fund was closed to new investors on 25th April 2005.

Responsible entity: National Mutual Funds Management Ltd. ABN 32 006 787 720. Address: 750 Collins St, Docklands VIC 3008.

Important information: This publication has been prepared to provide you with general information only. It is not intended to take the place of professional advice and you should not take action on specific issues in reliance on this information. In preparing this information, we did not take into account the investment objectives, financial situation or particular needs of any particular person. Before making an investment decision, you need to consider (with or without assistance of an adviser) whether this information is appropriate to your needs, objectives and circumstances. Applications for investment in AXA Australia products will only be accepted on receipt of an application form accompanying a current Product Disclosure Statement (PDS). A copy of the PDS can be obtained by calling 1800 780 085. National Mutual Funds Management Ltd and its associates derive income from issuing interests in the product, full details of which are contained in the PDS. Unless otherwise stated, the repayment of capital or performance of our products is not guaranteed. This information is provided for persons in Australia only and is not being provided for the use of any person who is in any other country.

