

# Update July 2011 - OnePath Mortgages and OnePath Income Plus funds

## Superannuation and Pension clients

### Release of capital - June 2011 quarter

In early 2011, we communicated our new and easier approach to releasing available money from the suspended OnePath Mortgages and OnePath Income Plus funds (the Funds) to investors. We will be returning the balance of any available monies to all investors on a pro rata basis at the end of each quarter. Payments will be made during July, October, January and April.

We are pleased to confirm we have been able to release a significant amount of capital (approximately 19% of your balance in the Fund) for the June 2011 quarter. This is much higher than the previous quarter of 7-8%.

Processing of these capital payments is scheduled for late July 2011. Payments are processed as a switch. Clients receive a confirmation advice following the switch.

### Underlying mortgage portfolio performance and unit price movement

As mentioned above, we have been able to release a larger amount of capital this quarter because of a significant number of loans within the portfolio being repaid. However, despite the large amount of loans being repaid at their maturity date we have had to write down the value of a small number of loans during the month of June.

As a result of the difficult economic environment in 2009, triggered by the global financial crisis, and the subsequent drop in commercial property values in Australia, the mortgage portfolio has seen an increase in loans experiencing difficulties. This has been the case across the mortgage fund industry.

We have been setting aside income each month to account for potential loan losses however in the month of June a comprehensive analysis of loans (always a requirement prior to the financial year ending 30 June) was performed in conjunction with the fund auditors. This review led to the write down of loan values. The write down amount is larger than the amount provisioned throughout the year. As a result, the unit prices of the Funds were impacted effective 19 July 2011.

- For the OnePath Superannuation products (including OneAnswer) the unit prices reduced by 2.23% for OnePath Mortgages fund and 1.11% for the OnePath Income Plus fund.
- For the OnePath Pension products (including OneAnswer) the unit price reduced by 2.36% for OnePath Mortgages fund and 1.17% for the OnePath Income Plus fund.

The OnePath Income Plus fund invests only 50% of its assets in the Mortgage portfolio and hence the unit price impact was lower.

### Future quarterly payments and outlook for the Fund

Since March this year we have returned 27% of capital to investors and going forward we expect to make more capital payments to you on a quarterly basis.

OnePath continues to prudently manage the Funds to maintain capital and to release as much liquidity to investors as possible on a quarterly basis. We estimate that we will be able to pay a further significant proportion of your balance in the Fund for the September quarter, as more loans are repaid.

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