

Monday 27 October 2008

Important changes to Colonial First State funds with mortgage investments

Following the market's reaction to the Government's guarantee on banking deposits and decisions by several fund managers of mortgage funds to suspend redemptions, Colonial First State will also suspend applications, daily withdrawals and switches relating to funds with significant investments in mortgages.

The sudden actions of other fund managers have had a roll on effect on Colonial First State's mortgage funds, causing an increased level of redemptions in the last few days. Although Colonial First State has continued to prudently manage its mortgage funds, given these developments in the marketplace, it is in the best interests of all investors in Colonial First State's mortgage funds to suspend these funds.

This decision will enable Colonial First State to take a measured approach to processing withdrawals in an orderly fashion.

The funds affected by this change are:

- Colonial First State Wholesale Income Fund
- FirstChoice Wholesale Income option
- FirstChoice Income option
- Managed Investment Funds – Mortgage Income Fund
- Bricks and Mortar Fund
- Guaranteed Mortgage Fund
- Rollover and Superannuation Fund – Mortgage option.

Colonial First State will continue to manage these mortgage funds. This decision has nothing to do with the strength and quality of the investments held by the funds which remain unchanged.

How is this in the best interests of investors?

Given the actions of other funds in the market, we anticipate a large number of withdrawal requests from investors. We want to ensure that all investors have an equal opportunity to make withdrawal requests and we want to process these requests in a measured and fair manner out of the cash available in the funds.

Further information

Investors with investments in the above funds will shortly receive a letter from Colonial First State which will provide further information about this change. If there is anything else you would like to discuss please contact your financial adviser or call us on 13 13 36, Monday to Friday, 8am to 7pm, Sydney time.