

Commonwealth Bank

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Communication, Community and Reputation
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COLONIAL FIRST STATE AND ACADIAN ASSET MANAGEMENT TO ESTABLISH NEW JOINT VENTURE QUANTITATIVE INVESTMENT MANAGEMENT BUSINESS

17 May 2005: Colonial First State and Acadian Asset Management announced today an agreement to establish an Australian-based joint venture to develop equity management products utilising advanced quantitative investment techniques refined over three decades by Acadian.

The new entity, Acadian Asset Management (Australia) Limited, will concentrate on Australian equity products and will be managed separately from Colonial First State, with its own board and portfolio management team.

Acadian is based in Boston and Singapore and currently manages A\$21 billion in global equities using a value-biased style. Acadian's Global Equity portfolio outperformed its benchmark (MSCI World ex Australia) by 10.3% per annum in the five years to March 2005, and is ranked number 1 by Mercer* over 1 year, 2 years and 3 years for global shares.

Stuart Grimshaw, Group Executive, Wealth Management, said, "We conducted a global search to find the best quantitative manager to partner with Colonial First State in the Australian market. Acadian's outstanding long-term reputation and success in applying these techniques to investment management and its familiarity with the Australian market made it the natural choice."

"The arrangement will give us exclusive rights to distribute Acadian's equity products in the retail market in Australia and as we announced last month, we will add the Colonial First State Acadian Global Equity option to FirstChoice at the next rollover at the end of May."[^]

Ronald Frashure, Acadian's President and Co-Chief Investment Officer, said, "We have included Australian companies in our global portfolios for many years and already know the market well. We consider this partnership with Australia's largest fund manager to be an outstanding way to offer Acadian's investment services to additional Australian investors."

[Attached: Background information on Acadian and its investment approach]

* Mercer Investment Consulting, Overseas Shares Specialist Returns to 31 March 2005.

[^] The Acadian funds will be added to the Colonial First State –FirstChoice range of products from 30 May 2005. Colonial First State – FirstChoice Investments, FirstChoice Personal Super, FirstChoice Employer Super, FirstChoice Pension, FirstChoice Wholesale Investments, FirstChoice Wholesale Personal Super and FirstChoice Wholesale Pension are issued by Colonial First State Investments Limited ABN 98 002 348 352 AFS Licence Number 232468. Product Disclosure Statements (PDSs) describing the features and fees for the new options will be available at colonialfirststate.com.au or by calling us on 1300 360 645 from 30 May 2005. This is not financial product advice and does not take into account any person's individual needs, financial circumstances or objectives. You should read the relevant PDS and consider talking with a financial adviser before deciding whether to acquire or continue to hold options in FirstChoice.

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BACKGROUND ON ACADIAN

Acadian Asset Management, Inc. is a Boston and Singapore-based investment management firm specializing in active global equity strategies. It invests around A\$21 billion on behalf of major pension funds, endowments, foundations, governments and others.

Acadian was founded in 1977 and it designed, developed and implemented an international index-matching strategy and an active country selection strategy for the State Street Bank and Trust Company. In 1987, Acadian began to manage institutional assets directly. Since then the firm has served some of the world's largest and most sophisticated investors.

In 1992, Acadian became an affiliate of United Asset Management (UAM). In October 2000, London-based Old Mutual PLC, a publicly traded international financial services group, in turn acquired UAM. Acadian opened its Singapore office in 1999 to better serve clients, especially those in the Asia-Pacific region.

Investment Approach

Acadian's investment philosophy centres on the belief that equity markets are inefficient and many stocks are mispriced relative to their long-term prospects. Stocks should be evaluated not only by how cheap they appear on simplistic value measures (such as price/book or price/earnings), but many additional factors should be used to target attractively valued companies including positive earnings and price characteristics.

There is no "one size fits all" process that works in all markets; the most effective stock selection factors are not the same in all countries. Successful investing requires a sophisticated process that is tailored to each market's and industry sector's unique character.

Acadian calls its approach Enhanced Value Investing. Acadian employs a disciplined, objective process using multi-factor frameworks, customized market-by-market. The goal in stock appraisal is to identify companies that have strong prospects for outperformance. Sophisticated portfolio construction tools are employed to create portfolios that meet desired objectives for risk, capitalization profile, stock or country restrictions, and value-add.

A quantitatively-based approach is essential to effective fundamental evaluation of the many thousands of diverse opportunities available to the global equity investor. Acadian employs advanced analytical models for active stock selection as well as country and currency valuation, which draw on a proprietary database covering over 20,000 securities in more than 40 equity markets worldwide.

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