

Fund Commentary

Total Market Value A\$130.1m

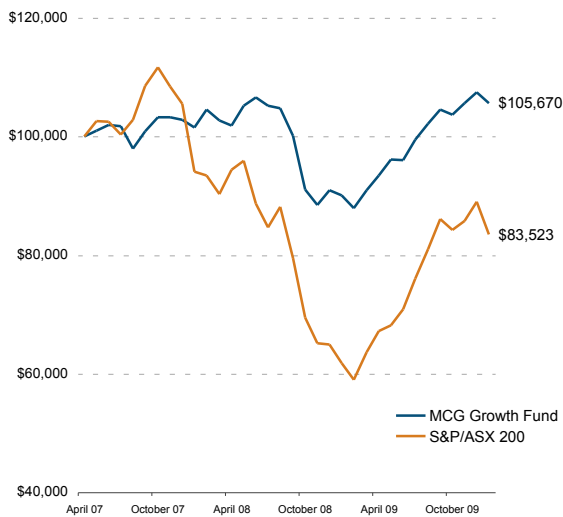
The MCG Growth Fund is a multi asset, multi manager portfolio where the objective is to preserve capital during difficult market conditions, and to generate attractive absolute returns over the medium to longer term.

Monthly Returns (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2010	-1.63												
2009	-0.96	-2.40	3.45	2.74	2.84	-0.16	3.64	2.68	2.34	-0.84	1.88	1.72	18.05
2008	-1.25	2.91	-1.74	-0.84	3.30	1.32	-1.33	-0.40	-4.45	-9.03	-2.80	2.81	-11.53
2007	-	-	-	-	0.96	1.01	-0.19	-3.76	2.95	2.39	-0.02	-0.37	2.86

\* performance is net of fees calculated on the net asset value

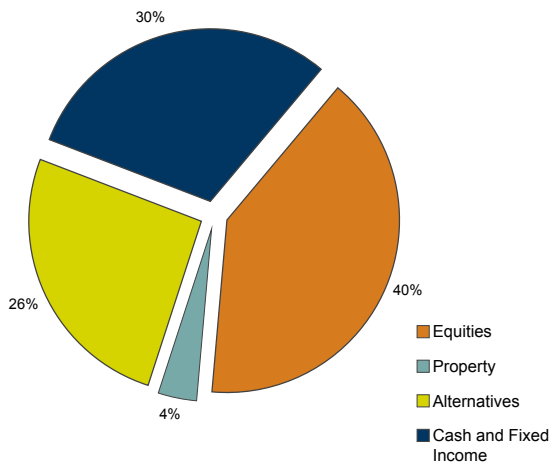
Total Return - of A\$100,000 Investment



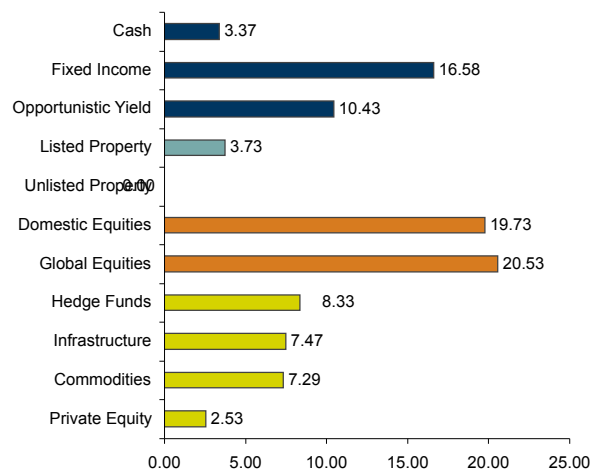
Top Ten Holdings

	Sub Sector	%
Schroders Australian Equity	Domestic Equities	8.30
GSJBW Core Plus	Fixed Income	4.97
CFS - Alpha Plus Core	Domestic Equities	4.35
Platinum International	Global Equities	4.10
Magellan Flagship Fund (MFF Global Equities)		3.94
DFA 5 Year Diversified FI	Fixed Income	3.92
DFA Australian Value	Domestic Equities	3.69
Vianova Strategic FI	Fixed Income	3.57
Perpetual Pure Value	Domestic Equities	3.39
CASH - AUD	Cash	3.37
<b>TOTAL</b>		<b>43.60</b>

Asset Allocation



Sub Asset Allocation



## Fund Commentary

For the 2009 calendar year, the MCG Growth Portfolio (the Portfolio) returned 19.2% compared with, 18.3% for the median balanced/growth fund in the Mercer fund survey, and 18.8% for the Vanguard growth fund (all returns net of fees). Given the Portfolio's focus on preserving capital in difficult market conditions, it is pleasing to see the Portfolio outperform other growth funds during a period when many markets recovered strongly from lows seen in March last year.

Highlights over the second half of 2009 included outperformance of managers in equity, fixed interest, and property sectors. Detracting from relative performance over the period were exposures to underperforming infrastructure investments in funds managed by Infrastructure Capital Group Ltd (previously owned by ANZ).

Since our last update as of 30 June 2009, the Portfolio has undergone a strategic review to ensure it is appropriately positioned as we move into a recovery phase in the domestic economy and signs of recovery in other parts of the world gather momentum. The review has resulted in changes to our benchmark asset allocation strategy and a number of manager changes. While the relative performance of the Portfolio has been good during the significant 'stress test' markets experienced during the Global Financial Crisis (GFC), we recognise that periodic strategy reviews are an important discipline.

Performance this year has benefited from an increase in the weighting of Australian equities to around 20% of the Portfolio which was achieved through a winding back of our overweight cash position. Australia clearly led the developed world in terms of economic recovery, registering positive growth in GDP for the year at 0.8% and appearing to avoid a recession (as defined by two consecutive quarters of negative growth). Stimulatory measures, monetary and fiscal easing, and a recovery in commodity prices and demand, all seem to have contributed to the outperformance of the Australian economy. The S&P/ASX 300 returned 37.6% for the year compared with 4.4% for the MSCI World (\$AUD, unhedged) or 27.0% (\$AUD, hedged).

Schroders has been appointed to manage the core allocation to Australian equities, and a smaller holding in the Colonial First State Alpha Plus fund, which also has the ability to take controlled short positions on securities, has been made. We maintained exposure to Acorn Microcap throughout the year which benefited strongly in the rally in equity markets, achieving 98.8% return for the full calendar year compared with the S&P/ASX Small Ordinaries at 57.4%. Given the impressive run of Australian small cap stocks relative to the broader benchmark during the year, we took profits in Acorn and reallocated to other Australian equity funds.

The Portfolio's exposure to international equities has been maintained at approximately 20% throughout the year and has benefited from outperformance by a number of underlying managers. In particular, Hunter Hall Global Value returned 50.0% for the year, and some smaller investments in commodity funds have paid off with Global Mining Investments returning 62.6%, and Baker Steel Gold Fund returning 93.9% after gold's impressive run last year.

We now have a dedicated strategic allocation to infrastructure within the alternatives portion of the Portfolio, as the fundamentals for the asset class remain strong and it is consistent with the defensive nature of the Portfolio, while offering inflation protection. The reclassification from property means that while we are currently underweight property, we maintain a sizable allocation to real assets. The only change to the property portfolio in the past quarter has been the replacement of Perennial by ING to manage the global listed property allocation.

## Fund Commentary

The Australian listed property market performed strongly in the last quarter, as recapitalisation of many of the larger Australian property trusts returned some much need confidence to the embattled sector. We will look to switch from our listed property Exchange Traded Fund in favour of global listed exposure over the next quarter. We will also look to gain exposure to global property or infrastructure unlisted assets in coming months, depending on our ability to identify suitable vehicles.

With the recovery of many credit sectors during the year, our fixed income exposures were largely maintained, with additional investments via GSJBW Core Plus fund, and an opportunistic global credit exposure via the Credit Suisse Global Income fund. Riskier fixed income assets continued to rally in the fourth quarter with global credit markets supported by the increasing improvement in global economic fundamentals. Spreads on investment grade credit derivative indices in most major offshore markets tightened in the quarter with the US 5-year CDX spread is now at its tightest since December 2007.

US investment grade cash bond spreads also tightened in the quarter with the spread on BBBs narrowing almost 50bps and AAAs narrowing by 15bps. Thus, over the quarter, the contraction in credit spreads more than offset the rise in government bond yields resulting in a fall in the running yield on the Barclays Capital Global Aggregate Corporate Index to 4.1%. Within the Portfolio, the Credit Suisse Global Income fund was the main benefactor of more favourable credit market conditions, returning 29.9% in the last six months alone.

In our last update, we flagged the decreased reliance on hedge funds in our alternatives allocation and we have continued to wind back a number of exposures. We have reduced our strategic allocation to hedge funds to 5% which will be managed via three mandates with AQR, Bridgewater, and GMO. The remaining allocation to alternatives will be made up of investments in private equity, commodities, infrastructure, and other selective opportunistic investments.

The GFC has highlighted the extent to which many growth assets (and indeed some defensive assets) are correlated with the equity market and MCG's investment team have spent the last few months evaluating investment opportunities that offer attractive real returns that have little or no correlation with equity market risk. It is pleasing that we have been able to identify a number of investment opportunities that will provide our clients a truly diversified portfolio that draws returns from a wide range of risk premiums currently on offer to sophisticated investors.

We are currently considering investments in a fund managed by Investec that invests in a portfolio of aircraft which derives returns from lease agreements with top-tier commercial airlines, and the subsequent resale/release of the aircraft on lease expiry. We are also considering investments in Insurance Linked Securities (ILS) where insurance risk is transferred to a capital-market-based security, vehicle, or fund, separate from that of the insurance originator. ILS come in a number of forms, such as catastrophe bonds, life settlements, weather risk, industry loss warranty derivatives and other over-the-counter securities, sidecars, and other insurance-related issuances.

We believe that in increasing allocations to such alternative investments, with appropriate due diligence and consideration of risks, will increase diversification benefits and enhance portfolio returns over time. Looking forward, we expect positive fund flows and winding down of hedge fund exposures to provide the opportunity to implement further manager changes and appointments over coming months.