

**Fund Profile**

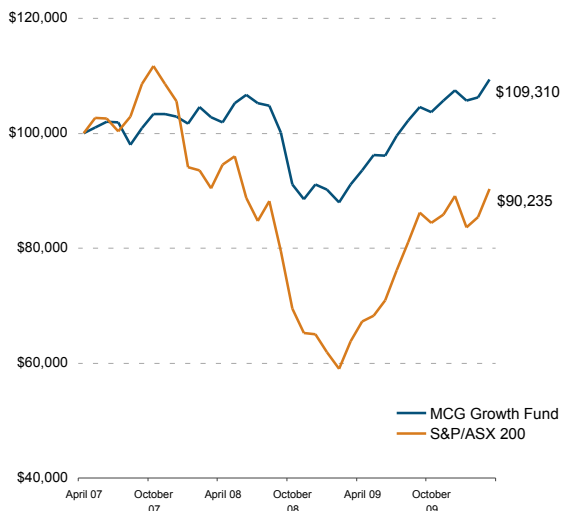
The MCG Growth Fund is a multi asset, multi manager portfolio where the objective is to preserve capital during difficult market conditions, and to generate attractive absolute returns over the medium to longer term.

**Monthly Returns (%)**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2010	-1.63	0.52	2.91										<b>1.76</b>
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	<b>18.05</b>
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	<b>-11.53</b>
2007	-	-	-	-	0.96	1.01	-0.19	-3.76	2.95	2.39	-0.02	-0.37	<b>2.86</b>

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

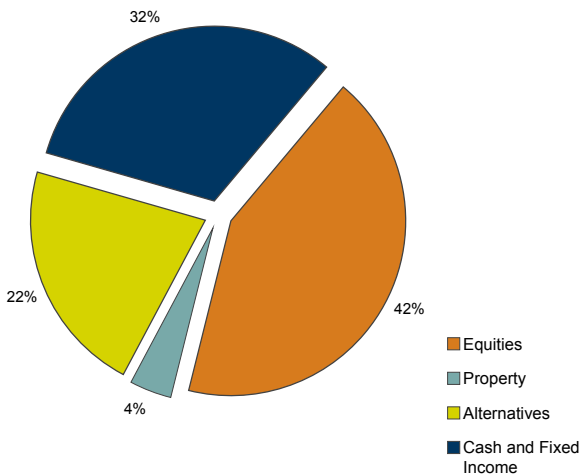
**Total Return - of A\$100,000 Investment**



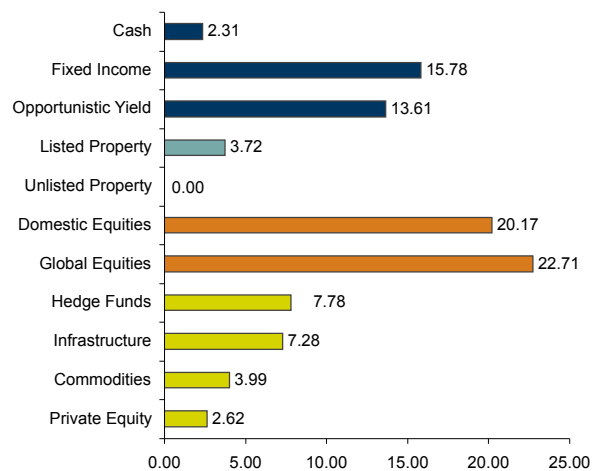
**Top Ten Holdings**

Fund	Sector	%
Schroders Australian Equity	Domestic Equities	8.49
GSJBW Core Plus	Fixed Income	4.72
CFS Australian Long Short	Domestic Equities	4.43
Magellan Flagship Fund	Global Equities	4.27
Platinum International	Global Equities	4.00
DFA 5 Year Diversified FI	Fixed Income	3.75
DFA Australian Value	Domestic Equities	3.74
Investec Global Aircraft Fund	Opportunistic Yield	3.64
Perpetual Pure Value	Domestic Equities	3.51
Vianova Strategic FI	Fixed Income	3.39
<b>TOTAL</b>		<b>43.94</b>

**Asset Allocation**



**Sub Asset Allocation**



## Fund Commentary

The MCG Growth Fund gained 1.76% in the first quarter of 2010.

The March quarter saw equity markets lose ground initially, but finish strongly, posting a reasonable gain over the quarter. The global equities MSCI World Index gained 1.1% (\$A) and 5.5% (\$A hedged), while the ASX 300 index gained 1.3% for the quarter. Concerns over sovereign debts in Europe weighed on market sentiment and drove investors away from risky assets in January. However, following positive discussions around rescue measures by European nations and the IMF, markets around the world regained ground during February. This was followed with strong momentum in March, as markets benefited from the improving economic factors, strong commodity markets and recovering company profits.

The MCG Fund's international shares exposure is approximately 50% hedged and most managers contributed positively to relative returns. The strongest performer was the CFS Global Resources Long/Short Fund which returned an impressive 6.2% for the quarter, supported by rising Asian demand and mining sector investment.

The high level of commodity prices, rising terms of trade and short-term interest rate differentials all remain supportive of the A\$ in the short-term and the Australian dollar appreciated against all the major currencies during the March quarter. However we remain cautious of making tactical or structural changes to the level of hedging within the Global Equities portion of the portfolio, as we believe relative to longer-term fundamentals the A\$ is overvalued.

Schroder, who manages the core allocation within our Australian equity portfolio, outperformed for the quarter, returning 1.7%. The MCG Fund's switch late last year out of the Acorn Microcap Fund and into the Perpetual Pure Value Fund proved timely. This fund represents Perpetual's best ideas managed within a concentrated portfolio and returned an impressive 9.2% for the quarter.

Overall global and Australian bond yields edged up slightly, with safe-haven flows to less risky assets seeing yields dropping significantly in January, but fading concerns on sovereign debt issues and poor US treasury auction results, pushing yields upward in March. The MCG Fund's core fixed interest managers, Goldman Sachs and Dimensional, both outperformed the UBS composite bond index while the inflation-linked managers, BGI and Aberdeen returned broadly in line with the UBS Inflation linked government bond index (+2.5%).

## Fund Commentary

In addition to these fixed interest holdings, the MCG Fund also benefited from the opportunistic credit exposure held through Kapstream, Credit Suisse and Macquarie, with Credit Suisse performing highest over the quarter at 6.8%. We are now at a stage in the credit cycle where a significant proportion of the implied value in credit has been recovered, and we will look to review our exposure to credit beta in the coming quarter.

Domestic listed property significantly lagged behind global counterparts and the broader market over the quarter. While our global property manager, ING, performed close to the UBS Global Real Estate Index (\$A hedged) which returned a 6.5%, SG Hiscock, which manages our domestic property exposure recorded - 4.3% for the quarter which was below the S&P/ASX 300 Property Trust Index which returned -1.6%.

Turning to the Fund's alternatives exposure, our commodity managers, Active Global Commodities and H3 were both able to outperform the DJ-UBS Commodity Index (\$US), returning -3.9% and -3.66% against the index which returned -5.03%. Hedge Fund manager Bridgewater returned 3.77%, while our other hedge fund holdings, AQR and GMO, also recorded positive results for the quarter. The Fund's Infrastructure and Private Equity holdings continued to post solid results.

There were only minor changes to the MCG Fund over the quarter, though we have finalised a number of new manager appointments to be introduced in coming months. At quarter end, we instigated an allocation to Investec's aircraft leasing fund, 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 maintain our interest in increasing exposure to other real assets within the portfolio and continue to consider direct investments into unlisted assets. In doing so, we remain cautious in ensuring any direct investments adequately compensate our investors for their long-term commitment to such investments.