

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 long term.

Monthly Returns (%)

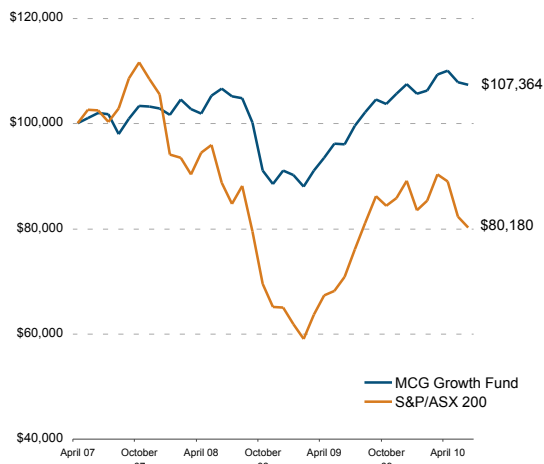
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD
2009/10	3.64	2.68	2.34	-0.84	1.88	1.72	-1.63	0.52	2.91	0.67	-1.99	-0.46	<b>11.85</b>
2008/09	-1.33	-0.40	-4.45	-9.03	-2.80	2.81	-0.96	-2.40	3.45	2.74	2.84	-0.16	<b>- 9.95</b>
2007/08	-0.19	-3.76	2.95	2.39	-0.02	-0.37	-1.25	2.91	-1.74	-0.84	3.30	1.32	<b>4.53</b>
2006/07											0.96	1.01	<b>1.98</b>

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

Performance and Risk Summary (%)

	Performance							Risk	
	Current Month	Cumulative			Annualised		Monthly Annualised		
		3 Month	6 Month	CYTD	1 Year	3 Years	Inception	Volatility (%)	
MCG Growth Fund	-0.46	-1.78	-0.06	-0.06	11.85	1.73	2.27	9.02	
S&P/ASX 200 Accum	-2.59	-11.14	-9.93	-9.93	13.15	-7.84	-6.73	18.29	

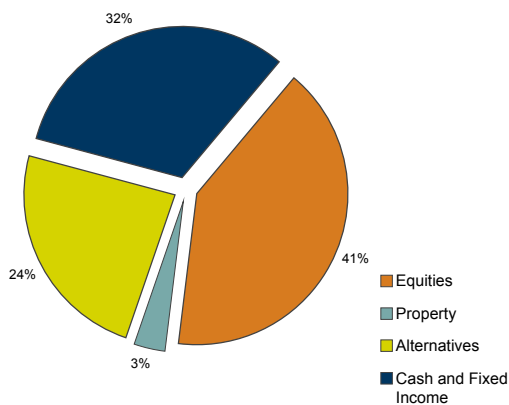
Total Return - of A\$100,000 Investment



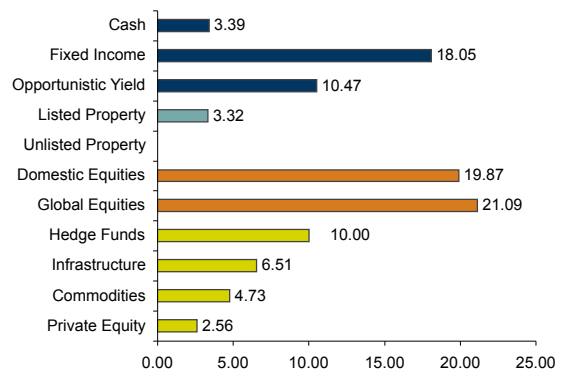
Top Ten Holdings

Fund	Sector	%
Schroders Australian Equity	Domestic Equities	7.04
GSJBW Core Plus	Fixed Income	4.55
Perpetual Pure Value	Domestic Equities	3.94
Platinum International	Global Equities	3.87
Magellan Flagship Fund	Global Equities	3.81
CFS Australian Share	Domestic Equities	3.78
DFA 5 Year Diversified FI	Fixed Income	3.62
Investec Global Aircraft Fund	Opportunistic Yield	3.54
Perpetual Share Plus	Domestic Equities	3.40
Vianova Strategic FI	Fixed Income	3.24
<b>TOTAL</b>		<b>40.80</b>

Asset Allocation



Sub Asset Allocation



## Fund Commentary

The MCG Growth Fund returned -1.78% in the second quarter of 2010 and 11.85% for the 2009/10 financial year.

After consistently surprising on the upside for much of the past year, global recovery momentum appears to have peaked in the second quarter of 2010. The initial slowdown, moreover, was accompanied by an escalation of European sovereign debt and financial contagion risks and the ensuing commencement of fiscal consolidation measures. In an ever intertwined global economy, what had started as concerns around a number of relatively small European economies began to make investors ever more anxious about the possibility of the dreaded 'double dip'.

After beginning the second quarter of 2010 on a positive note, most regional equity markets were down more than 10% since the start of the quarter. The MSCI World lost -4.9% (unhedged, \$A) and -11.5% on a hedged basis, reflecting the weakness of the \$A which continued to act as a proxy for risk appetite.

The MCG Fund's global equity managers achieved strong relative performances for the quarter with highlights including Ellerston, which returned 5.3%, Allard which returned 1.9% and Baker Steel Gold returning 14.9%. This outcome again highlighted the benefits of including non benchmark and long/short managers in the equity component of portfolios.

Australian equities fell in line with their global peers over the last quarter, with the ASX 300 returning -11.2%. This is a disappointing performance given that many of the economic issues that prompted the corrections were based in Europe and the US, although Australia's exposure to a slowing Chinese economy was a clear culprit, as was negative sentiment towards the mining sector as a result of the Resource Mining Super Tax.

Although concrete evidence of a broad slowdown in growth remains scarce, similar to other major economies GDP growth in Australia also most likely peaked during the first half of 2010. (GDP is estimated to have grown at a seasonally adjusted annualised rate in excess of 4.0% in the first two quarters of 2010).

The MCG Fund's Australian equity managers enjoyed a period of outperformance over the second quarter of 2010. In particular, Perpetual Pure Value Fund returned -0.4%, and CFS returned -8.9% for the quarter. Dimensional underperformed slightly due to its small cap and value bias, returning -13.2%, and Schrodgers also underperformed marginally at -11.4%.

In anticipation of market conditions marked by increased volatility and macro risks to

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global growth, we introduced new long-short Australian equities strategies managed by AR Capital Ascot and Perpetual Share Plus Funds over the quarter. These managers have the ability to take short positions as well as long positions, and we would expect outperformance during periods of volatility and falling markets.

Global Real Estate Investment Trusts (REITS) strongly outperformed stock markets over the quarter and year to June 2010. The UBS Global Real Estate Investors Index returned 42.4% over the year. Real estate values are moving up as a result of the combination of improved access to capital, improved cost of capital and, to some extent, greater clarity in reporting. We remain cautiously optimistic since REITs have significant cash surpluses and are poised to take advantage of opportunities. With a conservative strategy, the ING Global Property Fund underperformed the UBS Global Real Estate Investors Index for the quarter, returning -6.2% compared with -5.3%, and also for the year, returning 38.6% compared with 42.4%.

Return on the Australian REIT index was above that of the S&P/ASX300 over the last quarter and year, returning -1.5% and 20.4% respectively. The SG Hiscock Property Income Fund strongly outperformed for the year, returning 28.2%.

Major government bond markets rallied over the quarter in response to weakening data and the "flight to quality" spurred by financing worries in the European periphery. The UBS composite Bond index returned 3.6% for the quarter.

The rise in risk aversion resulted in general underperformance of MCG Fund's fixed interest managers, with many of them being overweight credit sectors. Our absolute return focused managers, Kapstream and Vianova, returned 1.3% and 2.9% respectively while Dimensional returned 3.3% and Goldman Sachs returned 3.0%.

For the first time since March 2009, credit had a disappointing quarter. While risk aversion caused credit spreads to widen in the quarter, the rally in government bonds left outright yields on global credit virtually unchanged. We are still of the opinion credit represents fair value and will maintain our exposure to Bentham Global Income (formerly managed by Credit Suisse Asset Management which has been purchased by Challenger), which returned -1.4% over the quarter and 36.8% over the year, and Macquarie Debt Opportunities Fund which returned 1.4% over the quarter and 7.3% over the year.

Turning to our hedge fund exposure, all of MCG Fund's managers achieved positive returns over the quarter despite the widespread drawdown in markets. Bridgewater, the best performing fund for the quarter returned 7.6%, while AQR and GMO Multi-strategy returned 1.2% and 0.8% respectively. We have also added the GMO Global Tactical Asset Allocation Fund during the quarter to enhance our ability to produce

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positive returns in the volatile market conditions.

While we believe a double-dip recession developing during the remainder of the year is unlikely, the outlook for global growth in 2010H2 and early 2011 is considerably weaker relative to three months ago. Subsequently, while largely anticipated (given the earlier strength of the upturn and an inevitable fading contribution from the global inventory cycle), leading indicators are quickly losing momentum in early Q3 and data is now surprising more frequently on the soft side. We continue to tilt the portfolio towards a defensive position, insuring an adequate level of protection for down markets, whilst still being able to offer good capture in rising markets.

We are currently focused on assessing a number of opportunities in the infrastructure debt and private debt markets offering yields at historically high levels given access to capital in many markets remains scarce. We expect to complete Due Diligence on a number of highly regarded managers in this space in the next month, with the view of selectively allocating during the quarter.