

# Mellon Global Alpha Trust

## Monthly report as at 30 June 2007

The Mellon Global Alpha Trust targets outperformance of the RBA Australian Cash Rate by approximately 15% per annum over the medium to long term, with a tracking error of approximately 15% per annum.

### Fund details

Inception date	5 Jan 2004
Buy/Sell spread	0.25% / 0.25%
NAV unit price CUM / EX	A\$1.2155 / A\$1.1411
Fund size	A\$647.25 million



### Investment manager

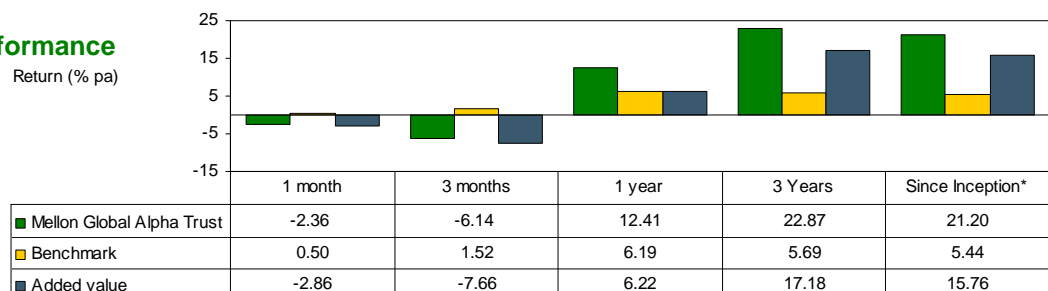
- Mellon Capital Management is the sub-investment manager of the assets of Mellon Global Alpha Trust
- Its founders are recognised for their significant contributions to the progress of quantitative investment management and launched the first quantitative tactical asset allocation model in 1972
- Assets are actively allocated across liquid equity, fixed income and cash markets
- Mellon Capital believes that relative asset misvaluations exist within and between country markets and uses a disciplined, quantitative approach to exploit them

### Performance review

In June, the Trust's performance was down relative to the benchmark. The overall long position in global equities and global bonds both made negative contributions towards alpha this month. Global equities were down as investors became concerned over the wider impact of sub-prime mortgage losses in the US and global bonds were down as global bond yields rose on stronger US economic news.

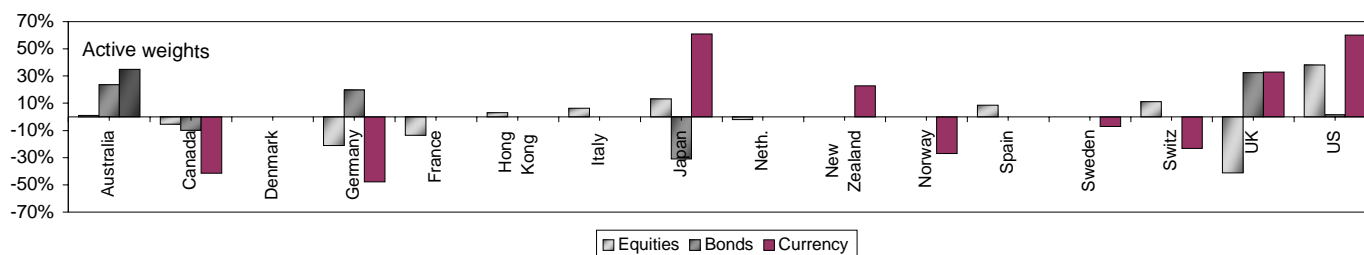
Most of the underperformance in June came from the strategy's currency and stock selection. Within the currency component, the long positions in the Japanese Yen and US Dollar caused the majority of the underperformance. The Yen depreciated relative to the Australian Dollar as investors added to JPY funded carry trades in favour of higher yielding currencies. Within the country stock selection component, the Trust suffered primarily from the underweight to German and UK equities and the overweight to US equities. The strong performance of German equities relative to other regions was driven mainly by the utilities, auto and financial sectors while UK equities were driven by earnings upgrades. US equities lagged behind other regions as investors grew concerned about the contagion from sub-prime mortgage losses. On the bond country selection, the Trust lost alpha due to overweighting in UK and Australian bonds.

### Annualised fund performance



\*Inception date of the Trust was 5 Jan 2004. Past performance is not a guarantee of future performance. Source: Mellon Global Investments Australia Limited, total return, gross of fees, in Australian dollars, assumes reinvestment of distributions, as at 30 June 2007.

\* Benchmark used is the RBA Australian Cash Rate.



Source: Mellon Capital Management.

## Monthly portfolio commentary

In June, Mellon Capital rebalanced the strategy's global equity and bond allocations early in the month as equity risk premiums continued to narrow. Consequently, equities became less attractive relative to local bonds and the Trust bought bonds in Australia, Canada, the UK and the US. These purchases were funded with the sale of Australian, Canadian, Japanese and Spanish equities. Near the middle of the month, Mellon Capital rebalanced within the bond country selection by purchasing US and Canadian bonds while selling Japanese and European bonds (ex-UK). US bonds became more attractive relative to European (ex-UK) and Japanese bonds as bond yields increased more in the US than in Europe and Japan.

In terms of currency, there were no rebalances during the month as there were no significant valuation changes.

At the end of June, the Trust held a 2% underweight in stocks, 37% overweight in bonds and 35% underweight in cash.

### Equities

The Trust's largest equity long position was in the US at 38% and its most significant equity short position was in the UK at -41%

### Bonds

The strategy's largest bond long position was in the UK at 33%, while the most significant bond short position was -31% in Japan.

### Currencies

The strategy's largest currency long position was in the Japanese Yen at 61%; its most significant currency short position was the Euro at -48%.

*Please note that we report net local returns of the respective MSCI indices for equities, Citigroup WGBI 1+ local returns for government bonds, and spot returns versus the Australian dollar for currencies. On 30 April 2004, the benchmark for the Mellon Global Alpha Trust changed from the UBS Warburg Australian Composite Bond Index to the Reserve Bank of Australia (RBA) Australian Cash Rate.*

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The value of investments and the income from them can fall as well as rise. Past performance is not a guarantee of future performance and investors may not get back the full amount invested. Changes in the rates of exchange may affect the value of investments. The holding of units in the Trust is subject to investment and other risks. As a result, unit prices may fluctuate markedly and losses as well as gains may occur.

Investments in the Mellon Global Alpha Trust (ARSN No. 106 779 444) may only be made through the Information Memorandum dated 22 May 2006.

This information has not been prepared to take into account the investment objectives, financial objectives or particular needs of any particular person. Before making an investment decision you should carefully consider, with or without the assistance of a financial adviser, whether such an investment strategy is appropriate in light of your particular investment needs, objectives and financial circumstances.

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