

Mellon Global Bond Alpha Trust

Monthly report as at 30 June 2007

The Mellon Global Bond Alpha Trust targets outperformance of the UBS Australia Bank Bill Index by approximately 4% per annum over the medium to long term, with an active risk of approximately 4% per annum.

Fund details

Inception date	22 Sep 06
Buy/Sell spread	0.25% / 0.25%
NAV unit price cum / ex	A\$1.0173 / 1.0074
Fund size	A\$60.74 million



Investment manager

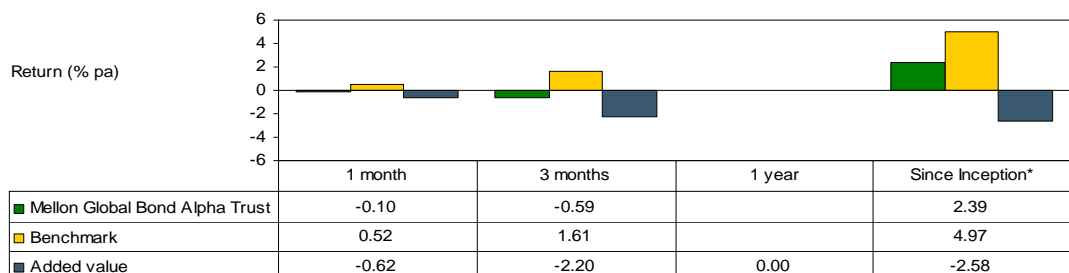
- Mellon Capital Management is the sub-investment manager of the assets of Mellon Global Bond Alpha Trust
- Its founders are recognised for their significant contributions to the progress of quantitative investment management and launched the first quantitative tactical asset allocation model in 1972
- Assets are actively allocated across liquid fixed income, currency 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

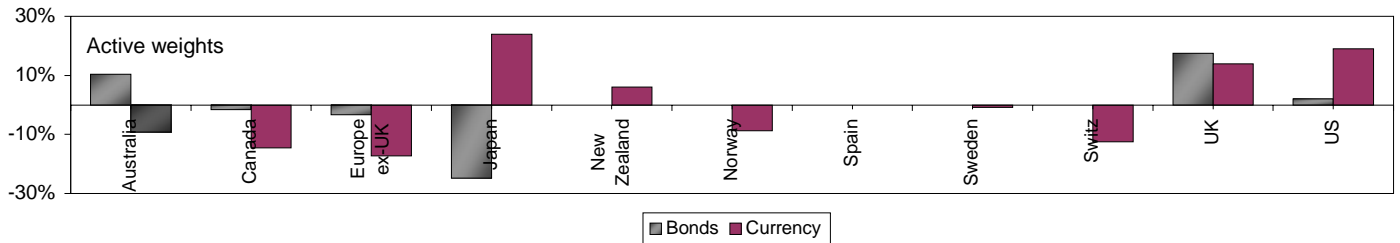
Global growth and inflation concerns are still placing pressure on yields in the global bond markets. Many central banks are continuing to increase interest rates to address these concerns. The month of June started with the ECB increasing its benchmark rate to 4%, followed by a surprise move by the Reserve Bank of New Zealand, raising its Official Cash Rate to 8%. The market's reaction to the news of the latter was quite negative. In the US, the combination of US government reports showing rising labor costs and lower worker productivity triggered a large increase in 10 year Treasury yields, pushing yields on the 10-year benchmark to almost 5.30%. In the latter half of the month, global bonds staged a rally on fears that the subprime market will continue to deliver bad news. The US bond market experienced the biggest rebound, not surprising given that this is mostly a US problem.

On the currency side, the movements of the currencies indicate that the carry trade is continuing to work well. In general, higher yielding currencies appreciated relative to lower yielding ones. The Yen being the lowest yielding currency once again depreciated against other major currencies. The New Zealand dollar had the greatest appreciation in June, not surprising given its high yield and the unexpected rate increase that occurred earlier in the month. Interestingly, the Reserve Bank of New Zealand began to intervene in the FX markets in an effort to 'moderate the trend' in the New Zealand Dollar and to 'rebalance' monetary policy away from exporters. As for the Trust's active currency strategy, the long New Zealand Dollar position certainly was a major contributor to performance as was the long positions held by the portfolio, with the Yen being the exception. The major detractors came from the short positions.

Fund performance



*Inception date of the Trust was 22 Sept 2006. 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 UBS Bank Bill Index Rate.



Source: Mellon Capital Management.

The Global Bond Alpha Trust returned -0.10% this month, underperforming the benchmark by 62 basis points. Most of the underperformance this month came from the currency component which subtracted 43 basis points. The bond component was also down this month and subtracted 18 basis points. Within currencies, Japan continued to be the currency that detracted most of the alpha. This currency is still the portfolios biggest overweight, and it depreciated the most relative to the Australian Dollar. Within global bonds, just like last month, the under-weighted position in the US and Japan added most of the value, and the over-weighted position in the United Kingdom and Australia subtracted the majority of the value.

Monthly portfolio commentary

Currencies

Mellon Capital regularly rebalanced the Trust’s allocations to bring the portfolio closer to the model recommended weights. However, specific limits were not set on the number of trades to be carried out each month. The portfolio is rebalanced as opportunities arise. During the month of June, there were no tactical trades.

Global Bonds

Around mid-month, the United Kingdom bond market underperformed relative to the other regions. Mellon Capital took this opportunity to rebalance the portfolio. They bought United Kingdom versus selling Canada and Japanese bonds. They also gradually shifted the Trust’s overweight’s in the Euro bond market to the US bond market. In the US, short term GDP growth remained below the economy's long term potential thus making US 10 year bonds more attractive from a term premium point of view.

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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 Bond Alpha Trust (ARSN No. 106 779 480) may only be made through the Information Memorandum dated 9 June 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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