

**Melbourne Community Foundation  
Quarterly Report - 31 December 2006**

PERFORMANCE					
Cumulative Returns to 31/12/06	Capital Return	Income Return	Total Return	Benchmark Return	Excess Return
3 Months	6.53%	1.09%	7.62%	8.40%	-0.78%
6 Months	7.32%	2.11%	9.43%	11.90%	-2.47%
9 Months	6.67%	3.95%	10.62%	12.16%	-1.54%
1 Year	13.03%	5.18%	18.21%	19.80%	-1.59%
2 Years	28.95%	9.83%	38.78%	39.59%	-0.81%
3 Years	48.32%	17.13%	65.45%	67.05%	-1.60%

Benchmark Return % is based on Benchmark Asset Allocation and S&P/ASX200 Accumulation Index, S&P/ASX Property Trust Accumulation Index, MSCI ex Australia Gross Index in \$A, UBS Australian Composite Bond Index (0+Yrs) and UBS Australian Bank Bill Index.

**Performance Commentary**  
Over the past three months the fund returned a healthy 7.6% but still slightly underperformed the benchmark for the quarter. The Australian equities portfolio kept pace with the market over the quarter which grew by 10%. We were happy with this result as the portfolio given its defensive positioning. The fund's resources exposure again lagged the the market but we expect the major resources companies to post strong results and that their discount to the market will close through 2007. The Fund's property holdings performed well returning 8.7% for the quarter but still underperformed the index which returned 14%. Note: property portfolio performance was hindered by one holding which is only revalued on an annual basis. The fund has been underweight property trusts for the last six months which has been the main detractor from performance. Our fixed income and international equities portfolios outperformed the index by substantial margins. Our large overweight cash position detracted from overall performance.

Melbourne Community Foundation performance is based on the unit price movement. The unit price includes the following accruals: interest on the CMT account, MCF Administration Fee, Cambrea Advisory Fee and Imputation Credit Refund.

ASSET ALLOCATION - 31 DECEMBER 2006				FUND SIZE	
	Benchmark Asset Allocation	Average Asset Allocation*	Current Asset Allocation	Date	Fund Size
Australian Equities	60%	63.40%	59.37%	31-Dec-06	\$26.2m
International Equities	10%	5.19%	5.72%	30-Sep-06	\$24.5m
Listed Property Trusts	10%	6.29%	6.42%	30-Jun-06	\$23.9m
Fixed Interest (incl. Hybrids)	15%	14.84%	13.90%	30-Jun-05	\$17.7m
Cash and Cash Products	5%	10.28%	14.59%	30-Jun-03	\$11.4m

\* Calculated on average month end balances over the past 12 months.

**Variation to Benchmark**

The fund has now reduced its Australian equities exposure to market weight. We expect to maintain this weighting over the near term as we feel that the sector is now fully valued and better value can be obtained elsewhere. The Fund was also underweight property trusts, which rallied considerably for the second quarter in a row. We have struggled to find value in this sector throughout 2006, with listed property trusts now yielding less than equities. The Fund has also been underweight global equities, however we have been gradually increasing this weighting as opportunities present themselves as we believe an overweight position is now warranted. Overall the fund is underweight growth assets and overweight cash. Our strategy over the coming periods will be to continue to selectively add to growth assets when value becomes apparent.

**STOCK PERFORMANCES RANKED BY LARGEST EFFECT OVER QUARTER ENDED 30 SEPTEMBER 2006**

Name	Weight	Quarterly Return
<b>Contributors</b>		
Rinker Group Limited	2.51%	31.09%
Woolworths Limited	3.66%	19.78%
National Australia Bank	5.16%	12.43%
Macquarie Bank	3.76%	16.00%
Toll Holdings Limited	3.13%	18.76%
<b>Detractors</b>		
APN Property Plus Portfolio	0.87%	2.05%
Oil Search Limited	1.33%	0.70%
Reckson New York Property Trust	0.80%	0.90%
BHP Billiton	7.68%	-1.29%
Woodside Petroleum Limited	4.09%	-2.90%

**Stock Specific Matters**

The major contributors to performance were Rinker after a takeover bid from Cemex, Woolworths, National Australia Bank, Macquarie Bank and Toll Holdings. The decision not to hold Telstra also detracted from performance with the stock rallying in line with the global telecommunications sector. We continue to believe that Telstra is a poor long term investment and are happy to maintain our zero weighting. Our overweight position in the oil and gas sector, specifically Woodside and Oil Search, also detracted from performance as the oil price retracted. We expect this situation will turnaround through 2007. It should also be noted that APN Property Plus is revalued annually which detracted from performance.

**Options Positions**

As at 31 December 2006 the fund had no open option positions.