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**MMC Contrarian Limited (MMC Contrarian)**  
**June 2007 quarterly investment update**

This is the thirteenth quarterly investment update since MMC Contrarian listed in December 2003. In this report we deal with the following:

- your company's dividend philosophy and outlook and
- the performance and composition of the investment portfolio for the previous 3 months

A summary of the portfolio is set out at Appendix 1.

**Interim Dividend:**

MMC Contrarian's yearly results to 30 June will be released to the market in August 2007. At that time, directors will declare and announce the final dividend. Your company's policy is to distribute a growing stream of fully franked dividends to shareholders. As flagged during last quarter, the final dividend is expected to be 4.0 cents per share, in the absence of unforeseen adverse circumstances. This would be payable in September 2007. Hence it is anticipated that the full dividend for the current financial year will be 8.0 cents per share, exceeding the 6.0 cents per share for the last financial year, an increase of 33.3%.

Last quarter, your company also flagged the intention to make a capital repayment of 10 cents per share. This is subject to a favourable ruling by the Australian Taxation Office and will be put to a shareholder vote at the upcoming AGM.

**Performance of the portfolio during the previous 3 months:**

The All Ordinaries Accumulation Index increased +6.3% during the quarter as the market continued its momentum during April and May before stagnating in June (-0.1%) on mounting concerns over the deterioration of US sub-prime mortgages and rising bond yields. The slightly negative return for June was the first time since July 2006 that the market had produced a negative monthly return. The current 4 year bull market has now produced two 10 month streaks without a negative month, with the previous run being recorded from May 2004-February 2005. Resource stocks were again strong as Materials (+14.5%) and Energy (+13.8%) outperformed while Telcos (-1.7%) gave back a fraction of the stellar returns over the previous 2 quarters.

Your company's portfolio returned +1.1% during the quarter, with the equity component of the portfolio returning +0.5%. We report performance for information purposes only. We are long term investors and short term performance, whether positive or negative relative to a benchmark, is not a focus for us.

Core holdings had a mixed performance during the quarter with Clime Investment Management (+39.5%) and GrainCorp (+35.8%) being offset by Commander (-24.4%) and News Corporation (-10.7%). Several core holdings had little fluctuation during the quarter, including Abacus (+1.1%), CostaExchange (+0.0%) and Telstra (-1.5%).

**Portfolio Activity:**

A number of new positions were established during the quarter, while several core holdings including PMP were exited as they now appear to be fully valued. PMP was exited during the quarter after a rise in the share price and a failed privatisation caused a reassessment of our investment thesis. We concluded that at \$1.85 there was not a sufficient margin of safety for what is an inherently challenging industry and toughening business environment.

New investments during the quarter included CVC and Mainfreight. CVC was bought on attractive investment fundamentals, including a discount to NTA, net cash position and attractive fully franked dividend yield. The company has a growing fund management business specialising in niche products and an experienced management team. Mainfreight was purchased following the sale of non-core assets, which paid off all the company's debt and resulted in a net cash position. The company is aiming to use its strong balance sheet to fund possible US expansion through acquisitions, which will derive vast revenue synergies for its existing global freight forwarding business. The company also has a history of strong earnings growth on the back of global expansion, driven by a highly regarded management team.

A stake in the Magellan Flagship Fund IPO was purchased last year. A central tenet of the investment case was the shareholder option to subscribe for Magellan Financial Group Stapled Securities in April 2007 at a significant discount to the current share price. We exercised this entitlement during the quarter to obtain a small stake in the Magellan Financial Group. Subsequent to this, the holding in the Magellan Flagship Fund was sold down as it is less attractive ex-entitlement.

Commander reported 2 earnings downgrades during the quarter in May and June, shortly after having reaffirmed guidance at the half year and later in April at broker presentations. The holding was completely sold following the first downgrade in May when the company announced that it was experiencing issues with its franchise roll-out operations on top of restructuring costs. The decision to exit the stock was based on valuation, deteriorating commercial feedback and weakening management credibility grounds. This proved to be the right decision as problems with its ICT Hardware and maintenance processing systems resulted in a further downgrade in June.

The position in The Warehouse Group was completely sold during the quarter. The stock appears fully valued following take over attempts by both Foodstuffs and Woolworths. Each party holds 10% stakes in The Warehouse, sufficient to block any takeover offer and the competition regulator has rejected both parties' bids. Therefore any take over will probably be a long and drawn-out process involving lengthy court appeals and negotiations. Hence we exited what has been a highly profitable long term holding.

The investment in Staging Connections was increased through participation in a rights issue being used to strengthen the company's balance sheet for further acquisitions. The company continues to be well run, generating strong cash flows with significant growth opportunities in Dubai.

We report for the first time the holdings in Premier Investments and Brickworks. We started buying these stocks last quarter but due to liquidity constraints they remain

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relatively small positions in the portfolio. Premier Investments was purchased as our sum-of-the-parts valuation deemed that there was significant untapped value in the company, including an investment in the Coles Group (which Premier subsequently sold) and excess franking credits. Brickworks was attractively priced considering its significant land bank that will generate strong earnings over future years while being well positioned to benefit from any recovery in the New South Wales residential construction industry.

We continue to visit many companies, run by capable people, with very good business models that are unfortunately too expensive at this time. We maintain a wish list of stocks we would love to own together with the price we believe they would be good buying. We expect that with patience and vigilance, that opportunity will arise. Until then, we will maintain our investment discipline and continue to hold a large cash position, which increased from 55.5% to 60.6% at the end of the quarter.

A summary of the composition of the portfolio, the NA and share price at the relevant dates are shown below for your information.

\$ Million

	31 Dec 2003	30 June 2004	31 Dec 2004	30 June 2005	31 Dec 2005	30 June 2006	31 Dec 2006	30 June 2007
Equities	13	74	92	98	85	101	111	101
Hybrids	0	15	24	8	6	3	0	0
Cash on deposit	185	122	123	134	156	139	146	156
Total Capital Employed	198	211	239	240	247	243	257	257
NA Per Share								
Before Tax on unrealised gains- cents	99.1	105.4	115.2	109.7	112.4	111.6	117.8	114.0
Dividends paid (cumulative)	-	-	1.0	2.5	4.5	7.5	10.5	14.5
Before Tax on unrealised gains pre dividends- cents	99.1	105.4	116.2	112.2	116.9	119.1	128.3	128.5
MMA Share price- cents	93.0	97.0	106.0	93.5	94.5	90.0	104.0	104.0

Peter Constable  
 Director  
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 Director  
 MMC Contrarian Limited

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**Appendix 1: An unaudited summary of MMC Contrarian investments at 31<sup>st</sup> March 2007 and 30<sup>th</sup> June 2007.**

<u>Summary of Investments valued at market</u>	31 <sup>st</sup> March 2007 \$ 000	% of portfolio	30 <sup>th</sup> June 2007 \$ 000	% of portfolio
<i>Equities</i>				
Telstra Corporation Ltd Instalment Receipts (TLSCA)	14,311	5.6	13,865	5.4
Abacus Property Group Ltd (ABP)	12,976	5.1	12,911	5.0
Telstra Corporation Ltd (TLS)	10,505	4.1	10,347	4.0
ConnectEast Group (CEU)	7,253	2.9	7,884	3.1
* CostaExchange (CHQ)	7,751	3.0	7,751	3.0
News Corporation Ltd (NWS)	6,035	2.4	5,390	2.1
Babcock & Brown Structured Finance Fund (Singapore)	6,440	2.5	6,476	2.5
Clime Investment Management Ltd (CIW)	3,262	1.3	4,551	1.8
Staging Connections Group Ltd (STG)	2,827	1.1	4,133	1.6
GrainCorp Ltd (GNC)	3,538	1.4	3,714	1.4
Magellan Flagship Fund Ltd (MFF)	6,297	2.5	3,601	1.4
CVC Ltd (CVC)	-	-	3,395	1.3
Ridley Inc (Canada)	2,980	1.2	3,056	1.2
Premier Investments Ltd (PMV)	890	0.4	2,835	1.1
Mainfreight Ltd (New Zealand)	-	-	2,582	1.0
Brickworks Ltd (BKW)	1,757	0.7	2,476	1.0
Other	2,272	0.8	6,406	2.5
PMP Ltd (PMP)	15,248	6.0	-	-
The Warehouse Group Ltd (WHS)	5,495	2.2	-	-
Commander Communications Ltd (CDR)	3,384	1.3	-	-
	113,221	44.5	101,372	39.4
Funds on deposit	140,975	55.5	155,901	60.6
Total capital employed	254,196	100.0	257,273	100.0
NA per share before tax –cents	113.4		114.0	
MMA share price - cents	103.0		104.0	
(Discount) / Premium to NA before tax-%	(9.2)		(8.8)	
NA per share after tax- cents	111.1		111.9	
(Discount)Premium to NA after tax-%	(7.3)		(7.1)	

\* previously known as Chiquita Brands South Pacific Ltd