DDH GRAHAM LIMITED
Responsible Entity

DDH Investment Access Funds

QIC
Investment Manager

# DDH Aggressive Growth Fund *(formerly Q Invest Aggressive Growth Fund)*

## Performance Report as at 30 September 2009

### *Investment objective*
The DDH Aggressive Growth Fund aims to provide long term capital growth and some income through investment in International and Australian shares.

### *Risk/Return Profile*
High.

### *Minimum Investment Time Frame*
At least 7 years.

### *Commentary and outlook*
The performance of the DDH Aggressive Growth Fund is set out below. Refer to the attached performance reports from QIC.

### *Performance*

| | 3 months % | 1 year % | 3 years % p.a. | 5 years % p.a. | Inception % p.a. |
|---|---|---|---|---|---|
| **Total Return** | **17.10** | **-4.21** | **-5.87** | **3.52** | **3.27** |
| Growth return | 17.10 | -5.16 | -14.04 | -7.92 | -6.86 |
| Distribution return | 0.00 | 0.95 | 8.17 | 11.44 | 10.13 |

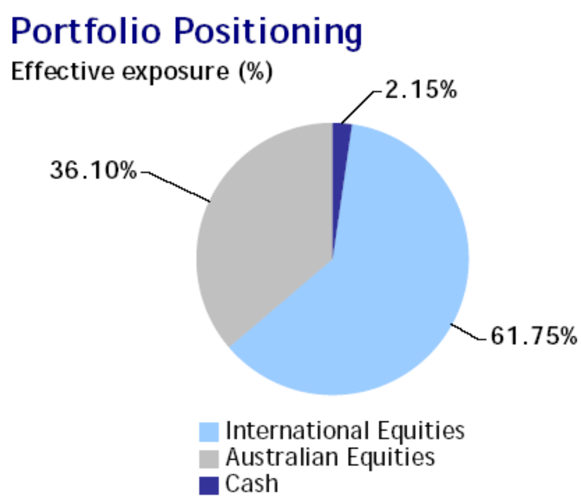
*Performance notes:*
*1. Performance is calculated using IFSA Standard No. 6.00.*
*2. Performance figures have been calculated using exit to exit prices.*
*3 Total Return represents unit price movements and assumes all distributions are reinvested.*
*4. Growth Return represents unit price movement only.*
*5. Distribution Return represents the difference between Total Return and Growth Return.*
*6. All performance figures are net of ongoing fees and expenses.*
*7. Past performance is not a reliable indicator of future performance.*
*8. Inception date was 9 March 2002.*

### *Unit Price*

| | As at 30-09-09 |
|---|---|
| Entry price (ex distribution) | $0.5863 |
| Exit price (ex distribution) | $0.5842 |

### *Asset allocation*

| | As at 30-09-09 (%) |
|---|---|
| Cash | 2.15 |
| Australian Shares | 36.10 |
| International Shares | 63.75 |




### *Income distribution*
Distributions are half yearly at the end of June and December. Distributions may include realised capital gains from the disposal of underlying assets. Details of the final tax components of the distribution, including franking credits, will be advised to unitholders after 30 June 2009.

# QIC Australian Equities Fund

## Fund details at 30 September 2009

## Profile

| | |
|---|---|
| Description | The Fund captures the performance of the Australian sharemarket by investing in a diversified portfolio of listed and unlisted securities and by the use of associated derivatives. |
| Objective | To outperform the S&P/ASX200 Accumulation Index by 1.00% per annum over a 3 year period. |
| Inception | June 1994 |
| Size | AUD $404.4 million |

## Performance

Gross period returns (%)

| Period | Fund | Benchmark |
|---|---|---|
| 1 month | 6.54 | 6.24 |
| 3 months | 21.77 | 21.50 |
| Financial year to date | 21.77 | 21.50 |
| 1 year | 10.63 | 8.34 |
| 3 years | 1.25 | 1.65 |
| 5 years | 9.74 | 9.98 |
| 7 years | 11.51 | 11.66 |
| Since inception | 10.52 | 10.20 |

## Market Overview

The S&P/ASX index returned 21.50% in the third quarter, ending 51% above the 2009 closing low struck on March 6, which is the best quarterly return for 20 years. Australia kept pace with other developed markets in local currency (the S&P500 gained 15.0%, the Dow Jones Euro Stoxx 19.6%), however in US dollar (USD) terms, Australia was one of the strongest bourses in the world due to a 10% gain in the Australian dollar (AUD). Sector performance generally reflected a rotation to cyclical risk as it became clear the Australian economy was stabilising. Banks (+36%) led as investors became less concerned with loan losses provisioned against profits during the depths of the downturn. The cyclical theme however did little for the relative performance of resources (+11%), as commodity prices were mixed in AUD terms.

## Performance Drivers

The Fund posted a return of 21.77% for the quarter, against the S&P / ASX 200 Accumulation index return of 21.50%, outperforming by 0.27%.

Top contributors to our Fund performance included:

Asciano Group (AIO) – The Fund benefitted by 0.40% from its overweight position in the portfolio as it participated in the company's equity raising.

Telstra Corporation (TLS) – Our underweight position contributed 0.26% of performance to the Fund as regulatory changes were announced by the government to split the company.

Macquarie Group Limited (MQG) – The Fund benefitted by 0.21% from its overweight position in the portfolio as the bank re-emerged from the lows of the global financial crisis making astute acquisitions in the US.

Largest detractors from Fund performance included:

Brisconnections Unit Trusts (BCS) – BCS cost the Fund 0.51% in performance as the overweight position was impacted by a sell down post the payment of the second instalment.

BHP Billiton (BHP) – The Fund's overweight position detracted 0.22% in performance as commodity prices remained unchanged in AUD terms.

AMP Limited (AMP) – Our overweight position cost 0.16% of performance as a result of the release of the government's intention to regulate the superannuation industry in future and the Fund has since exited its position in AMP.

Top contributors to active return for the financial year to date (%)

| Name | FYTD Contribution | Active Weight |
|---|---|---|
| Asciano Group | 0.40 | 1.56 |
| Telstra Corporation Ltd. | 0.26 | -1.69 |
| Macquarie Group Ltd. | 0.21 | 1.02 |
| Sims Group | 0.13 | -0.30 |
| Transurban Group | 0.12 | -0.47 |
| Lihir Gold Ltd. | 0.11 | -0.39 |
| Foster's Group Ltd. | 0.11 | -0.99 |

| Name | FYTD Contribution | Active Weight |
|---|---|---|
| Commonwealth Bank of Australia | 0.10 | 1.12 |
| Brambles | 0.10 | 1.31 |
| AGL Energy Ltd. | 0.10 | -0.56 |

Top detractors from active return for the financial year to date (%)

| Name | FYTD Contribution | Active Weight |
|---|---|---|
| Brisconnections Unit Trusts | -0.51 | 0.23 |
| BHP Billiton Ltd. | -0.22 | 1.94 |
| AMP Ltd. | -0.16 | 0.93 |
| Goodman Group | -0.11 | -0.33 |
| Suncorp-Metway Ltd. | -0.11 | -1.00 |
| Dexus Property Group | -0.11 | -0.36 |
| Qantas Airways Ltd. | -0.11 | -0.59 |
| Newcrest Mining Ltd. | -0.11 | 0.20 |
| Mirvac Group | -0.09 | -0.40 |
| Santos Ltd. | -0.09 | 0.45 |

## Outlook

The QIC Australian Equities team remain optimistic on the outlook for the Australian share market returns over the medium to long term. Interest rates domestically are expected to be raised before the end of 2009 and certainly before unemployment peaks in Australia in the first half of 2010.

We anticipate the economic recovery in Australia to be accompanied by an increase in merger and acquisition activity in 2010 as companies that have managed to restore their balance sheets look for opportunities to grow their business by acquiring companies that are undervalued or miss-priced.

Our focus remains unchanged in terms of investing in stocks where the potential growth and quality of a company's earnings profile and asset base has been underestimated, and therefore undervalued by the market.

## Portfolio Positioning

The portfolio is no longer defensively positioned and we anticipate companies with exposure to an improving macroeconomic environment to outperform into 2010. The domestic banking sector also offers strong opportunities for outperformance as it emerges with balance sheet restored from recent equity issuances, depleted competition, competitive funding and an improving bad debt profile.

Top ten holdings (%)

| Name | Fund Weight | Active Weight |
|---|---|---|
| BHP Billiton Ltd. | 13.59 | 1.94 |
| Commonwealth Bank of Australia | 8.35 | 1.12 |
| Westpac Banking Corp. | 6.65 | -0.45 |
| National Australia Bank Ltd. | 6.61 | 0.63 |
| ANZ Banking Group Ltd. | 6.59 | 0.93 |
| Wesfarmers Ltd. | 4.12 | 1.31 |
| Westfield Group | 3.79 | 1.06 |
| Rio Tinto Ltd. | 3.14 | 0.77 |
| Macquarie Group Ltd. | 2.77 | 1.02 |
| QBE Insurance Group Ltd. | 2.75 | 0.50 |

Physical and derivative composition (%)

| | Fund Weight |
|---|---|
| Physical equities | 98.84 |
| Cash | 1.03 |
| Exchange traded options | 0.13 |

Notes:

- Returns greater than one year are annualised.
- Past performance is not a reliable indicator of future performance.

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# QIC Hedged International Equities Fund

## Fund details at 30 September 2009

## Profile

| | |
|---|---|
| Description | This is an actively managed fund investing in securities listed on stock exchanges around the world and equity related derivatives. The Fund seeks to add value by selecting equity managers that outperform over the medium term. Currency exposure is 100% hedged back to Australian dollars. |
| Objective | To outperform the Morgan Stanley Capital International World (ex Australia) Net Index (hedged in AUD) by 2.50%p.a. on a rolling three year basis. |
| Inception | July 2006 |
| Size | AUD $93.6 million |

## Performance

Gross period returns (%)

| Period | Fund | Benchmark |
|---|---|---|
| 1 month | 3.77 | 3.50 |
| 3 months | 15.48 | 15.35 |
| Financial year to date | 15.48 | 15.35 |
| 1 year | -7.49 | -5.00 |
| 3 years | -8.02 | -5.52 |
| Since inception | -6.18 | -3.50 |

## Market Overview

In local market currency terms, global equity markets continued to rally through September, with a 3% rise in the Morgan Stanley Capital International (MSCI) All Country World Index ex Australia. However, the Australian dollar (AUD) gains against most developed market currencies during the month meant the benchmark return in AUD terms was reduced to -0.5%.

The equity markets' performance continued to be driven by a combination of a fall in the cost of capital and an improvement in the earnings outlook. While forecast earnings for 2009 were not moved upwards through the month, analysts have increased their estimates for 2010 and 2011. As the markets look ahead, the focus will be on the third quarter earnings season in the United States which is about to begin. Analysts will be focusing on the revenue line in particular to determine whether it becomes a more dominant contributor to earnings growth now than measures to contain expenses.

All developed country sectors posted reasonably solid gains in their local currency terms again in September, however in AUD terms the only positive returns were from the energy (+0.5%) and industrial (+0.4%) sectors. After a 7.7% rise last month, financials gave back 2.4% in AUD terms and the trend away from defensive sectors continued with healthcare (-1.7%) and consumer staples (-1.3%) also weak.

Emerging market countries rallied through September with a 4.0% rise in AUD terms and a 6.1% rise in their local currencies. The Latin American equity markets showed continued strength with a 10.0% rise in Brazil, 11.1% in Colombia and 12.8% in Peru (all in AUD terms). The Russian market kept up its momentum with a 9.9% gain and Taiwan rebounded from last month with a 7.6% rally. After an 8.3% fall in August, the Chinese markets gave up a further 0.5% (however in local currency this represents a 4.2% gain).

The relative outperformance of the AUD diluted otherwise strong performance across developed market equities in September. In AUD terms, the strong performers were Greece (+6.5%), Norway (+6.3%) and Portugal (+3.5%), while Japan was the big detractor (-6.7%). While the UK and US markets gained 4.6% and 3.7% respectively in local currency, in AUD terms this equates to losses of 2.0% and 0.9%, respectively.

## Performance Drivers

The Fund finished the month ahead of its benchmark in AUD terms, with the global managers contributing the most to returns. In particular, Wellington Management and Lazard Global outperformed, benefiting from a return of the thematic drivers of markets. Similarly, the Japanese manager, Lazard Japan, also performed strongly.

The United States managers were generally flat, however the quantitative manager Numeric dragged performance. Managers in emerging markets contributed positive returns, with Charlemagne delivering outperformance again in September and PanAgora recouping its August losses.

The Fund benefited from good stock selection across financials sector and from being underweight utilities. Another underweight in the energy sector detracted slightly, however owning the right stocks here more than compensated. Poor stock selection in the consumer discretionary sector took away some performance.

At the stock level, there were positive contributions from overweight positions in the US-based airlines, Continental and UAL Corporation, which rallied through September. There was also positive performance from the Las Vegas casino operator, MGM Mirage, and from a high conviction holding in the investment bank, Goldman Sachs, both of which had a strong month. General Electric also had a strong September but an underweight here cost us performance. Motor vehicle manufacturers generally had a poor month, with an underweight in Toyota helping performance but a overweight in Ford detracting.

Manager performance for the financial year to date, after manager fees (%)

| Manager | Fund | Benchmark |
|---|---|---|
| Axa Rosenberg Group | 13.60 | 12.60 |
| Congruix Investment Management | 12.92 | 6.64 |
| QIC Emerging Markets Equity Fund | 10.40 | 10.75 |
| AQR Capital Management | 9.32 | 7.07 |
| Ironbridge Capital | 7.55 | 7.07 |
| Wellington Global | 7.25 | 7.07 |
| Arnhold and Bleichroeder | 4.99 | 5.72 |
| Lazard Global | 3.28 | 7.07 |
| Numeric Investors | 2.42 | 5.72 |
| Lazard Japan | 1.06 | -2.43 |

## Outlook

The equity markets have continued their trend of strong performance throughout September. While most believe that long term equity valuations are now at the upper end of their range, the extent of the global downturn and the sharp recovery which is now underway in some parts of the world are expected to keep markets buoyant. Growth in the Asian economies continues to surprise to the upside, with the beginning of the interest rate tightening cycle in Australia an example of resilience in the region. Nevertheless, mixed economic data from the US, including further significant job losses, highlights a risk that momentum will slow. The third quarter reporting season in the US will be instructive, particularly if we see a return to growth in the revenue line as a driver of earnings.

## Portfolio Positioning

The Fund is a combination of nine active equity managers plus an investment in the emerging markets equity fund which consists of three active emerging markets managers.

The Fund remains underweight utilities, energy and consumer staples. Industrials have moved to an underweight while there is now a positive weight to materials. The weight to financials has also increased through the month, due in part to the strong performance of this sector.

Regionally, the Fund retains its weighting toward emerging markets and Asia (including Japan), and is underweight the United States and Europe. The active regional weights stem mainly from the dynamic regional weighting of the global managers in the portfolio.

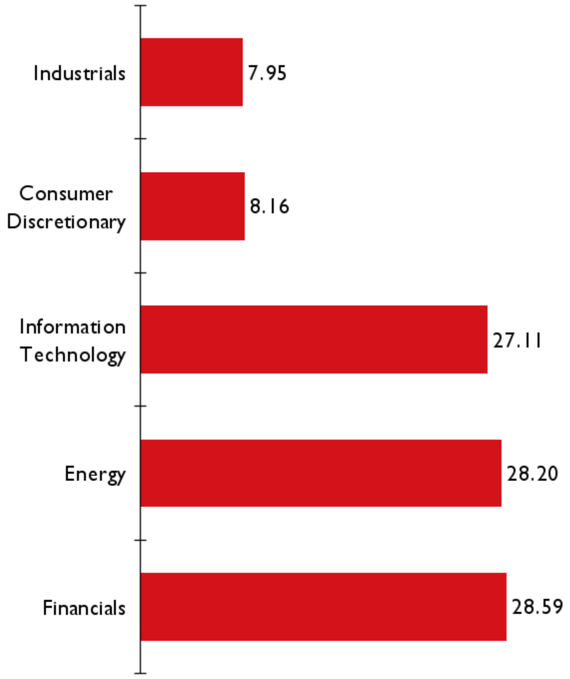
Sector composition of fund (%)

| Sector | Code | Fund | Bmk |
|---|---|---|---|
| Financials | F | 18.27 | 21.10 |
| Cash | C | 15.09 | 0.00 |
| Information Technology | IT | 11.06 | 12.18 |
| Energy | E | 10.11 | 11.52 |
| Health Care | HC | 8.56 | 9.34 |
| Consumer Discretionary | CD | 8.19 | 9.00 |
| Industrials | I | 8.18 | 10.23 |
| Materials | M | 7.41 | 7.31 |
| Consumer Staples | CS | 7.01 | 9.42 |
| Telecommunication Services | TS | 4.48 | 5.19 |
| Utilities | U | 1.62 | 4.71 |
| Unit Trusts | UT | 0.03 | 0.00 |

Top ten holdings (%)

| Name | Sector | Fund Weight | Active Weight |
|---|---|---|---|
| International Business Machines Corp. | IT | 1.77 | 1.08 |
| Goldman Sachs Group Inc. | F | 1.03 | 0.64 |
| BP PLC | E | 0.91 | 0.18 |
| Wells Fargo & Co. | F | 0.90 | 0.36 |
| Occidental Petroleum Corp. | E | 0.90 | 0.62 |
| Exxon Mobil Corp. | E | 0.85 | -0.61 |
| Microsoft Corp. | IT | 0.78 | -0.11 |
| Lowe's Cos. | CD | 0.77 | 0.63 |
| JPMorgan Chase & Co. | F | 0.76 | 0.05 |
| Siemens AG | I | 0.75 | 0.42 |

## Sector composition of top ten holdings (%)




## Regional composition (%)

| Region | Fund | Benchmark |
|---|---|---|
| North America | 48.55 | 47.84 |
| Europe | 29.59 | 28.72 |
| Emerging Markets | 9.51 | 10.33 |
| Japan | 8.44 | 9.26 |
| Asia Pacific Ex Japan | 3.91 | 3.84 |

## Managers by region and style

| | |
|---|---|
| **Global** | |
| AQR (Private Company) | Combination of quantitative stock, country and currency selection. Factor based modelling provides broad exposure to market inefficiencies. |
| Ironbridge (Private Company) | Bottom up fundamental stock selector focused on cash flows and identifying opportunities based in life cycle of individual securities. |
| Lazard Global | Research driven benchmark unaware portfolio, driven by both the top down thematic portfolio construction and bottom up stock Thematic selection. |
| Wellington (Private Company) | Highly active bottom up growth portfolio. Stock research focuses on sustainable earnings and margin growth coupled with price momentum exposure. |
| **Asia ex-Japan** | |
| Congruix Investment Management (Private Company) | Absolute return strategy focused on stock selection that seeks to exploit securities mis-pricing across Asian ex-Japan markets. |
| **Europe** | |
| Axa Rosenberg (Majority ownership by AXA Investment Managers) | Quantitative fundamental stock selection process which focuses on temporary pricing inefficiencies. |
| **Japan** | |
| Lazard Japan | Concentrated fundamental bottom up process looking for stock specific or industry trends to drive earnings and company prices. |
| **USA** | |
| Arnhold and S. Bleichroeder (Private Company) | Fundamental large cap event driven value process which aims to actively exploit markets inefficiencies in processing the implications of corporate change. |
| Numeric Global Advisors (Private Company) | Factor based quantitative approach seeking to add value by positioning broadly to gain exposure to market inefficiencies. |

## Notes:

- Returns greater than one year are annualised.
- Past performance is not a reliable indicator of future performance.
- The Fund gains its exposure to international equities through an investment in the QIC International Equities Fund. A currency overlay is then applied to hedge the Fund.
- Fund returns are hedged. Manager returns and fund composition information is unhedged.
- All returns are net of external manager fees.
- Fund composition tables may not total 100% due to rounding.

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