DDH GRAHAM LIMITED
Responsible Entity

DDH Investment Access Funds

QIC
Investment Manager

DDH Australian Small Companies Fund

Performance Report for the Quarter Ended 30 June 2009

Investment objective

The DDH Australian Small Companies Fund invests in the QIC Active Small Companies Fund which aims to capture the performance of small companies listed on the Australian sharemarket by investing in a diversified portfolio of listed and unlisted securities and by the use of associated derivatives.

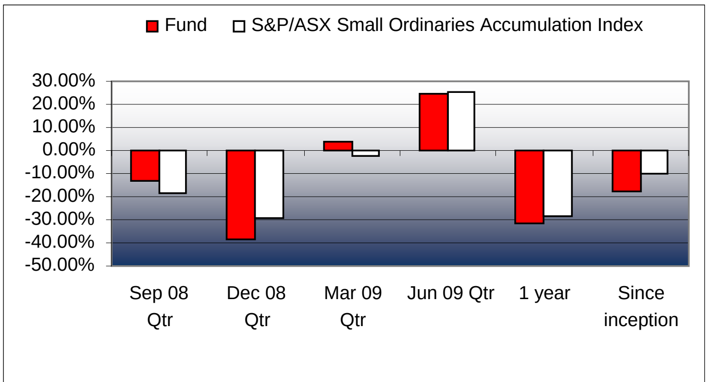
Commentary and outlook

The performance of the DDH Australian Small Companies Fund is set out below. Refer to the attached performance report from QIC. Please note that the performance figures quoted in QIC reports relate to the underlying QIC wholesale funds.

Performance

	3 months (%)	6 months (%)	1 year (%)	2 year (%)	Since Inception (%) pa	QIC Fund Since Inception (%) pa
Total return	24.44%	29.03%	-31.52%	-32.44%	-17.72%	**-6.25**
Growth return	23.25%	26.14%	-34.25%	-35.87%	-26.58%	
Distribution return	1.19%	2.89%	2.73%	3.43%	8.86%	
Benchmark	25.69%	23.22%	-28.58%	-24.63%	-10.18%	**-1.88**

Performance notes:
1. DDH Australian Small Companies Fund inception date – 18 October 2006.
2. QIC Active Small Companies Fund inception date – 10 December 2005.
3. DDH fund returns are calculated on an exit price basis after fees have been deducted and assuming reinvestment of distributions. No allowance is made for tax.
4. QIC fund returns are before investment management fees.
5. Fund benchmark – S&P/ASX Small Ordinaries Acc. Index.



* Fund inception date 18 October 2006

Unit Price as at 30 June 2009

Entry price (ex distribution)	$0.4327
Exit price (ex distribution)	$0.4309

Income distribution

The distribution for the quarter ended 30 June 2009 is 0.42 cents per unit. Details of the final tax components of the distribution, including franking credits, will be advised to unitholders after 30 June 2009.

Asset allocation

	As at 30-06-09 (%)
Australian shares – small companies	100

QIC Active Small Companies Fund

Fund details at 30 June 2009

Profile

Description	The Fund captures the performance of smaller capitalisation companies listed on the Australian Stock Exchange, by investing in a diversified portfolio of listed and unlisted securities and by the use of associated derivatives.
Objective	To outperform the S&P/ASX Small Ordinaries Accumulation Index by 5.00% per annum over a 3 year period.
Inception	December 2005
Size	AUD $48.1 million

Performance

Gross period returns (%)

Period	Fund	Benchmark
1 month	6.51	3.05
3 months	25.40	25.69
Financial year to date	-31.57	-28.58
1 year	-31.57	-28.58
3 years	-12.15	-6.37
Since inception	-6.25	-1.88

Market Overview

The S&P ASX 200 Accumulation index rose 11.29% for the June quarter.

Equity markets rose for three consecutive months during the June 2009 quarter posting the longest run of monthly positive returns since early 2007. The driver of the rally in markets has been a lower level of scepticism following recent economic data releases and the belief that as the macro economic outlook is close to bottoming, corporate profitability may also be nearing a bottom post recent significant downgrades to earnings. Domestically in particular we have seen a better than expected first quarter of 2009 gross domestic product (GDP) number, as well the consumer sentiment and business confidence data surprising on the upside, albeit at levels still significantly below their highs.

Post share prices moving downwards materially over the past 12 to 18 months, stocks that are leveraged to a rebound in GDP growth and have more cyclical earnings streams have performed better over the past quarter. As is often the case when a market bottom is expected, this reaction has largely been an ‘indiscriminate’ rally, regardless of the quality of the company and the earnings. We expect that post the market seeing a broad based rally off its lows, investor focus will centre more on the sustainability and quality of corporate earnings over the next 6 to 12 months ensuring stock picking ability comes to the fore.

Performance Drivers

The Fund returned 25.40% over the quater underperforming its benchmark of 25.69%.

The top performers to our performance included:

Entertainment Media and Telecoms Corporation (ETC) – ETC is a small telecommunications consulting company that have developed some exciting new security products. These products involve utilising mobile phone application software to help identify and authenticate the validity of immigration and travel documents. During April the company announced a trading update that confirmed they were on target to meet their previously advised profit forecast. This coincided with the clearing of a stock overhang. In June the company announced that had received cash payments for its Malaysian security contracts. This was an important milestone that the market was looking for from the company. This resulted in the share price appreciating 86% for the quarter. This added 1.44% in outperformance to the Fund for the quarter.

SMS Management & Technology (SMX) – SMX is an IT consulting business concentrating on high end solutions for their clients. They are involved in large scale IT project for major banks, government and Telstra. During the quarter the companies shares appreciated 66% as the market realised that they had started to win new work. This would indicate that the utilisation rate of the workforce (consultants) would improve and that profit upgrades were likely to follow. In late June the market started to upgrade their profit forecasts and recommendations in SMX. The outperformance added 0.89% to the Fund for the quarter.

St Barbara (SBM) – During April the company released their quarterly production figures, for March, which were disappointing. The production was well below market expectations. This resulted in cost per ounce being way above expectations. The company also significantly downgraded their profit guidance. This resulted in the shares falling 46% during the quarter. The Fund does not own SBM shares.This added 0.68% in outperformance.

The main detractors from our performance were:

Karoon Gas Australia (KAR) – KAR is an oil and gas exploration company with exploration targets in the Browse Basin in Western Australia. KAR outperformed the index during quarter after announcing encouraging drilling results from its Browse Basin joint venture which may indicate the potential for a significant gas field. The Fund has an underweight position in KAR which detracted 0.95% from performance.

Salmat (SLM) – SLM provides outsourcing services to companies. Its services include catalogue delivery, bill printing and call centres. There was no specific news for SLM during the quarter. However, SLM is a relatively defensive stock and underperformed the index during the quarter as cyclical stocks performed well. The Fund was overweight SLM which detracted 0.77% to performance.

Cabcharge Australia (CAB) – CAB is the dominate provider of electronic taxi payments to the taxi industry. This included the proprietary Cabcharge account, bank issued debit and credit cards (Amex and Diners). They also own taxi networks, taxi plates and many other services to the taxi industry. They are the dominate owner of private buses in NSW (Wesbus) and VIC. They also have a significant electronic payments business in London. Their shares underperformed, during the quarter, as the market moved away from companies with defensive earnings (like CAB) to more cyclical earnings. In Late June the Australian Competition & Consumer Commission (ACCC) initiated proceeds against CAB in the Federal Court. The ACCC allege that CAB has used its market power to reduce competition in the electronic payments market. We believe that market reaction is over done and that potential earnings effect on CAB will be far less than the share price fall has indicated. We do acknowledge that this court case will drag on for a long time and the shares will be volatile during this period. The shares were down 16.6% during the quarter and detracted 0.61% from the Funds performance.

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

Name	FYTD Contribution	Active Weight
Wotif.com Holdings Ltd.	1.85	-0.26
SAI Global Ltd.	1.53	3.40
SMS Management & Technology Ltd.	1.45	3.62
Mirabela Nickel Ltd.	1.17	1.51
Iress Market Technology Ltd.	1.17	1.14
Australian Wealth Management Ltd.	1.10	0.00
Primary Health Care Ltd.	1.06	3.59
Oakton Ltd.	0.89	-0.28
Macquarie Leisure Trust Group	0.81	0.51
Paperlinx	0.81	-0.40

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

Name	FYTD Contribution	Active Weight
NRW Holdings Ltd.	-2.07	-0.27
Boart Longyear Ltd.	-1.87	-0.56
Mt Gibson Iron Ltd.	-1.77	0.71
Hedge Funds Aust	-1.72	0.51
Ansell Ltd.	-1.61	0.00
FKP Ltd.	-1.45	-0.62
Bradken Ltd.	-1.38	-0.78
Resmed Inc.	-1.33	0.40
Ausenco Ltd.	-1.26	2.00
Iluka Resources	-1.17	0.00

Outlook

The QIC Australian Equities team remain optimistic on the outlook for the Australian share market returns over the medium to long term, particularly post the recent heavy sell off in 2008 and 2009 given we see more attractive valuations relative to risk. In the near term we expect volatility will remain above average levels as the real economy slowdown impacts the earnings of corporates and the markets assesses the depth and duration of the earnings cycle.

During late 2009 we expect two broad thematic will be the primary drivers of share price performance, being the strength of the balance sheet and the repeatability of earnings during a global economic slowdown. As a result we expect balance sheet de-leveraging and a focus on cost reduction will be core strategies to grow or sustain earnings growth as top line revenue growth and cash flow growth will be harder to come by in the near-term.

This will likely result in a continuation of equity issuance and free cash flow preservation strategies. In the first half of 2009 we have already seen the initial execution of these strategies employed by a number of companies with capital raisings, Dividend Reinvestment Plan (DRP) underwritings', capital expenditure (capex) and dividend cuts resulting where balance sheets are under pressure, and/or debt re-financings are too expensive or where credit is unavailable. This theme is set to continue for the near-term. For shareholders the risk/return trade-off of potentially dilutive capital raisings, lower capital investment and hence earnings, and the appetite for debt needs to be addressed on a case by case basis, meaning skilful stock selection will be a key requirement for out performance during what is a challenging earnings and credit environment.

However we also expect the significant amount of stimulus enacted by the Government and the Reserve Bank of Australia (RBA) has positively impacted consumer behaviour and this should in the near-term be supportive for markets given the consumer is responsible for roughly two third of GDP.

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. Indeed, as a result of our bottom-up stock selection style, our major positions currently are tending to be oriented to companies with earnings certainty and/or defensive growth opportunities as we believe that it will be a tougher earnings environment over the next year.

The positioning of the portfolio has more of a 'balanced' setting than in recent quarters reflecting our focus on earnings certainty and the fact we have taken steps recently to introduce more cyclical risk on a stock specific basis. These positions are generated from our bottom-up stock selection process. We continue to think that the market will grind along over the next three to six months, and expect that although a lot of the fundamental deterioration has been priced into share prices individual stock selection skill will be critical over the coming months.

Portfolio Positioning

The portfolio remains defensively positioned, with a preference to stocks with recurring underlying earnings growth, robust property valuations, prudent capital management, dividend sustainability and proven management franchise. We remain cautious of stocks with lower quality real estate, excessive gearing levels and near term financing risk as well as business models that rely excessively on funds management and development earnings.

Top ten holdings (%)

Name	Fund Weight	Active Weight
IOOF Holdings	4.15	3.05
SAI Global Ltd.	4.04	3.40
SMS Management & Technology Ltd.	4.02	3.62
Primary Health Care Ltd.	3.59	3.59
APN News & Media	3.31	2.53
Healthscope Ltd.	3.07	1.43
Adelaide Brighton Ltd.	3.01	1.42
Enterainment Media & Telecoms Corporation Ltd.	2.75	2.75
Austar United Communications Ltd.	2.68	1.96
Henderson Group PLC	2.60	1.60

Physical and derivative composition (%)

	Fund Weight
Physical equities	99.92
Cash	0.08
Exchange traded options	0.00

Notes:

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