

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

### Performance Report as at 30 June 2009

#### Investment objective

The Investment Access Conservative Growth Fund will seek to achieve an investment return of at least CPI plus 2% (before fees) over rolling 3 year periods.

#### Risk/Return Profile

Low to medium.

#### Minimum Investment Time Frame

At least 3 years.

#### Commentary and outlook

The performance of the Investment Access Conservative Growth Fund is set out below. Refer to the attached performance reports from QIC.

#### Performance

	3 months (%) p.a.	1 year (%) p.a.	3 years (%) p.a.	5 years (%) p.a.	Inception (%) p.a.
<b>Total Return</b>	<b>3.73</b>	<b>-5.13</b>	<b>1.16</b>	<b>4.51</b>	<b>4.20</b>
Growth return	2.32	-8.46	-6.79	-4.09	-2.96
Distribution return	1.41	3.33	7.95	8.60	7.16

#### 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

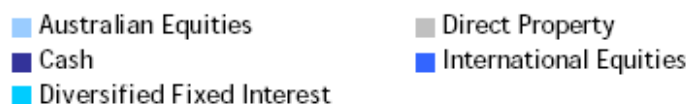
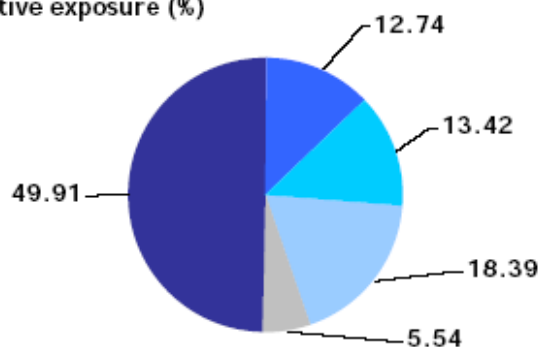
	As at 30-06-09
Entry price (ex distribution)	\$0.8040
Exit price (ex distribution)	\$0.8030

#### Asset allocation

	As at 30-06-09 (%)
Cash	49.92
International Shares	12.74
Australian Shares	18.39
Property	5.54
Diversified Fixed Interest	13.42

#### Portfolio Positioning

Effective exposure (%)



#### Income distribution

Distributions are half yearly at the end of June and December. The distribution for the six months to 30 June 2009 was 1.111 cents per unit. 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 Stable Fund

## Fund details at 30 June 2009



### Profile

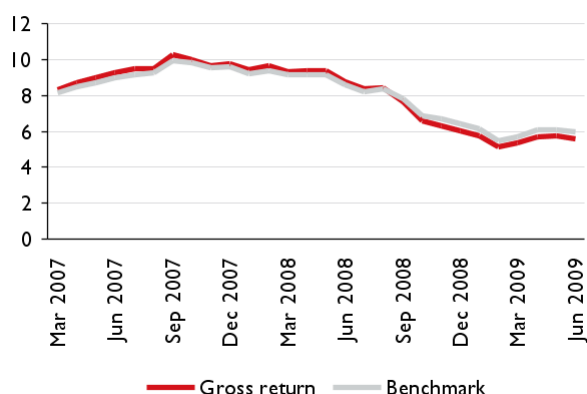
Description	The Fund captures the performance of a diversified group of assets, weighted to the defensive asset classes.
Objective	The Fund seeks to outperform its benchmark over the medium term through active management of the underlying exposures.
Inception	March 2002
Size	AUD \$39.1 million

### Performance

Gross period returns (%)

Period	Fund	Benchmark
1 month	0.35	0.64
3 months	3.94	3.78
Financial year to date	-4.33	-2.63
1 year	-4.33	-2.63
3 years	2.14	3.14
5 years	5.56	5.95
7 years	5.83	6.04
Since inception	5.28	5.54

Rolling 5 year return against Benchmark (%)



### Market Overview

The Fund returned 0.35% over the month against a benchmark return of 0.64% and 3.94% over the quarter, against a benchmark of 3.78%. For the financial year to date (FYTD) the Fund has returned -4.33%, against a benchmark return of -2.63%.

#### Australian Equities

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

In contrast to the major advanced economies, the Australian economy experienced positive real gross domestic product (GDP) growth in the first quarter of 2009. Along with South Korea, Australia was the only advanced economy to register positive growth. Consumer and foreign demand have supported growth in the Australian economy with consumer demand being more robust than expected. Foreign demand for Australian exports has also remained stronger than expectations, partly due to the influence of the devaluation in the Australian dollar (AUD).

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 GDP number, as well the consumer sentiment and business confidence data surprising on the upside, albeit at levels still significantly below their highs.

After 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.

Australian equities added around 0.6% to performance at Fund level over the month and 2.1% over the quarter, but still detracted around -3.2% for the FYTD.

#### International Equities

Global equities markets finished the quarter much stronger having sustained an upswing that began on 10th March. The International Equities Fund benchmark index was 4.89% higher in AUD terms at the end of the quarter. A corresponding rise in the AUD masks a stronger underlying equity return. Without this impact, global equities were up over 16% translating to a currency impact of around minus 12%.

The rally began with the US Federal Reserve's (Fed) early March announcement of quantitative easing, printing money and positive market response to a host of government fiscal stimulus packages designed to support the distressed mortgage market. Coupled with some better than expected results from the troubled banking sector particularly Citibank and JP Morgan, it set the scene for a warming of the fear of global economic and structural weakness that had engulfed the market. If we use US equities as a proxy for global equities markets, the March low represented a negative return for the preceding ten year period, something that has happened only a handful of times in the last hundred years and most recently in the early 1930's. During the final few weeks of the March quarter though, equities staged an impressive 13% rally.

Moving into the June quarter, investors moved from scepticism of this rally to looking for validation of economic recovery. This forensic search for these economic 'green shoots' met some successes in the form of positive earnings surprise, increase in Chinese economic activity, signs of bottoming in the US housing sector and improving business and consumer sentiment.

However, earnings expectations dropped 40% to 50% in Japan and Europe as a reflection of the severity of the economic issues facing companies. Demand has fallen markedly and is impacting on the revenues of companies across the board. As equity markets retraced in the lead up to the current quarter, the hardest hit were the economically cyclical companies and those with balance sheets laden with debt or inappropriate capital structures.

Significant positive performance contributions came from both banks (+18.7%) and automobile manufacturers (14.1%) resulting from direct government intervention in those industries. Other industries that are cyclically exposed such as technology (+5.7%) and consumer durables (+9.6%) followed closely behind. Sectors that lagged were the more defensive sectors, such as utilities (-3.1%), telecommunication services (-5.1%) and pharmaceuticals (-7.8%).

International equities detracted around -0.1% at Fund level over the month, but added around 2.1% over the quarter. This asset class detracted around 4% from performance for the FYTD.

#### Global Fixed Interest

In global credit markets, the increased risk appetite and reduction in the liquidity premium on physical credit

securities narrowed spreads which led to strong outperformance from credit markets.

However, there has been a rise in longer term US inflation expectations that has warranted Fed commentary regarding their inflationary discipline. The market has begun to look for earlier rate increases to remove monetary policy stimulus. The improvement in global economic sentiment and rise in inflation expectations, alongside increasing government issuance of debt caused, bond yields to increase globally. Ten year yields in the US rose 0.83% to 3.52%, in Europe 0.40% to 3.39%, in the UK 0.52% to 3.69%, in Japan 0.01% to 1.36% and 1.10% to 5.52% in Australia.

Australian bond yields increased during the quarter to a greater degree than most other global bond markets. The 10 year bond yield rose 1.10% to 5.52%. Australian cash rate expectations for the end of 2010 increased from about 3.75% last quarter to 4.5%. This reflects the view that the cash rate is too low and stimulatory for an economy stabilising in 2009 and recovering through 2010.

The Australian investment grade credit market outperformed the government and semi-government sectors in the June quarter. While the improvement in Australian credit was broad-based with most sub-sectors improving, the standout performer was the domestic banking sector and in particular subordinated bonds which tightened almost 2-5% to swap. Australian financials had followed the lead of their global counterparts which also rallied significantly in the quarter. Non-financial issuance in Australia remains limited with new supply being dominated by the banks in both government guaranteed and non-guaranteed issuance.

Fixed Interest has contributed around 0.1% at Fund level over the month, 0.3% over the quarter and 0.8% for the FYTD.

#### Cash

The RBA lowered the official cash rate once in the quarter by 0.25% to 3.0% in April. They recognise that the Australian economy, like the global economy, remains fragile but expect that the significant stimulus provided so far will be enough to stabilise the economy this year. The improvement in Chinese growth is comforting for the RBA. The housing market has been supported by an increasing number of first home buyers and so far job losses have been less than feared with the unemployment rate rising from 5.2% to 5.7% during the quarter. Although the global economy appears to be through the worst, the RBA still expects that there is enough spare capacity

within the Australian economy to alleviate inflation pressures and suggest that they still have scope to lower rates further if the recovery struggles to take hold.

Cash has contributed 0.12% at Fund level over the month, 0.4% over the quarter and 2.3% for the FYTD.

### Direct Property

It has been a turbulent year for unlisted real estate. The global financial crisis has seen slowing rental growth, rising vacancy rates and constrained capital, with major unlisted real estate indices posting their first negative returns since 1993. The QIC Australian Property Fund has returned -9.45% for the FYTD, against the Financial Standards Index (ex-QIC) of -15.11% reflecting the relative defensiveness of QIC's portfolio.

More severe downturns were recorded in global real estate markets, with the US real estate market recording -15.2% financial year to March, and the UK market -23% over the same period. Downturns were also experienced in the National Council for Real Estate Investment Fiduciaries (NCREIF) and IPD ungeared direct real estate indices. The comparable Australian IPD ungeared index returned -2.5% for the period. It is expected that the June quarter will record further falls.

Transaction activity remains subdued. A broad consensus on market values is not expected to emerge until transaction activity normalises, which is likely to occur in parallel with a recovery in the banking sectors and broader economy. However, opportunistic acquisitions may present in the interim.

Direct property detracted -0.18% from performance over the month and -0.3% over the quarter and around -0.5% at Fund level for the FYTD.

## Performance Drivers

Gross QIC fund returns for the financial year to date (%)

	Fund	Benchmark
QIC Active Large Companies Fund	-18.27	-19.18
QIC Active Small Companies Fund	-31.57	-28.58
QIC Australian Equities Fund	-18.04	-20.14
QIC Implemented Australian Equities Fund	-18.09	-20.14
QIC Hedged International Equities Fund	-33.53	-27.45
QIC International Equities Fund	-21.87	-16.02
QIC Property Fund	-9.45	-15.11
QIC Diversified Fixed Interest Fund	6.15	10.34
QIC Cash Fund	4.42	5.48

QIC Stable Fund

	Fund	Benchmark
QIC Global Macro Fund	-8.05	5.48
QIC Tactical Return Fund	11.30	5.48

During June, some underlying trusts made a mark-to-market valuation adjustment due to their involvement in a Securities Lending Program. This had a small indirect impact of 0.06% on the Stable Fund.

## Outlook

Following negative growth in the second quarter of 2009, we expect real GDP growth in US in the September quarter, followed by solid growth in the fourth quarter. Leading the US recovery sustained growth in consumer spending as fiscal stimulus offsets the impact of rising unemployment and falling labour income. The manufacturing sector is benefiting from the resilience in consumer spending and from government assistance to the US auto industry and the stabilisation in inventories.

In contrast to the US, where recovery is being driven by domestic demand, recovery in the Japanese economy is currently being driven by net exports. The resurgence in Asian growth generated by the expansion in Chinese domestic demand is currently providing a major source of stimulus to the Japanese economy.

Although we expect GDP growth rates to improve in Europe, growth is likely to remain negative over the second and third quarter of 2009 and barely positive by fourth quarter. Fiscal and monetary stimulus Europe has been more limited than in the US and Asia region.

The Australian economy continues to outperform its advanced-economy counterparts due largely to the impact of early and sizeable macroeconomic policy stimulus and currency devaluation. However, the quarterly path of Australian real GDP growth for the remainder of 2009 will be strongly influenced by the timing of government fiscal initiatives and the response of net exports to the recent retracement in the AUD, and fluctuations in the demand for commodities by China and Japan.

Despite the recent performance of the market there is still enormous uncertainty surrounding the sustainability of global equity market performance.

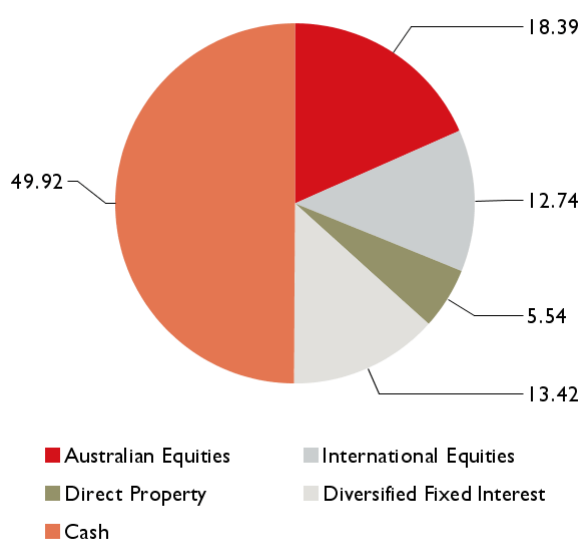
Highest on the list of contributors to the cloudy outlook is the unprecedented level of monetary stimulus pumped into the economy globally. We've seen a globally co-ordinated injection of liquidity and industry support beyond anything seen by current market participants and

whilst it has succeeded in averting a meltdown of the financial system its long term impact on the broader economy is unknown.

A recent spate of economic statistics is indicating a fragile and subdued economy and we expect that this will continue to be the case for the next couple of years. Thus we do not expect near term economic support for continued rising equity prices. We acknowledge though that markets are forward looking and therefore are more focussed on the rate of change of news than the absolute level.

## Portfolio Positioning

Effective exposure (%)



## Benchmarks

### Australian Equities

- S&P/ASX 200 Accumulation Index

### International Equities

- MSCI World All Countries Index - Hedged

### Property

- Domestic real estate: Financial Standard Wholesale Direct Property Index ex-QIC

- International real estate: Financial Standard Wholesale Direct Property Index ex-QIC

- Global REITs: to be confirmed

### Global Fixed Interest

- Composite of 40% UBS Composite Bond Index and 60% Lehman Global Aggregate Index, hedged in Australian dollars

### Cash

- Domestic cash: UBSA Bank Bill Index

- Cash enhanced: UBSA Bank Bill Index

### Alternatives

- Unlisted Infrastructure: Rolling five-year average of Australian CPI plus 5.5%

- Listed Infrastructure: UBS Global Infrastructure & Utilities Index

- Commodities: Rolling five-year average of Australian CPI plus 6%

### Notes:

- Returns greater than one year are annualised.
- Past performance is not a reliable indicator of future performance.
- The benchmarks shown above are in relation to the QIC products the QIC Stable Fund is invested in. Please refer to the QIC gross fund returns table for the list of products.
- Absolute return strategies maybe used to enhance the return of the QIC Stable Fund, primarily through the use of the derivatives.
- The contribution to total return may not sum to match the gross period return due to rounding.

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