

DDH Preferred Income Fund

ARSN 108 161 575

Product Disclosure Statement

Responsible Entity and Issuer: **DDH Graham Limited**

ABN 28 010 639 219 AFSL 226319

Responsible Entity



www.ddhgraham.com.au

DDH Preferred Income Fund

Product Disclosure Statement

IMPORTANT INFORMATION

This Product Disclosure Statement (PDS) is dated 21 August 2006. On 5 July 2006, the name of the fund was changed from the DDH Graham Limited High Yield Fund to the DDH Preferred Income Fund. DDH Graham Limited ABN 28 010 639 219 AFSL226 319 is the responsible entity and issuer of the DDH Preferred Income Fund offered under this PDS. No person is authorised

to give any information or to make any representation in connection with the Offer described in this PDS which is not contained in this PDS. Any information or representation not so contained may not be relied on as having been authorised by the Responsible Entity in connection with the Offer.

Defined terms and abbreviations included in the text of this PDS are explained in the Glossary.

This PDS contains important information and you are advised to read the document in its entirety. The Responsible Entity does not guarantee the performance of the Fund or the repayment of money invested.

The offer of Units under this PDS does not constitute an offer in any jurisdiction other than Australia. This PDS is not an offer to any person or an offer in any place, to which or in which it is unlawful to make such an offer.

The offer of Units under this PDS is only available to persons receiving this PDS (electronically or otherwise) in Australia. The information in this PDS is general information only and does not take account of your individual objectives, financial situation or needs. Consequently, you should consider whether the information in this PDS is appropriate for you in light of your objectives, financial situation and needs. To obtain advice or more information about the products offered in this PDS

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you should contact your financial adviser or stockbroker.

An investment in the Fund is not a deposit with or other liability of the Responsible Entity. Investing in the Fund is not without risk, including possible delays in redemption and loss of income or capital invested. Neither the Responsible Entity nor any of its associates, guarantees or makes any representations as to the performance of the Fund, the maintenance or

replacement of capital, the price at which Units may trade or any particular rate of return. If you have any questions regarding the contents of this PDS please contact the Responsible Entity.

If you are printing an electronic copy of this PDS you must print all pages including the Application Form. A paper copy of this PDS can be obtained free of charge on request by contacting the Responsible Entity. Units in the Fund cannot be issued to you unless you use

the Application Form attached to either a paper copy or electronic copy of this PDS. A paper copy of this PDS (and any supplementary documents) can also be obtained free of charge on request by contacting your financial advisor or calling the Responsible Entity.

Information relating to the Fund that is not materially adverse information may change from time to time. This information may be updated and made available to you on the

DDH Graham Limited website at www.ddhgraham.com.au or by contacting DDH Graham Limited directly. A paper copy of any updated information is available free on request.

1 ABOUT THE DDH PREFERRED INCOME FUND

The DDH Preferred Income Fund (Fund) is a professionally managed diversified portfolio of income yielding securities. These securities include convertible notes, converting preference shares, subordinated debt and structured credits. All securities are Investment Grade, as determined by independent rating agencies, or specifically approved by the DDH Investment Committee. Typically the portfolio would include 20-30 such securities.

The Fund commenced operation in October 2004.

1.1 What are the objectives of the Fund?

- Returns to Unitholders in excess of those from cash and traditional fixed interest investments;
- Exposure to a new and distinct asset class (the “credit” market) with its inherent low correlation to equities, fixed interest and property; and
- Low volatility of returns.

1.2 What are the benefits of investing in the Fund?

- Exposure to higher yielding assets producing returns in excess of traditional cash and fixed income investments;
- Minimal interest rate risk;
- Diversified portfolio of assets to reduce capital volatility;
- Exposure to assets outside the mandate of traditional fixed income funds;
- Diversified returns across various categories of risk and industry;
- Prudential security concentration to minimise risk; and
- Potential to increase diversification benefits of an investor’s overall portfolio due to the Fund’s expected low correlation profile relative to other asset classes.

THE FUND IN SUMMARY

This is a summary of the features of the Fund. You should read the entire Product Disclosure Statement (PDS) for the full details of the Offer before investing.

Topic	Highlight	Section
Investment Objective:	To provide a higher yield than traditional cash management and fixed income investments via a diversified exposure to a range of subordinated debt and hybrid investments.	Section 1.1
Responsible Entity:	DDH Graham Limited (ABN 28 010 639 219) referred to in the PDS as the "Responsible Entity" or "RE"	Section 8.1
Suggested investment timeframe:	3 to 5 years +	
How much do you need to invest or transact?		
Minimum initial investment:	\$5,000	Section 6.1
Minimum additional investment:	\$1,000	Section 6.1
Minimum withdrawal:	\$1,000	Section 6.3
Minimum balance:	\$5,000	Section 6.3
Income distribution:	Quarterly	Section 6.5
What fees will you pay?		
Contribution Fee:	Up to 1% of Application Monies	Section 5
Withdrawal Fee:	Nil	Section 5
Management Costs:	Estimate at 1.35% p.a. of total Net Asset Value of the Fund.	Section 5
Transaction Costs (Buy/Sell Spread) on Application Price calculation:	+0.15% included in Application Price calculation	Section 5
Transaction Costs (Buy/Sell Spread) on Withdrawal Price calculation:	-0.15% included in Withdrawal Price calculation	Section 5
What other features are available?		
Unit Pricing:	Unit prices are calculated each Business Day	Section 6.6
Reinvestment of distributions:	Yes. Distributions can be re-invested. You can make an election to receive distributions or have your distributions reinvested by completing the relevant Section of the Application Form. <i>If you do not make an election to receive distributions your distributions will automatically be re invested.</i>	Section 6.5 and Application Form
Cooling Off:	New Investors will have up to 14 days from the day of your investment during which you can have your investment repaid	Section 6.4
Complaints:	Complaint resolution procedures are provided	Section 8.2
What are the risks of investing?		
Key risk:	The key risk of investing in the Fund is the credit risk of the issuer of a security that the Fund acquires. This is the risk that the issuer of a security may default on interest payments, the repayment of capital or both. A full summary of all of the key risks of investing are set out in Section 4.	Section 4

3 FREQUENTLY ASKED QUESTIONS

3.1 What is a managed fund?

A managed fund pools the funds of individual investors to invest in a range of assets according to the investment strategy of the fund. The DDH Preferred Income Fund is a unit trust. An investor in the Fund receives Units in the Fund rather than the assets themselves. The investment is not a direct investment in the Fund's assets. The number of the Units held by an investor represents the portion of the Fund owned. The price of the Units can rise and fall in line with the value of the Fund's underlying assets.

3.2 What is the role of the responsibility entity?

A responsible entity is required to operate a registered managed investment scheme, to comply with certain statutory duties (including duties of honesty, loyalty and care) in the performance of these duties and perform functions conferred to it by the fund's constitution and the Corporations Act. To act as a responsible entity of a registered management investment scheme the responsible entity must be a public company and hold an appropriate Australian Financial Services Licence (AFSL).

The RE for the DDH Preferred Income Fund is DDH Graham Limited, which has considerable experience acting in this role. Further information on DDH Graham Limited can be found in Section 8.1.

3.3 How are the Fund's investments managed?

The Responsible Entity applies a disciplined and conservative approach to the task of optimizing returns to investors. The Fund's objective is to identify appropriate investments that are expected to generate a sufficiently high yield, commensurate with the assumed risk, with minimum volatility of returns in order to outperform cash and fixed interest returns over the medium term.

The assets of the Fund will consist of:

- securities issued by entities regulated by Australian Prudential Regulation Authority (APRA);
- Investment Grade securities; that is securities rated BBB- or above by Standard & Poors or Fitch Ratings or Baa3 by Moody's Investors Service; and
- other securities approved by the DDH Investment Committee from time to time which meet the Fund's Investment Strategy and prudential requirements.

The DDH Investment Committee reviews securities recommended to it by the Fund's portfolio management team. These securities are ones that do not otherwise automatically qualify for inclusion in the Fund. The DDH Investment Committee takes into account such factors as implied credit rating, risk/reward characteristics, diversification benefits and other relevant information. Following such deliberation, the DDH Investment Committee may or may not agree to the inclusion of the securities in the Fund.

3.4 What is the investment approach of the Responsible Entity?

Before a security is considered for inclusion in the DDH Preferred Income Fund it must pass through a rigorous selection process:

1. **Macroeconomic and sector analysis** – Macroeconomic analysis to develop interest rate and equity strategies enabling the identification of industry sectors that are likely to benefit over the medium term in the economic environment.
2. **Security analysis** – Identification of appropriately high yielding securities that meet an acceptable level of investment risk.
3. **Credit assessment** – Qualitative and quantitative credit assessment to enable acceptable investment risk to be identified.

This is followed by:

4. **Portfolio management (asset allocation / portfolio construction)** - Potential investments that passed through the investment filters (steps one to three) will be subject to the following portfolio construction guidelines:

- **Equity exposure** – Portfolio equity sensitivity to be less than 50%, that is, if the underlying assets move by 1% then the price of the security moves by 0.5% or less.;

- **Floating rate exposure** – A minimum of 20% of the portfolio to be held in Floating Rate Instruments;

- **Industry exposure** – A maximum of 30% of the portfolio to be held in one industry (excluding the financial sector);

- **Single issue exposure** – A maximum of 10% of the portfolio (excluding the financial sector); and

- **Derivative exposure** – Only to be used for hedging purposes.

5. **Risk management** -

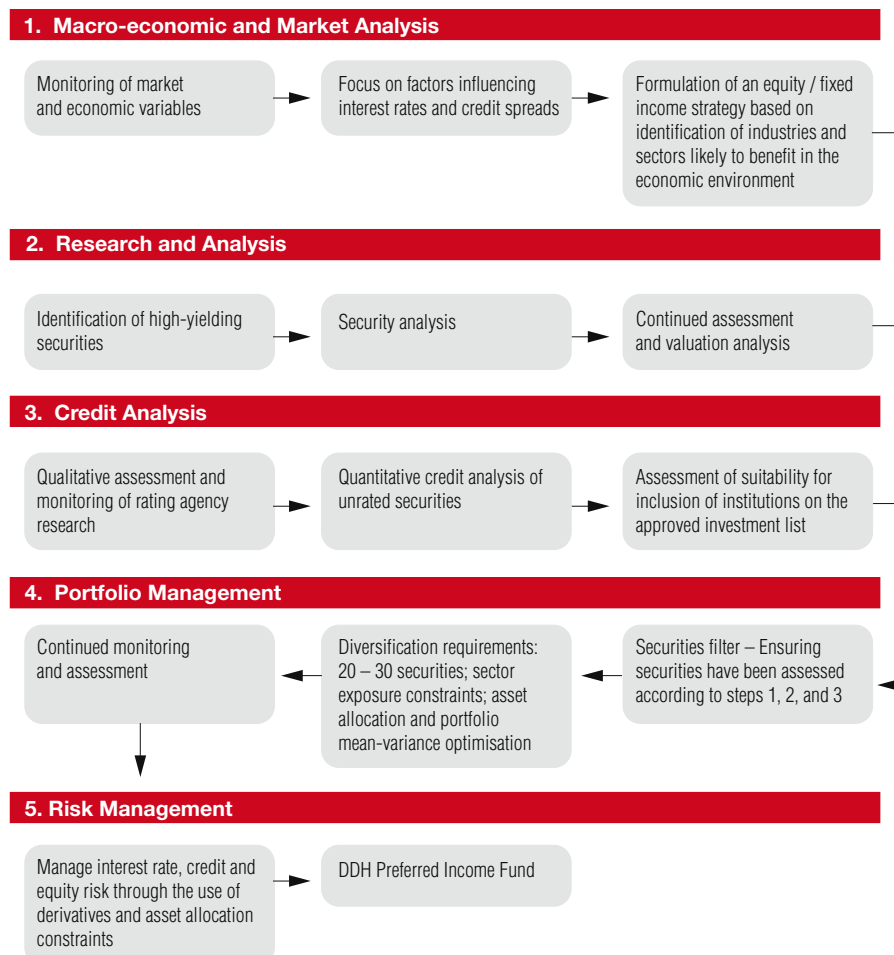
Risk management will be an ongoing process with particular attention paid to the management of credit, liquidity and equity risk.

3.5 What is the structure of the portfolio?

The table below shows the asset allocation ranges of the Fund.

	Asset Allocation Ranges	
	Minimum	Maximum
Australian hybrid securities	0%	90%
Australian subordinated debt	0%	40%
Structured Debt	0%	40%
Australian Cash & Cash Enhanced	10%	100%

The chart below summarises the DDH Preferred Income Fund's investment processes.





RISKS OF INVESTING

In considering an investment in the DDH Preferred Income Fund, investors should consider the various types of risks which have the potential to influence the performance of the Fund. Many of these risks are external to the Responsible Entity and are outside its influence or control. Accordingly, when considering an investment in the Fund these risk factors need to be considered. The main factors which may impact the financial performance of the Fund and the value of investors' Unit holdings include, but are not limited to, the following risks:

General economic risks

General factors that can affect the value of an investment include general economic and business conditions, interest rates, inflation, consumer confidence, exchange rates, government fiscal, monetary and regulatory policies, changes in taxation and other laws and the performance of the manager.

Credit risk

The risk that an issuer of a financial product may default on interest payments, the repayment of capital or both. A decline in the credit quality of an issuer of financial products held by the Fund could result in the Fund incurring a capital loss or a reduction in distributions.

Interest rate risk

The Fund is generally protected from changes in interest rates. This is because the securities held by the Fund will typically reset their distribution amounts every 3 or 6 months in line with any changes that have occurred in market interest rates. It should be noted however that there are general economic risks that can occur in a rising interest rate environment. In particular, companies' interest expenses can rise in line with interest rates and this could impact their profitability.

Equity risk

Investment in equity linked securities listed on the share market is subject to the risk of market volatility. The price at which equity and equity-related securities are traded may be affected by the financial performance of the company or external factors such as movements in the general level of domestic and international share markets, interest rates, exchange rates and domestic and international economic conditions.

Regulatory risk

Changes in government regulations and laws may affect the value of the Fund's investments.

Liquidity risk

This is the risk that investments that are not actively traded may not be readily converted to cash without some loss of capital.

Derivative Risk

The risks associated with using derivatives include liquidity risk and counterparty risk. Counterparty risk is the risk that the other party to the derivative contract does not meet their obligation under the derivatives contract.

The value of share and fixed interest derivatives is linked to the value of the underlying assets and can be highly volatile. Losses from derivative transactions can be substantial. Derivatives are intended to be used only for hedging purposes. To the extent that derivatives are used to hedge

underlying assets in the Fund, any losses from derivatives may be offset by corresponding gains in the value of the hedged assets.

The Responsible Entity aims to create the best possible returns for the DDH Preferred Income Fund, however, there is no guarantee that the Responsible Entity will be able to achieve the performance objectives of the Fund. The Responsible Entity does not guarantee the performance of the Fund or the capital values.

5 FEES AND COSTS

5.1 Fees and Costs

The following consumer advisory warning is required by the Corporations Act to be displayed in this section of the PDS.

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website (www.fido.asic.gov.au) has a managed investment fee calculator to help you check out different fee options.

The following table shows fees and other costs that you may be charged. These fees and costs may be deducted from your Application Monies or from the returns on an investment or from the Fund's assets as a whole. Taxes are set out in another part of this document (see Section 7). You should read all of the information about fees and costs as it is important to understand their impact on your investment in the Fund. The fees set out below are inclusive of GST, adjusted for the impact of reduced input tax credits where applicable.

Type of fee or cost	Amount	How & When Paid
Fees when your money moves in or out of the Fund		
Establishment fee The fee to open your investment.	Nil	Not Applicable
Contribution fee¹ The fee on each amount contributed to your investment.	Up to 1% of the amount of your contribution.	Deducted from each invested amount before calculating the number of Units to be issued pursuant to your investment.
Withdrawal fee The fee on each amount you take out of your investment.	Nil	Not Applicable
Termination fee The fee to close your investment.	Nil	Not Applicable
Management Costs		
The fees and costs payable for managing your investment.	Estimated management costs of 1.35% pa of the Net Asset Value of the Fund. Example: if you hold an investment of \$50,000 the management costs for a 12 month period will be \$675.00.	The management costs are calculated daily and paid to the RE from the net assets of the Fund monthly in arrears. The fee is reflected in the daily Unit price.
Service Fees		
Investment Switching Fee The fee for changing investment options.	Not Applicable	Not Applicable

Note¹ This fee is either payable to a financial adviser and can be negotiated, or is payable to the RE (see 'Contribution Fee' under the section "Additional Explanation of Fees and Costs").

5.2 Additional Explanation of Fees and Costs

Contribution Fee

A contribution fee of up to 1% of each amount contributed to your investment may be charged by the Responsible Entity. If you apply through a licensed financial adviser, the contribution fee will be paid by the Responsible Entity to your financial advisor. Your licensed financial advisor may, at their discretion waive all or part of this remuneration and you will then receive additional Units. This forms part of the arrangement made between you and your financial advisor. If you apply directly to the Responsible Entity and no financial advisor is involved, the Responsible Entity will receive the contribution fee.

Management Costs

The Constitution of the Fund allows the Responsible Entity to charge a management fee of up to 5% p.a. of the value of the assets of the Fund. The Responsible Entity is also entitled under the Constitution to be reimbursed out of the assets of the Fund for expenses properly incurred in carrying out its duties.

A measure of the management costs charged to the Fund is the Indirect Cost Ratio (ICR). The ICR is the ratio of a fund's management costs, that are not deducted directly from a unitholder's account, to the fund's total average net assets. The ICR includes management fees payable to the Responsible Entity and charged to the Fund along with certain expenses that the Responsible Entity can be reimbursed under the Fund's Constitution. The ICR does not include costs such as brokerage and security settlement charges which are covered separately in the Buy and Sell Spreads – see below. The estimated ICR of the Fund is 1.35% per annum, inclusive of GST. This amount includes the management fees and expenses paid to the Responsible Entity from the assets of the Fund. Except in the case of abnormal operating expenses the Responsible Entity intends to include all expenses in the management fee.

Abnormal Expenses

The Responsible Entity is entitled to recover from the Fund any abnormal expenses incurred in the administration of the Fund. Abnormal expenses relate to events such as the costs of holding Unitholder meetings, changes to the Fund's Constitution or engaging in legal proceedings, and are not expected to occur frequently.

Differential Fees

Under the Corporations Act, the Responsible Entity may rebate fees to investors that meet certain criteria. The Responsible Entity may individually negotiate a rebate of all or part of the contribution fee or management costs for Wholesale Clients not utilising the services of a financial adviser and the Responsible Entity will not charge a contribution fee to employees of the Responsible Entity. Any differential fee arrangements will not adversely affect the fees to be paid by other investors.

5. FEES AND COSTS

Transaction Costs (Buy/Sell Spreads)

A buy and sell spread is applied at the time of contribution (other than by way of reinvestment of income) and the time of withdrawal from the Fund. These spreads are also described as Transaction Costs and are charged to meet the costs incurred by the Fund's buying or selling assets resulting from contributions or withdrawals. These costs include brokerage and security settlement charges. Transaction Costs are capped at +0.15% of the value of the assets of the Fund on entry (included in the Application Price calculation) and -0.15% of the value of the assets of the Fund on withdrawal (included in the Withdrawal Price calculation). This is not a fee paid to the Responsible Entity.

An example is shown below:

If the Net Asset Value of the Fund is \$1.00 and the buy and sell spreads are +0.15% and -0.15% respectively, the unit Application Price would be \$1.0015 and the unit Withdrawal Price would be \$0.9985.

Adviser Service Fees

The RE may pay up to 100% of the contribution fee to a licensed financial adviser in relation to your application. Your financial adviser may waive in their discretion all or part of this fee and therefore you will receive additional Units in the Fund. In addition to this fee, the RE may pay to your licensed financial adviser a trailing commission of up to 0.25% p.a. of the value of your investment. These trailing commissions are paid by the RE and do not form part of the Fund's expenses. Financial advisers are not agents of the RE and the RE is not liable for their acts or omissions.

Goods & Services Tax (GST)

The Fund will be required to pay GST on certain expenses including management fees. Where available the Fund will be entitled to reduced input tax credits of up to 75% of the GST paid. The fees and expenses quoted in this PDS are inclusive of GST.

Maximum Fees

Under the Constitution the RE is entitled to be paid the following maximum fees (including GST if applicable):

Contribution fee:
up to 5% of the Application Money.

Withdrawal fee:
up to 5% of the Withdrawal Price of each Unit withdrawn.

Management fee:
up to 5% per annum of the value of the assets of the Fund.

Transaction Costs (Buy/Sell Spreads):
up to +/- 0.50%.

The Constitution provides that the RE may accept lower fees than those to which it is entitled or to defer payment for any period.

If the RE intends to alter the fees it is charging it will give investors a written notice at least 30 days prior to the alteration of the fee.

5.3 Example of annual fees and costs for the DDH Preferred Income Fund

This table gives an example of how fees and costs in the DDH Preferred Income Fund can affect your investment over a 1 year period. You should use this table to compare this product with other managed investment products.

Example: DDH Preferred Income Fund	Balance of \$50,000 with total contribution of \$5,000 during year	
Contribution Fees	0% to 1.0% of the amount of the contribution.	For every additional \$5,000 you put in, you will be charged between \$0 and \$50.
PLUS Management Costs	1.35% of the Net Asset Value of the Fund.	And , for every \$50,000 you have in the Fund, you will be charged \$675 each year.
EQUALS Cost of Fund		<p>If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you will be charged fees from:</p> <p>\$675 - \$725</p> <p>What it costs you will depend on whether or not you use a financial adviser and the fees you negotiate with your licensed financial adviser.</p>

6 INVESTOR INFORMATION

6.1 Direct Investment

An application for Units can only be made on the Application Form attached to the Product Disclosure Statement. The application must be completed in accordance with the instructions set out in the Application Form attached to the Product Disclosure Statement. The minimum initial investment is \$5,000. Provided your completed Application Form and cheque for the Application Monies is received by 12pm (Brisbane time) on any Business Day in Brisbane your application will be processed that day. The Application Price for your investment is calculated using the unit price at the close of that day (see "Unit pricing" below). The contribution fee will be deducted from your Application Monies before calculating the number of Units to be issued. If your Application Form and cheque for Application Monies is received after 12.00pm (Brisbane time) on a Business Day in Brisbane your application will be processed on the following Business Day.

The minimum additional investment is \$1,000. The Application Form provided can also be used for additional applications. Should you require further Application Forms please contact the RE or visit the website.

6.2 Indirect Investment

You may gain exposure to the DDH Preferred Income Fund through a master trust or wrap account. If you do so, you will not invest directly in the Fund yourself. If this is the case it is the operator of the master trust or wrap account that will invest for you and so has the rights of an investor.

Indirect investors should complete the application forms for the master trust or wrap account. All queries should be directed to the operator of the master trust or wrap account and all information received by you will be through the operator.

6.3 Accessing your investment

The minimum withdrawal amount is \$1,000. If compliance with a redemption request would result in the Unitholder holding less than the minimum balance of \$5,000, the RE is entitled to treat the redemption request as relating to the balance of the Unitholder's holding.

Redemptions can be made by way of written instructions to the RE, either by mail or facsimile. Provided your request is received by 12pm (Brisbane time) on any Business Day in Brisbane it will be processed that day using the Withdrawal Price at the close of that day. You will normally receive your proceeds within 7 days, however, the RE may take up to 30 days under the Constitution. If the RE has taken all reasonable steps to realise sufficient assets to satisfy the request and is unable to do so due to circumstances outside its control the period allowed to satisfy this request may be extended. The RE will credit your nominated account with the proceeds.

More information about your redemption rights is set out in the Material Contracts section of this PDS.

6.4 Cooling off Period

New investors in the Fund have the benefit of a cooling off period. If investors reconsider their investment in the Fund and wish to return their Units they have 14 days in which to notify the RE to be entitled to receive their Application Money. This 14 day period starts on the earlier of:

- Receipt of confirmation of investment, or
- The end of the 5th Business Day after the day on which the RE issued the Units.

Investors should be aware that any refund of Application Monies is subject to market movements in the intervening period and the deduction of reasonable expenses by the RE.

6.5 Income entitlements

Income is paid quarterly based on the income earned by the Fund and the number of Units you hold at the end of the distribution period, subject to the performance of the Fund. Your distribution will either be:

- Paid to your nominated Australian bank account; or
- Reinvested into the Fund.

The Application Form has a section in which to advise the RE of your preference. The RE will provide to Unitholders an annual distribution statement detailing the components of the distributions that should be disclosed as assessable income for tax purposes. The statement will also include details of any part of a distribution that is non-taxable.

Unitholders may reinvest their distributions in additional Units in the Fund. Unless you provide written notice to the RE, either via the Application Form or other means, before the last day of the relevant distribution period, the RE will reinvest the distribution in additional Units. This will continue for each subsequent distribution until the RE receives written notification from you stating otherwise.

The additional Units will be allotted the first day after the end of the distribution period. The price of these additional Units will be free of any contribution fee and Transaction Costs.

6.6 Unit pricing

Application Price

The Unit price will be calculated each Business Day. The price at which a Unit is issued is calculated using the formula below:

$$\text{Application Price} = \frac{\text{Net Asset Value} + \text{Transaction Costs}}{\text{Number of Units on issue}}$$

The contribution fee will be deducted from your Application Monies before calculating the number of Units to be issued.

If you invest just prior to the end of a distribution period, the Unit price will include the income about to be distributed. Shortly after you make your investment you will receive an income distribution which may represent a taxable return on your investment.

Withdrawal Price

When a redemption is made the Unit price at which the RE will redeem the Units is calculated using the following formula:

$$\text{Withdrawal Price} = \frac{\text{Net Asset Value} - \text{Transaction Costs}}{\text{Number of Units on issue}}$$

Investors can obtain a copy at no charge of the Responsible Entity's policy regarding the exercise of discretions in calculating the estimate of the Transaction Costs for the purpose of determining the Application Price or Withdrawal Price.

6.7 Electronic Product Disclosure Statement

This PDS is available in electronic form at www.ddhgraham.com.au. Persons who receive the electronic version of this PDS should ensure that they download and read the entire PDS.

The Offer described in this PDS is available to persons receiving the electronic version of this PDS in Australia. Applications for Units may only be made on a printed copy of the Application Form attached to this PDS. A paper

copy of this PDS will be provided free of charge to any person who requests a copy by contacting the RE.

6.8 Overseas Investors

No action has been taken to register or qualify the Units or the Offer or otherwise permit a public offering of the Units, in any jurisdiction outside Australia. The Units have not been and will not be registered under the United States Securities Act of 1933 and may not be offered or sold in the US or to, or for

the account or benefit of US persons except in transactions exempt from the registration requirements of the US Securities Act.

The distribution of this PDS in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession this PDS comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws.

The PDS does not constitute an offer of Units in any jurisdiction where, or to any person whom, it would be unlawful to issue this PDS. Where this PDS has been dispatched to any persons domiciled outside Australia and where that country's securities code and legislation require registration, this PDS is provided for information purposes only.

It is the responsibility of any overseas applicant to ensure compliance with all the laws of any country relevant to his or her Application. The return of any duly completed Application Form will be taken by the Fund to constitute a representation and warranty that there has been no breach of such laws and that all necessary approvals and consents have been obtained.

6.9 Disclosure Obligations

The Fund is, or is expected to become, a "disclosing entity" under the Corporations Act and will be subject to regular reporting and disclosure obligations. These include the preparation of annual reports and half yearly reports. Copies of documents lodged with ASIC will be available to the public and may be obtained from, or inspected at, an ASIC office or by contacting the Responsible Entity.

7 TAXATION

There are taxation implications that apply when investing in the Fund. The following information is intended as a broad overview and does not cover all taxation implications of investing in the Fund.

Investors' tax liability is dependent on their individual circumstances. Therefore it is recommended that professional advice on the taxation implications of investing in the Fund is sought before any such investment decision is made.

Under existing income tax legislation, the RE is not generally liable to pay tax in respect of the Fund because of its distribution policy to distribute to Unitholders all net taxable income of the Fund. Income distributed to you (even if it is reinvested or received in another period) will generally be assessable and should be included in your tax return when your entitlement to that income arises - i.e. on the distribution dates. The Fund will also distribute any capital gains, imputation credits and foreign tax credits received. These will also need to be included in Unitholders' tax returns. Again, the extent to which these credits can be used is dependant on the individual Unitholder's circumstances.

Disposal of Units in the Fund may give rise to a capital gains tax liability or a capital loss. Some investors may be entitled to a capital gains tax discount if Units were held for more than 12 months.

Different taxation circumstances apply to investors who are not residents of Australia. Tax will be withheld from their distributions at the appropriate rate and the taxation law of the appropriate country will apply.

At the Fund's tax year end, investors will be sent details of any assessable income, capital gains, credits and other relevant information for the preparation of their tax returns.

Tax File Number (TFN)

It is not compulsory to provide your TFN (or exemption) or ABN however, tax will be deducted at the highest marginal tax rate from any income paid if the RE is not provided with this information.

Goods and Services Tax (GST)

The Fund will be required to pay GST on certain expenses. Where available the Fund will be entitled to reduced input tax credits of 75% of the GST paid. The fees and expenses quoted in this PDS are inclusive of GST.

OTHER INFORMATION

8.1 DDH Graham Limited

The activities of DDH Graham Limited, a Queensland based financial services firm, commenced in 1981. DDH Graham Limited has relevant and extensive experience in trust management and administration. It is the responsible entity or manager for a number of investment funds and operates a money market fund. It has in excess of \$1.0 billion in funds under management and/or administration. DDH Graham Limited is an unlisted public company and is the holder of an Australian Financial Services Licence (Licence No. 226319).

DDH Graham Limited operates a money market division which administers the Bank of Queensland Money Market Deposit Account as well as offering a dealing service in Commonwealth, semi-government and other fixed interest securities for retail and corporate clients.

The role of DDH Graham Limited as RE is defined by the Corporations Act and is specifically detailed in the Constitution and the Compliance Plan. Broadly, the role of the RE is to manage the Fund and to protect the interests of Unitholders. In performing this role, DDH Graham Limited will undertake a number of tasks to ensure the Fund complies with the Corporations Act, the Constitution and the Compliance Plan. DDH Graham Limited will also perform a range of administrative and accounting functions, including the payment of distributions to Unitholders.

The Directors of DDH Graham Limited are:

Name and Qualifications	Experience and Special Responsibilities
Mr David D H Graham Chairman and Managing Director Bachelor of Commerce Bachelor of Economics (Hons) Master of Business Administration Fellow of CPA Australia	Managing Director since 1986. Extensive experience in financial advisory and trust management services.
Mr Peter B Lockhart Executive Director Bachelor of Economics Master of Business Administration	Director of the Company since 1988. Extensive experience in financial advisory and trust management services.
Mr Ugo C Di Girolamo Executive Director Associate Diploma in Business Member of Finance & Treasury Association Limited	Director of the Company since 2000. More than 20 years experience in financial markets including 7 years in an executive money market role.

8. OTHER INFORMATION

8.2 Complaints resolution

If you have a complaint concerning your investment in the Fund please contact the RE on 1800 226 174 or (07) 3229 6133 or put your complaint in writing and send it to:

DDH Graham Limited

Level 18
344 Queen Street
Brisbane QLD 4000

If the action taken by the RE is not satisfactory to the Unitholder the complaint can be lodged with Financial Complaints Services Limited who can be contacted as follows:

Financial Industry Complaints Service Limited

PO Box 579
Collins Street West
Melbourne VIC 8007

Free Call: 1300 78 08 08

Fax: (03) 9621 2291

Email: fics@fics.asn.au

8.3 Privacy

When an Applicant completes and submits the Application Form, the RE will be collecting important personal information from the Applicant.

The RE will not be able to process a submitted Application Form unless the Applicant provides all information required by the Application Form.

The RE needs to collect personal information from investors for the primary purpose of processing applications and issuing Units. There are also a number of related purposes for which the personal information will be used. These are to administer Unitholder details and comply with Australian taxation laws and other regulatory requirements.

The information that an Applicant provides to the RE may be disclosed to certain organisations. The types of organisations or persons to whom the RE may disclose the information provided by the Applicant include:

- The Australian Taxation Office, ASIC and other government or regulatory bodies as required by law;
- The Applicant's adviser or adviser dealer group; and
- Any third party service provider engaged by the Fund to provide administration, custody, technology, auditing, mailing or printing services.

By investing in the Fund, you will be taken to have consented to these uses and disclosures.

An Applicant has a right to access their personal information subject to some exceptions allowed by law. If an Applicant would like to do so they need to contact the RE. The RE reserves the right to charge a fee for searching for and providing access to an Applicant's information.

8.4 Labour Standards, Environmental, Social or Ethical Considerations

The RE does not specifically consider the labour standards, environmental, social or ethical implications of the investments. However should the earnings potential of the investments be adversely affected by any of these issues, the RE may consider alternative investments.

8.5 Interests of the Responsible Entity and its Directors

Except as set out below or elsewhere in this PDS the RE or its Directors do not have, nor have at any time in the two years prior to the issue of this PDS had, any interest in the formation of the Fund, the Offer or any investments acquired by the Fund.

- The RE has an interest in the promotion of the PDS in that it currently owns 10 units in the Fund.
- The Fund may invest in other products for which DDH Graham Limited acts as responsible entity, manager or agent.
- The Directors of the RE receive their ordinary remuneration and other entitlements as a Director of the RE.

8.6 Facsimile Instructions

You can fax written instructions to the RE subject to the following facsimile service conditions.

By using the facsimile instruction service you release the RE from, and indemnify the RE against, all losses arising from any payment or action made based on any instruction (even if not genuine) that was received by facsimile bearing your account number, a signature apparently yours or that of an authorised signatory on the account. You also agree that neither you nor anyone claiming through you has any claim against the RE in relation to these payments or actions.

8.7 Material Contracts

This section is a summary of certain material legal documents relating to the DDH Preferred Income Fund. These include the:

- Constitution;
- Custody Agreement; and
- Compliance Plan.

Constitution

The DDH Preferred Income Fund is a registered managed investment scheme under the Corporations Act and DDH Graham Limited is the RE. The main rules governing the operation of the Fund are set out in the Constitution which is dated 9 March 2004. The Corporations Act, the Compliance Plan and the general law of trusts are also relevant to the rights and obligations of the RE and of Unitholders.

The Constitution deals with a wide range of matters including:

- Application procedures;
- The life and winding up of the Fund;
- Complaints;
- The nature of Unitholders' interests;
- Income entitlements;
- The RE's powers;
- Unitholder meetings;
- Liability of the RE and its right of indemnity;
- Liability of Unitholders; and
- The RE's fees and right to be reimbursed for expenses.

Copies of the Constitution are available free of charge and can be obtained by contacting the RE. The following summary sets out the main provisions of the Constitution that deal with the principal rights and obligations attaching to Units in the Fund and the powers, duties and responsibilities of the RE. This summary is not exhaustive and is not a definitive statement of the rights and liabilities of Unitholders.

The Responsible Entity

DDH Graham Limited is the Responsible Entity of the Fund and is responsible to Unitholders for its operation.

The RE may retire in circumstances set out in the Corporations Act. Unitholders may also remove the RE by following the procedures set out in the Corporations Act. This requires calling of a meeting of unitholders to vote on an extraordinary resolution that the RE should be removed and a new RE be appointed.

Acceptance of Applications

Applications for Units may be accepted or rejected by the RE in whole or in part at the absolute discretion of the RE.

Transfer of Units

Unitholders may transfer Units. The RE has the discretion to refuse transfers of Units without giving any reasons for this refusal.

Unit Pricing

The Constitution provides as to when and how the assets of the Fund or any other assets are required to be valued. The calculation of Unit prices is described under the heading "Unit Pricing" in the section entitled "Investor Information".

Income Entitlements and other Distributions

Unitholders on the Unit register of the Fund at the close of business on the last day of a distribution period are presently entitled to the distributable income for that period. Each Unitholder is entitled to the distributable income on a pro-rata basis according to the number of Units they hold at that time.

The RE may keep separate accounts of different categories or sources of income and may allocate income, deductions or credits from a particular category or source to Unitholders.

Deductions

The RE may deduct from any amount to be paid to a Unitholder any amount of tax or duty (or an estimate of it) which the RE is required or authorised to deduct in respect of that Unitholder by law or which the RE considers should be deducted, whether the amount is paid or payable.

Rights and Powers of the Responsible Entity

The RE is given very wide powers under the Constitution. It has all the powers in respect of the Fund that are possible under the law to confer on a trustee as though it were the absolute owner of the assets of the Fund and acting in its personal capacity. The RE may appoint agents and delegates pursuant to the Constitution. The RE and its associates may hold Units in the Fund subject to the Corporations Act.

8. OTHER INFORMATION

Meetings of Unitholders

The Constitution provides that:

- The RE may convene meetings of Unitholders and must do so when required by the Corporations Act. The Constitution sets out the manner in which such meetings will be conducted;
- Each Unitholder is entitled to receive notice of meetings of Unitholders;
- Resolutions passed at meetings duly convened and conducted bind all Unitholders, whether or not they were present at the meeting; and
- Meetings of Unitholders are also regulated by the Corporations Act which, amongst other things, provides that each Unitholder will have one vote for each dollar of value of the total interests they have in the Fund (on a poll). On a show of hands, each Unitholder has one vote.

Limitation of Liability and Indemnity

The Constitution contains provisions which allow the RE to take and act on various opinions, statements and documents without being liable to Unitholders provided that it has acted in good faith.

The Constitution provides that the RE is not liable for any loss, costs, damages or expenses arising out of any act or omission on its part, except where the act or omission is fraudulent, negligent or in breach of trust or any duty imposed on the RE by deed or implied by law.

The RE is entitled to be indemnified out of the assets of the Fund for any liability, costs or expenses reasonably incurred by it in properly performing or exercising any of its powers or duties in relation to the Fund. To the extent permitted by the Corporations Act, the indemnity includes any liability incurred as a result of any act or omission of a delegate or agent appointed by the RE.

To the extent permitted by the Corporations Act, members of the Fund's Compliance Committee may be indemnified out of the assets of the Fund if they incur a liability in good faith.

Amendment of the Constitution

Under the Corporations Act the Constitution may be amended by a special resolution of the Unitholders or by the RE if it reasonably considers the amendments will not adversely affect Unitholders' rights. Amendments to the law governing managed investments and relevant ASIC relief can also affect the provisions of the Constitution.

Liability of Unitholders

The Constitution limits the liability of each Unitholder to the amount unpaid on their investment in the Fund. Based on the Constitution and current law, a Unitholder should not, solely by reason of being a Unitholder, be personally liable to indemnify the RE or any creditors of the Fund should the Fund be unable to meet its debts. However, the RE cannot give an absolute assurance that a Unitholder's liability is limited in all circumstances as the issue has not been finally determined by a superior court.

Rights of Unitholders

Each Unit confers an equal beneficial interest in the Fund, however Unitholders do not have any entitlements to any particular part of the Fund or assets of the Fund.

Your rights may vary given changes to the Constitution, the Corporations Act 2001 and/or the regulations to that Act.

Withdrawal from the Fund - Redemption of Units

You will be able to redeem your Units if the Fund is liquid. Under the Corporations Act a fund will be liquid if its liquid assets account for 80% of the value of the assets of the fund. For the Fund, liquid assets generally include bank bills, bank deposits and marketable securities. If, for any reason, the Fund becomes illiquid, the RE may make a withdrawal offer to all Unitholders, but there is no obligation to do so. Otherwise, Unitholders will not have a right to withdraw from the Fund where the Fund is illiquid. The RE does not expect the Fund to be or become illiquid.

Termination of the Fund

The Fund will terminate on the earliest of the following events:

1. the date specified by the RE as the date of termination of the Fund in a notice given to Unitholders;
2. the date on which the Fund terminates by law; or
3. the 8 March 2084.

Upon termination, the RE must realise the assets of the Fund. This must be completed within 180 days if practical and in any event as soon as possible after that. The net proceeds of realisation, after making allowance for all liabilities of the Fund (actual and anticipated) and meeting the expenses (including anticipated expenses) of the termination and the fees referred to above, must be distributed pro-rata to Unitholders according to the number of Units they hold.

Custody Agreement

The RE has entered into a Custody Agreement in respect of the Fund with Australian and New Zealand Banking Group Limited.

The Custodian is to enter into contracts to purchase and hold assets on the RE's behalf. The Custodian's duties also include opening and maintaining bank accounts to hold Application Monies and other income of the Fund, settling trades on behalf of the RE, maintaining proper records and making reports to the RE. The Custodian's liability under the Custody Agreement is limited, except in the case of fraud, negligence or breach of the Custody Agreement by the Custodian.

The Custodian is entitled to compensation for expenses incurred in connection with the performance of its duties and the exercise of its powers.

The agreement continues until terminated. Either party may terminate the agreement on 90 days written notice unless a different period is agreed. Either party may terminate the agreement immediately on the occurrence of certain other events, including changes in corporate control, acts of insolvency, and material breaches of the agreement.

Compliance Plan

The RE has established a Compliance Plan for the Fund which is monitored by the Fund's Compliance Committee. The Compliance Plan addresses compliance with laws, regulations, the Fund's Constitution and the RE's ethical standards and comprises structural, operational and maintenance elements. Matters covered by the Compliance Plan include procedures for complaints handling, applications and distributions, monitoring and resolution of suspected breaches of the Corporations Act, audits, fees, related party transactions, conflicts of interest and disclosure and reporting requirements.

Consents

The RE is the Issuer of this PDS. None of the persons named below has authorised or caused the issue of this PDS.

In addition, each of the persons named below has:

- given and not withdrawn their written consent to be named in this PDS in the form and context in which they are named; or
- given and not withdrawn their written consent to the inclusion in this PDS of the following information in the form and context in which it is included.

Australian and New Zealand Banking Group Limited has given consent to being named in this PDS as Custodian of the Fund. The Custodian has had no involvement in the preparation of any part of this PDS. The Custodian expressly disclaims and takes no responsibility for any other part of this PDS. It makes no statement in this PDS and has not authorised or caused the issue of it. The Custodian does not guarantee the success of the Fund nor the repayment of capital or any particular rate of capital or income return.

Mallesons Stephen Jaques has given consent to being named in this PDS as Legal Adviser for the Fund. Mallesons Stephen Jaques expressly disclaims and takes no responsibility for any other part of this PDS. It makes no statement in this PDS and has not authorised or caused the issue of it. Mallesons Stephen Jaques does not guarantee the success of the Fund nor the repayment of capital or any particular rate of capital or income return.

Moore Stephens has given consent to being named in this PDS as Auditor for the Fund. Moore Stephens expressly disclaims and takes no responsibility for any other part of this PDS. It makes no statement in this PDS and has not authorised or caused the issue of it. Moore Stephens does not guarantee the success of the Fund nor the repayment of capital or any particular rate of capital or income return.

Authorisation

This PDS is issued by the RE. Each Director of the RE has consented to the issue of this PDS.

GLOSSARY

Applicant	means a person who has made an Application for Units in the Fund.
Application Form	means the application form included in this PDS to be used by persons wishing to subscribe for Units in the Offer.
Application Monies	means the monies payable by the Applicant on submitting an Application Form.
Application Price	means the Unit price calculated in accordance with the Constitution.
APRA	means Australian Prudential Regulatory Authority.
ASIC	means Australian Securities and Investments Commission.
Business Days	means those days on which the trading banks (as defined in the Banking Act 1959 of the Commonwealth of Australia) are open for business in Brisbane.
Cash Enhanced	means investments in overnight cash deposits, bank bills, Floating Rate Notes and short duration corporate fixed income or asset-backed securities.
Collateralised Debt Obligation (CDO)	means a bond like instrument where the issuer makes coupon payments to their investors. Through use of a technique known as tranching (slicing up), the payments are made on a sequential basis depending on the seniority of investors within the capital structure of the CDO.
Compliance Committee	means a compliance committee established by the Responsible Entity for the Fund as required or permitted under the Corporations Act.
Compliance Plan	means the compliance plan of DDH Preferred Income Fund dated 9 March 2004.
Constitution	means the Constitution of DDH Preferred Income Fund dated 9 March 2004 summarised in the "Material Contracts" section of this PDS.
Corporations Act	means the Corporations Act 2001 (Cwth).
Custodian	means the custodian being Australian and New Zealand Banking Group Limited of DDH Preferred Income Fund as appointed by the Responsible Entity.
Custody Agreement	means the custody agreement with Australian and New Zealand Banking Group Limited dated 11 May 2004.
DDH Investment Committee	means the directors of DDH Graham Limited and several senior executives of DDH Graham Limited.
Derivatives	means a financial product that has a value derived from another security or liability.
Floating Rate Instruments or Notes	is a generic term applied to debt instruments bearing an interest rate that is tied to an interest rate standard such as the Bank Bill Swap Rate (BBSW) or the London Interbank Offer Rate (LIBOR). The interest rate is varied through the life of the investment based on a margin to the interest rate standard.

Fund	means DDH Preferred Income Fund (ARSN 108 161 575).
Investment Grade	means a bond or note rated BBB- or above by Standard & Poor's or Fitch Ratings or at least Baa3 by Moody's Investors Service.
Investment Strategy	means DDH Preferred Income Fund's investment strategy as approved by the DDH Investment Committee.
Issuer	means DDH Graham Limited (ABN 28 010 639 219) as the Responsible Entity of the Fund.
Management Fee	means the fee for managing the Fund's investments, including the fees charged by the Responsible Entity.
Net Asset Value	means the total value of all investments in the Fund including any realised and unrealised movements and accrued income less all liabilities.
Offer	means the offer to the public of Units in DDH Preferred Income Fund.
Product Disclosure Statement or PDS	means this Product Disclosure Statement (including the electronic form of this Product Disclosure Statement) and any further supplementary or replacement product disclosure statement in relation to this document.
RE or Responsible Entity	means DDH Graham Limited (ABN 28 010 639 219).
Structured Debt	includes CDO's, asset backed securities, securitisation and synthetic debt products.
TFN	means Tax File Number.
Transaction Costs	means the Responsible Entity's estimate of the acquisition or disposal costs of assets of the Fund incurred as a result of an investor entering or withdrawing from the Fund. These costs include brokerage. Transaction Costs are capped at +0.15% of the value of the assets of the Fund on entry (included in the Application Price calculation) and -0.15% of the value of the assets of the Fund on withdrawal (included in the Withdrawal Price calculation).
Unit/s	means Unit/s in the DDH Preferred Income Fund.
Unitholder/s	means a holder/s of Units in the DDH Preferred Income Fund.
Wholesale Client	has the meaning given in Section 761G of the Corporations Act.
Withdrawal Monies	means the monies payable to the Applicant on submitting a withdrawal request.
Withdrawal Price	means the Unit price calculated in accordance with the Constitution on the redemption of a Unit.

How to Invest

Investment Instructions

Please read the Product Disclosure Statement dated 21 August 2006 in full before completing the Application Form.

Initial applications for Units in the DDH Preferred Income Fund must be made on the Application Form attached to the Product Disclosure Document (PDS). Cheques should be made payable to **“ANZ – DDH Preferred Income Fund”**.

Your completed Application Form and cheque should be forwarded to:

DDH Graham Limited
Level 18
344 Queen Street
Brisbane QLD 4000

How to Complete the Application Form

- **Please print in CAPITAL letters**
- **If you make a mistake, cross it out and initial your changes**

If you have any difficulty completing the application contact your Financial Advisor.

The following information is a quick guide that may help you complete the Application Form.

Quick Guide

- 1) The minimum subscription amount for initial investment is \$5,000.
- 2) The minimum subscription amount for additional investments is \$1,000.
- 3) The Responsible Entity reserves the right to reject any application in part or in whole.
- 4) Some investment intermediaries may rebate or waive part or all of their commission. The Responsible Entity will add any rebate or waiver of commission to the amount invested in Units upon request from the intermediary.
- 5) Before signing the Application Form you should read the attached Product Disclosure Document.

Type of Investor	Application Form details required	Signature (s)
Individual	Individual details	Individual
Joint Investors	Details for both Investors	Both Investors
Adult on behalf of Child under 18 years*	Adult details and child's name Eg. Mr John Smith A/C Freddy Smith	Adult to sign and provide Tax File Number
Company	Company details include A.B.N.	<ul style="list-style-type: none">• Two Directors• Director and Company Secretary• Sole Director
Deceased Estate	Executors details and the Estate name Eg. Mr John Smith A/C Estate Name	Executor
Partnership	Details of the principals, partnership name and ABN Eg. Mr John Smith & Fredrick Smith A/C Partnership ABC	Partner
Trust or Superfund	Details of the Trustee, Trust / Superfund name and ABN Eg. Trustee Name A/C ABC Trust or A/C ABC Superannuation Fund	Trustee

* For other alternatives consult your tax or legal advisor

DDH Preferred Income Fund - Application Form

This Application must not be handed to another person unless attached to or accompanied by the PDS dated 21 August 2006

DDH Graham Limited, Level 18, 344 Queen Street, Brisbane QLD 4000 AFSL 226319 Freecall 1800 226 174 Telephone (07) 3229 6133 Facsimile (07) 3229 2014 www.ddhgraham.com.au

Investment

<input type="checkbox"/>	DDH Preferred Income Fund – Initial Investment	\$	<input type="text"/>	<input type="text"/>
<input type="checkbox"/>	DDH Preferred Income Fund – Additional Investment	\$	<input type="text"/>	Investor Number

Investor Details

Individual/ Joint Applicant No. 1

<input type="text"/>		
Title	Given Name(s)	Surname
<input type="text"/>	<input type="text"/>	<input type="text"/>
Tax File Number / Exemption*	Date of Birth	

Individual/ Joint Applicant No. 2

<input type="text"/>		
Title	Given Name(s)	Surname
<input type="text"/>	<input type="text"/>	<input type="text"/>
Tax File Number / Exemption*	Date of Birth	

Company / Fund / Trust Name

<input type="text"/>	<small>Quotation of your tax file number is optional. Tax may be required to be deducted from any distributions or other income payable to you at the highest marginal tax rate plus the Medicare levy if a TFN is not provided.</small>
Designated Account eg < Super Fund A/C>	<input type="text"/>
ABN	Tax File Number / Exemption*

Contact Name

Investor Contact Details

Residential Address (Compulsory)

<input type="text"/>			
Street Number	Street		
<input type="text"/>	<input type="text"/>		
Suburb	State	Postcode	Country

Postal Address If Different From Residential Address Above

<input type="text"/>			
Street Number / PO Box	Street		
<input type="text"/>	<input type="text"/>		
Suburb	State	Postcode	Country

Contact Name

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Contact Number: Home	Work	Mobile	Fax

Email

Reinvestment[#]

- Re – invest distributions in the Fund
 Receive Distribution

[#] If neither of the options above are selected, distributions will automatically be re-invested by the Responsible Entity

Annual Report

We are required by law to provide a copy of the Fund's annual report to each Unitholder unless you indicate otherwise below:

- I do not wish to be mailed a copy of the Annual Report
 Please send me an electronic copy of the Annual Report to the e-mail address above

Bank Account Details

Account Name	Bank	
Branch	BSB	Account Number

Acceptance & Execution

I/We declare that:

- I/We have read and understood the Product Disclosure Statement for the Fund dated 21 August 2006.
- This application was received attached to a complete Product Disclosure Statement.
- I/We hereby agree to be bound by the Constitution dated 09/03/2004 for the DDH Preferred Income Fund.
- I/We acknowledge that investments in the Fund are subject to investment risk, including possible delays in repayment and loss of income or capital invested.
- I/We acknowledge that DDH Graham Limited does not guarantee the performance of the Fund, nor any particular return for the Fund, nor repayment of capital from the Fund.
- I/We have legal power to invest in accordance with this application.
- I/We have received and accepted this offer in Australia.
- In the case of joint applications, the joint applicants agree that unless otherwise expressly indicated on this Application Form, the Units will be held as joint tenants and either investor is able to operate the account and bind the other investor for future transactions, including additional deposits and withdrawals, including withdrawals by fax.
- If investing as a trustee, on behalf of a superannuation fund or trust, I/we confirm that I/we am/are acting in accordance with my/our designated powers and authority under the trust deed. In the case of superannuation funds, I/we also confirm that it is a complying fund under the Superannuation Industry (Supervision) Act.

If signed as a sole director and sole secretary of a company please tick here.

If signed under a power of attorney, please tick here to certify the attorney has not received notification of revocation of that power.

Signature

Signature

Name

Name

Date / /

Date / /

Joint Applications require signatures from both parties

The DDH Preferred Income Fund PDS gives information about purchasing Units in the DDH Preferred Income Fund. Any person who gives another person access to the Application Form must also give the person access to the DDH Preferred Income Fund PDS and any supplementary documents. You should read the PDS before completing this Application Form.

Advisor Use Only

I declare that:

- I am a holder of a current Australian Financial Service License (AFSL).
- I have provided the Applicant with a copy of the Product Disclosure Statement relevant to the Investment Strategies selected by the Applicant in this Application.
- I have fully disclosed all fees of the Fund to the Applicant.
- the Applicant is over the age of 18 years.

Contribution Fee

From the 1% contribution fee please specify your fee. The balance, if any, will be rebated to the client in the form of additional Units:

0%
 0.25%
 0.50%
 0.75%
 1.0%

--

Advisor Name

--

Signature

--

Date

--

Advisor Stamp

--

Advisory Firm Name

--	--

Account Name

Bank

--	--

Branch

BSB

Account Number

--

Applicant's Name

--

Signature

--

Date

Directory

Responsible Entity and Issuer

DDH Graham Limited

ABN 28 010 639 219

AFSL 226319

Level 18

344 Queen Street

Brisbane QLD 4000

Free call 1800 226 174

Telephone (07) 3229 6133

Facsimile (07) 3229 2014

Email exec@ddhgraham.com.au

Auditor

Moore Stephens Chartered Accountants

Level 25

71 Eagle Street

Brisbane QLD 4000

Legal Advisors

Mallesons Stephen Jaques

Level 30

Waterfront Place

1 Eagle Street

Brisbane QLD 4000

Custodian

Australia and New Zealand Banking Group Limited

Level 25

530 Collins Street

Melbourne VIC 3000

