DDH GRAHAM LIMITED

FUND PROFILE

30 September 2021

DDH FIXED INTEREST FUND

INVESTMENT MANAGER QIC

The DDH Fixed Interest Fund invests primarily in Australian fixed interest markets. The Fund gives investors access to wholesale portfolios managed by QIC, a leading fixed interest manager.

OBJECTIVE

The Fund's objective is (before fees) to exceed the performance of the Bloomberg AusBond Composite Bond Index over the medium term by actively investing in a diversified, medium risk, portfolio of predominantly Australian and international higher yielding (sovereign and corporate) fixed interest securities and derivatives, through investment in the Underlying Fund.

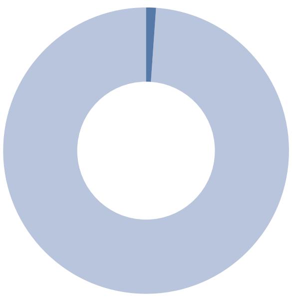
STRATEGY

The Underlying Fund actively invests in a diversified, medium risk, portfolio of fixed interest securities and derivatives. The Underlying Fund is actively managed using a top-down approach in managing interest rate and credit risk. Risk is reduced by diversifying across a range of fixed interest securities, a spread of maturities and across a wide spread of counterparties. Investments are predominately Australian securities, but may include up to 25% exposure to international higher yielding (sovereign and corporate) fixed interest securities where QIC believes risk exposure would contribute to achieving the QIC fund's performance and risk objectives. By adopting this approach QIC aims to achieve returns in excess of the benchmark. QIC seeks to add value through a disciplined approach to the selection of the investments held by the Underlying Fund.

QIC AS INVESTMENT MANAGER

DDH has appointed QIC Limited ACN 130 539 123 (QIC) as the Fund's wholesale investment manager. As one of Australia's largest wholesale fund managers QIC has extensive experience and capability in institutional investing. QIC's structure and backing is unique amongst institutional investment managers while the expertise and conviction of its investment teams contribute to produce consistently above-average returns. For further information on QIC, please refer to their website: www.qic.com.

ACTUAL ASSET ALLOCATION (%)



Cash	1.33
Australian Fixed Interest	98.67

AT A GLANCE

APIR Code	DDH0006AU
Management costs	0.68% p.a.
Buy Spread	+0.05%
Sell Spread	-0.12%
Inception date	July 2006
Minimum investment	$2000 (Lump Sum) $500 (Regular Savings Plan)
Income distribution	Quarterly

FEATURES

Flexibility

Open to both direct investors and indirect investors, who can invest in the Fund via Australian Money Market.

Low to Medium Risk/Return

Relatively stable returns, with a low potential for loss of capital.

This may suit investors with a medium term investment horizon, seeking a steady and reliable income stream.

Suggested Minimum Time Frame 3 Years

PERFORMANCE RETURN %[1,2,3]

	Total	Growth	Dist
3 months	0.21	-0.31	0.52
1 year	-1.14	-4.51	3.37
2 years (pa)	1.19	-3.22	4.41
3 years (pa)	4.17	-0.23	4.40
5 years (pa)	2.97	-0.46	3.43
Inception (pa)	5.21	-0.19	5.40

1. Past performance is not a reliable indicator of future performance.
2. Total Return represents unit price movements and assumes all distributions are reinvested; Growth Return represents unit price movement only; Distribution Return represents the difference between Total Return and Growth Return.
3. All performance figures are net of ongoing fees and expenses.

UNDERLYING FUNDS

Fund profiles for each of the Underlying Fund(s) will be attached at the end of each quarter (30 Sept, 31 Dec, 31 Mar & 30 Jun):

QIC Australian Fixed Interest Fund

MORE INFORMATION

DDH GRAHAM LIMITED

For more information please refer to the Product Disclosure Statement available from www.ddhgraham.com.au.

Alternatively please phone Fund Services on 1800 226 174 between 9:00am and 5:00pm (AEST), Monday to Friday, or email investments@ddhgraham.com.au.

QIC AUSTRALIAN FIXED INTEREST FUND

30 September 2021

Returns (%)*

	1 mth	3 mths	FYTD	1 yr	3 yrs	5 yrs	7 yrs	Since inception
Fund	-1.48	0.42	0.42	-0.52	4.83	3.63	4.44	6.92
Benchmark	-1.51	0.31	0.31	-1.54	4.14	3.06	3.97	6.50
Active	0.04	0.10	0.10	1.01	0.70	0.57	0.47	0.42

* Fund returns are net of trust administration fees and all underlying fund expenses but gross of QIC management and any applicable performance fees which are charged outside the Fund. Returns greater than one year are annualised. Inception date was 20 June 1994.

- **Australian bond yields ended the quarter 4bps lower, outperforming global counterparts, as domestic lockdowns and growth concerns continued**
- **10-year Treasury yields rose sharply late in the quarter, as global central banks began to hint towards policy tightening**

Performance

The QIC Australian Fixed Interest Fund (the Fund) returned 0.42% for the quarter, outperforming its benchmark return by 0.10%

Key drivers of active performance for the quarter:

- Excess yield derived from overweight credit positioning was the predominant driver of outperformance, given the active return from spreads was modest
- Overweight inflation strategies outperformed, with European Zero Coupon Swaps ending the quarter +32bps higher
- Nominal duration positions were a modest detractor at the start of the quarter, before overall portfolio duration positioning was switched to a materially short bias in late September

Market Review

In September, 14 central banks, across both developed and emerging markets, held policy meetings. The Federal Open Market Committee (FOMC) prepared the bond markets for a formal announcement on tapering asset purchases at their next meeting in November. The Bank of England (BoE) gave strong hints that rate hikes could come sooner than expected, perhaps even before year-end. Global bond yields reacted accordingly, with US 10-year Treasury yields rising 18bps in September, to levels not seen since June (+1bp quarter-on-quarter).

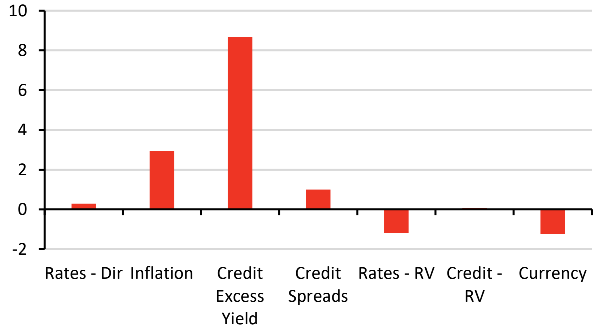
Australian 10-year yields ended the period 4bps lower while trading in a 45bps intra-quarter range. Domestic yields were weighed down in the first half of the quarter by global and domestic growth concerns, all related to the COVID-19 Delta variant, leading to outperformance of domestic bond yields relative to global developed market peers. Despite near-term domestic COVID-19 headwinds, improvements in global "economic surprise indices" and a more hawkish tilt from G-10 central banks saw domestic yields lift sharply higher in September, in-line with global peers.

While the July announcement from the Reserve Bank of Australia (RBA) of a third round of Quantitative Easing (QE) was broadly expected, the decision to slow the pace of QE buying from A$5bn to A$4bn per week from September was less dovish than many market participants were anticipating. Despite the more challenging near-term domestic macroeconomic outlook, the August and September RBA meetings were arguably more hawkish than expectations. The RBA is staying the course on tapering and has delivered more upbeat GDP growth forecasts, with 2022 and 2023 GDP expected to reach over 4.0% and 2.5% year-on-year, respectively.

Stagflation remains at the forefront of investor minds, with continued heightened inflation prints in Europe, with German and UK 10-year breakeven inflation (BEI) rates increasing +35bps and +37bps respectively. In contrast, the US saw only modest gains in BEI rates (+4bps) and Australia saw inflation fall by -10bps for the quarter, reflecting recent lockdowns.

Australian credit markets modestly underperformed global peers in the September quarter, with the FTSE AusBig Corporate Index ending the quarter 6bps wider at 101bps over Government yields. The underperformance was driven by factors including a widening in the bond-swap spread, the termination of the RBA's Term Funding Facility (TFF) and announced wind down of the Committed Lending Facility (CLF), as well as heavier than expected primary market issuance. The announcement by the RBA of its intention to phase out the CLF in September surprised the market and resulted in a knee jerk widening in major bank senior spreads.

Active performance attribution for the quarter (bps)*



* Dir = Directional; RV = Relative Value

Risk measures

	Fund	Benchmark
Interest rate duration (yrs)	5.50	5.87
Credit spread duration (yrs)>	3.03	2.22
Yield (%)	1.41	1.06
Value at risk (% NAV)>>	3.16	3.31
Ex-ante tracking error (%)>>	0.36	-

> Credit spread duration: basis point change in NAV for a 0.01% change in credit spreads

>> Value at Risk (VaR) / tracking error: 1 year horizon, 1 standard deviation confidence interval

Benchmark is the Bloomberg AusBond Composite Index. Prior to June 1998 it was the UBS Semi-Government Bond Index.

During the quarter, the Fund participated in Woolworth's Sustainability-Linked Bond (SLB). This dual tranche 6-year and 10-year deal is the second SLB issued in AUD and will target a reduction in absolute carbon emissions. The deal was strongly supported, attracting around A$3bn of orders and printing A$700mn of bonds. During the quarter the fund also participated in the Sustainable Bond issued by the Treasury Corporation of Victoria (TCV). TCV recently had their inaugural Green Bond mature and this deal will allow them to also fund additional projects and assets of social benefit, in addition to those with green credentials.

Outlook and Active Positioning

The overall message from the raft of central bank policy meetings over the quarter was one of an incremental move toward less accommodative policies, even as the pace of global economic growth has slowed in recent months. Policymakers are growing more concerned that higher inflation could linger for longer. At the same time, loose policy settings have fuelled a boom in asset markets that supports growth through easy financial conditions, but also raises future stability risks that worry the central banks. The number of countries seeing actual rate hikes is growing, particularly in emerging markets, where policymakers have had to act more mechanistically in response to high inflation, even with softening economic growth momentum.

Our base case remains that the COVID-19 Delta scare will diminish, and safe-haven assets will continue to lose their appeal. US and European growth may decelerate in the coming quarters, however they will remain firmly above-trend and the global recovery will accelerate. As such, we have dynamically shifted active interest rate duration exposure to underweight (-0.37yr) via short 10-year positioning in Australia, the US and Europe.

With much of the South Eastern Seaboard still contending with COVID-19 related restrictions, the domestic market is grappling with: 1) whether the hit to domestic growth in Q3 will be temporary and when the economy will reopen in Q4; 2) the Reserve Bank of Australia's (RBA) reaction function; and 3) whether an improving global growth backdrop and right tail inflation risks will lead to higher domestic yields. While a sharp fall in Q3 GDP growth is now expected (QIC's quarter-on-quarter Q3 GDP forecast is -2.7%) we expect recession to be avoided and Q4 growth to be mildly positive. It is worth noting that the expected reopening of New South Wales from mid-October remains finely balanced. While we expect the RBA to retain the requisite flexibility around asset purchases, outside of a material further deterioration in the domestic COVID-19 backdrop we expect them to adhere to their September policy stance of continuing to purchase Government securities at a rate of A$4bn a week until at least mid-February. In conjunction with the RBA's often repeated central scenario that conditions for a rate hike will not be met until 2024, this should provide a more benign policy environment into the end of the year. While we continue to favour a nimble approach to domestic duration positioning, given COVID-19 related uncertainty, we think that back-end nominal yields have scope to rise into year-end. This is predicated on domestic yields remaining closely correlated with global peers, a firming global economic backdrop, more hawkish leaning G-10 central banks and early signs that inflation is proving more sustainable than expected.

Asset composition (%)

	Fund	Benchmark
Government	24.22	56.70
Semi-Government	20.91	25.95
Supranationals	7.59	9.66
Financials	18.33	2.69
Other Corporates	18.39	4.39
Securitised	5.86	0.00
Other (inc. Derivatives)	0.55	0.00
Cash & Equivalents	4.16	0.60

Rating composition (%)*

	Fund	Benchmark
AAA	44.20	72.88
AA	14.83	21.40
A	9.39	2.73
BBB	27.42	2.30
Sub-Investment Grade	0.00	0.00
Not Rated	0.00	0.07
Cash & Equivalents	4.16	0.60

*S&P, Moody's or QIC credit rating. Sub-IG may include credit derivatives.

Maturity composition (%)

	Fund	Benchmark
0-1yr	1.28	6.62
1-3yrs	11.69	16.99
3-5yrs	17.28	19.97
5-7yrs	22.31	15.52
7-10yrs	23.02	23.86
10+yrs	11.37	13.93
Other (e.g. RMBS)	8.89	2.50
Cash & Equivalents	4.16	0.60

In Europe, the US and Australia we expect any rise in nominal yields to be accompanied by both gradually rising real yields and a firming of BEI expectations. As such, the Fund remains positioned overweight inflation duration (+0.21yr) with Europe remaining the dominant risk contributor (+0.13yr) given its attractive relative value and economy reopening inflationary tailwinds. The inaugural issue of the 2032 domestic inflation linked bond, in conjunction with re-emergence of COVID-19 concerns has weighed on domestic BEI rates relative to global peers. As the domestic economy reopens and the debate around transitory versus more sustainable inflation persists, we expect risk versus reward trades to also favour higher Australian BEI rates, given the relatively attractive current valuations here.

Despite credit spreads in several markets remaining close to the tightest levels seen in over a decade, our base case view is that the range bound trading conditions that have been evident in 2021 to date are likely to persist, providing an opportunity to generate lower but stable excess returns from credit carry. As such, the Fund remains positioned actively overweight credit (Active Option Adjusted Spread is +36bps) while spread duration (+0.81yr) has been falling over the last 12 months.

DESCRIPTION: The Fund is actively managed to deliver meaningful returns by actively investing in a diversified, medium risk portfolio of predominantly Australian and international higher yielding (sovereign and corporate) fixed interest securities and derivatives.

INVESTMENT OBJECTIVE: As of 1 July 2019, the objective is to outperform the Bloomberg AusBond Composite Index over the medium term

INCEPTION: 20 June 1994 **SIZE:** A$351,132,447

IMPORTANT INFORMATION

QIC Limited ACN 130 539 123 ("QIC") is a wholesale funds manager and its products and services are not directly available to, and this document may not be provided to any, retail clients. QIC is a company government owned corporation constituted under the Queensland Investment Corporation Act 1991 (QLD). QIC is also regulated by State Government legislation pertaining to government owned corporations in addition to the Corporations Act 2001 (Cth) ("Corporations Act"). QIC does not hold an Australian financial services ("AFS") licence and certain provisions (including the financial product disclosure provisions) of the Corporations Act do not apply to QIC. QIC Private Capital Pty Ltd ("QPC"), a wholly owned subsidiary of QIC, has been issued with an AFS licence and certain other wholly owned subsidiaries of QIC are authorised representatives of QPC. QIC's subsidiaries are required to comply with the Corporations Act. QIC also has wholly owned subsidiaries authorised, registered or licensed by the United Kingdom Financial Conduct Authority ("FCA"), the United States Securities and Exchange Commission ("SEC") and the Korean Financial Services Commission. For more information about QIC, our approach, clients and regulatory framework, please refer to our website www.qic.com or contact us directly.

To the extent permitted by law, QIC, its subsidiaries, associated entities, their directors, officers, employees and representatives (the "QIC Parties") disclaim all responsibility and liability for any loss or damage of any nature whatsoever which may be suffered by any person directly or indirectly through the provision to, or use by any person of the information contained in this document (the "Information"), including whether that loss or damage is caused by any fault or negligence or other conduct of the QIC Parties or otherwise. Accordingly, you should not rely on the Information in making decisions in relation to your current or potential investments. This Information is general information only and does not constitute financial product advice. You should seek your own independent advice and make your own independent investigations and assessment, in relation to it. In preparing this Information, no QIC Party has taken into account any investor's objectives, financial situations or needs and it may not contain all the information that a person considering the Information may require in evaluating it. Investors should be aware that an investment in any financial product involves a degree of risk and no QIC Party, nor the State of Queensland guarantees the performance of any QIC fund or managed account, the repayment of capital or any particular amount of return. No investment with QIC is a deposit with or other liability of any QIC Party. This Information may be based on information and research published by others. No QIC Party has confirmed, and QIC does not warrant, the accuracy or completeness of such statements. Where the Information relates to a fund or services that have not yet been launched, all Information is preliminary information only and is subject to completion and/or amendment in any manner, which may be material and without notice. It should not be relied upon by potential investors. The Information may include statements and estimates in relation to future matters, many of which will be based on subjective judgements, assumptions as to future events or circumstances, or proprietary internal modelling. No representation is made that such statements or estimates will prove correct. The reader should be aware that such Information is predictive in character and may be affected by inaccurate assumptions and/or by known or unknown risks and uncertainties and should independently investigate, consider and satisfy themselves in relation to such matters. Forecast results may differ materially from results or returns ultimately achieved. **Past performance is not a reliable indicator of future performance.**

This Information is being given solely for general information purposes. It does not constitute, and should not be construed as, an offer to sell, or solicitation of an offer to buy, securities or any other investment, investment management or advisory services, including in any jurisdiction where such offer or solicitation would be illegal. This Information does not constitute an information memorandum, prospectus, offer document or similar document in respect of securities or any other investment proposal. This Information is private and confidential. It has not been and is not intended to be deposited, lodged or registered with, or reviewed or authorised by any regulatory authority in, and no action has been or will be taken that would allow an offering of securities in, any jurisdiction. Neither this Information nor any presentation in connection with it will form the basis of any contract or any obligation of any kind whatsoever. No such contract or obligation in connection with any investment will be formed until all relevant parties execute a written contract and that contract will be limited to its express terms. QIC is not making any representation with respect to the eligibility of any recipients of this Information to acquire securities or any other investment under the laws of any jurisdiction. Neither this Information nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

Investors or prospective investors should consult their own independent legal adviser and financial, accounting, regulatory and tax advisors regarding this Information and any decision to proceed with any investment or purchase contemplated by the Information.

Your receipt and consideration of the Information constitutes your agreement to these terms.

Credit ratings are statements of opinion and are not statement of fact or recommendations to purchase, hold or sell securities. They do not address the suitability of securities for investment purposes, and should not be relied on as investment advice.