



Australian Fixed Income Managed Investments

REPORT DATE: SEPTEMBER 2013

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Australian Fixed Income

Fund Name	APIR	MER / ICR %	Transaction Cost		Performance Fee %	Investment returns (As at 25 Aug 2013)			Initial Investment	Regular Investment	Regular withdrawal
			Buy Spread %	Sell Spread %		1 Year %	3 Year %	5 year %			
Aberdeen Australian Fixed Income Fund	CRS0004AU	0.51%	0.00%	0.10%	0.00%	3.31%	6.91%	8.52%	\$20,000	✗	✗
Aberdeen Income-Focused Bond Fund	CSA0130AU	0.32%	0.05%	0.10%	0.00%	3.08%	7.08%	8.70%	\$20,000	✗	✗
AMP Capital Corporate Bond Fund - Class A Units	AMP0557AU	0.60%	0.00%	0.25%	0.00%	7.79%	8.33%	0.00%	\$30,000	✓	✗
AMP Capital Corporate Bond Fund - Private Clients Class	AMP1285AU	0.75%	0.00%	0.25%	0.00%	7.63%	8.17%	0.00%	\$30,000	✓	✗
BT Investment Funds - BT Fixed Interest Fund	RFA0002AU	1.54%	0.00%	0.00%	0.00%	1.56%	5.75%	6.24%	\$5,000	✓	✓
BT Wholesale Fixed Interest Fund	RFA0813AU	0.50%	0.12%	0.12%	0.00%	2.40%	6.85%	7.42%	\$25,000	✗	✗
CFS Wholesale Index Australian Bond Fund	FSF0653AU	0.41%	0.10%	0.10%	0.00%	2.86%	6.63%	7.07%	\$5,000	✓	✓
Colonial First State Wholesale - Australian Bond Fund	FSF0027AU	0.46%	0.10%	0.10%	0.00%	7.39%	6.44%	6.63%	\$5,000	✓	✓
Colonial FirstChoice Investments - Aberdeen Australian Fixed Income	FSF0231AU	1.13%	0.00%	0.00%	0.00%	2.08%	5.80%	6.38%	\$5,000	✓	✓
Colonial FirstChoice Wholesale Inv - Aberdeen W Australian Fixed Income	FSF0478AU	0.72%	0.10%	0.10%	0.00%	2.91%	6.65%	7.23%	\$5,000	✓	✓
EQT Premium Bond Fund	ETL0025AU	0.72%	0.00%	0.00%	0.00%	6.32%	4.64%	5.27%	\$5,000	✗	✗
Flexible Lifetime Inv - Future Directions Australian Bond	AMP1409AU	1.80%	0.00%	0.10%	0.00%	1.75%	6.26%	0.00%	\$1,500	✓	✓
IOOF/Perennial Fixed Interest Fund (Flexi Trust)	IOF0012AU	1.23%	0.00%	0.00%	0.00%	4.99%	6.88%	8.17%	\$2,000	✓	✗
OnePath OA - Optimix Australian Fixed Interest EF	MMF0566AU	1.76%	0.00%	0.00%	0.00%	2.60%	5.81%	6.86%	\$5,000	✓	✓

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Optimix Australian Fixed Interest Trust	LEF0033AU	1.76%	0.00%	0.00%	0.00%	2.60%	5.81%	6.84%	\$500	✓	✓
OptiMix Wholesale Australian Fixed Interest Trust - Class A Units	LEF0041AU	0.71%	0.00%	0.00%	0.00%	3.65%	6.14%	7.54%	\$50,000	✗	✗
OptiMix Wholesale Australian Fixed Interest Trust - Class B Units	LEF0104AU	0.51%	0.00%	0.00%	0.00%	3.86%	6.37%	7.74%	\$50,000	✗	✗
Perennial Fixed Interest Wholesale Trust	IOF0046AU	0.47%	0.00%	0.00%	0.00%	5.79%	7.70%	8.99%	\$25,000	✓	✗
Perennial Tactical Income Trust	IOF0145AU	0.45%	0.00%	0.00%	0.00%	6.73%	6.56%	0.00%	\$25,000	✗	✗
PIMCO Australian Bond Fund	ETL0115AU	0.72%	0.00%	0.10%	0.00%	3.39%	7.46%	9.65%	\$5,000	✗	✗
PIMCO EQT Australian Bond Fund	ETL0008AU	0.72%	0.00%	-0.10%	0.00%	3.13%	7.20%	9.38%	\$5,000	✗	✗
PIMCO EQT Wholesale Australian Bond Fund	ETL0015AU	0.50%	0.00%	0.10%	0.00%	3.35%	7.40%	9.60%	\$20,000	✗	✗
PIMCO EQT Wholesale Australian Focus Fund	ETL0182AU	0.50%	0.00%	0.10%	0.00%	4.03%	6.05%	0.00%	\$20,000	✗	✗
Russell Australian Bond Fund	RIM0005AU	0.57%	0.14%	0.14%	0.00%	3.77%	7.14%	7.90%	\$10,000	✓	✓
SIM Wholesale Australian Fixed Interest	SUN0112AU	0.50%	0.03%	0.03%	0.00%	3.31%	6.58%	5.67%	\$20,000	✗	✗
Tyndall Australian Bond Fund	TYN0104AU	0.45%	0.03%	0.03%	0.00%	3.91%	6.94%	7.66%	\$25,000	✓	✗
UBS Australian Bond Fund	SBC0813AU	0.45%	0.02%	0.05%	0.00%	3.84%	6.92%	7.82%	\$20,000	✗	✗

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Cash Funds

Fund Name	APIR	MER / ICR %	Transaction Cost		Performance Fee %	Investment returns (As at 25 Aug 2013)			Initial Investment	Regular Investment	Regular withdrawal
			Buy Spread %	Sell Spread %		1 Year %	3 Year %	5 year %			
AMP Capital - Cash Management	NML0569AU	0.93%	0.00%	0.00%	0.00%	2.43%	3.78%	3.69%	\$2,000.00	✓	✓
AMP Capital - Capital Guaranteed Cash	NML0595AU	0.86%	0.00%	0.00%	0.00%	3.43%	3.79%	3.34%	\$2,000.00	✓	✓
Aberdeen Cash Fund	CRS0009AU	0.25%	0.00%	0.00%	0.00%	4.64%	4.20%	4.96%	\$20,000.00	✗	✗
Australian Ethical Cash	AUG0003AU	0.99%	0.00%	0.00%	0.00%	4.29%	4.75%	4.51%	\$5,000.00	✓	✗
Australian Executor Trustees Cash Deposit Fund	AUX0001AU	1.05%	0.00%	0.00%	0.00%	2.68%	3.59%	345.00%	\$1,000.00	✓	✗
BT Institutional Enhanced Cash Fund	WFS0377AU	0.25%	0.06%	0.06%	0.00%	4.91%	5.68%	5.56%	\$25,000.00	✗	✗
BT Institutional Managed Cash Fund	WFS0245AU	0.22%	0.00%	0.00%	0.00%	3.16%	4.14%	4.24%	\$25,000.00	✗	✗
BT Investment Funds - BT Cash Management Trust	BTA0002AU	1.00%	0.00%	0.00%	0.00%	2.37%	3.36%	3.48%	\$5,000.00	✓	✗
BT Premium Cash Fund	BTA0129AU	0.40%	0.00%	0.00%	0.00%	2.92%	3.91%	0.00%	\$5,000.00	✓	✗
CFS FirstChoice Inv - Cash CFS	FSF0228AU	1.10%	0.00%	0.00%	0.00%	2.52%	3.55%	3.75%	\$5,000.00	✓	✓
CFS Wholesale Premium Cash Enhanced Fund	COM0029AU	0.40%	0.00%	0.00%	0.00%	3.10%	4.32%	4.71%	\$5,000.00	✗	✗
Colonial First State Wholesale Fund - Cash Fund	FSF0075AU	0.41%	0.00%	0.00%	0.00%	3.16%	4.25%	4.47%	\$5,000.00	✓	✓
EQT Cash Management Fund	ETL0101AU	1.02%	0.00%	0.00%	0.00%	2.21%	3.17%	3.28%	\$5,000.00	✓	✗
Goldman Sachs Cash Trust	JBW0001AU	0.95%	0.00%	0.00%	0.00%	2.27%	3.29%	3.41%	\$10,000.00	✗	✗

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			Buy Spread %	Sell Spread %		1 Year %	3 Year %	5 year %			
IOOF MultiMix Cash Enhanced Trust	IOF0091AU	0.35%	0.00%	0.00%	0.00%	5.06%	5.48%	5.34%	\$25,000.00	✓	✓
MLC MasterKey Unit Trust - Cash Fund	MLC0011AU	0.81%	0.00%	0.00%	0.00%	2.25%	3.25%	3.29%	\$1,000.00	✓	✓
MLC MasterKey Unit Trust Horizon 1 - Bond Portfolio	MLC0622AU	0.39%	0.00%	0.00%	0.00%	2.87%	3.83%	4.01%	\$1,000.00	✓	✓
OptiMix Wholesale Enhanced Cash Trust - Class B Units	LEF0105AU	0.48%	0.00%	0.00%	0.00%	3.38%	3.93%	4.27%	\$50,000.00	✗	✗
Perennial Cash Enhanced Wholesale Trust	IOF0047AU	0.41%	0.00%	0.00%	0.00%	5.60%	5.70%	6.02%	\$25,000.00	✓	✗
Russell Australian Cash Enhanced Fund - Class A	RIM0037AU	0.39%	0.05%	0.05%	0.00%	4.80%	5.25%	5.22%	\$10,000.00	✓	✓
Sandhurst Trustees Cash Common Fund	STL0001AU	1.05%	0.00%	0.00%	0.00%	2.44%	3.40%	0.00%	\$1,000.00	✗	✗
UBS Cash Fund	SBC0811AU	0.25%	0.00%	0.00%	0.00%	3.31%	4.17%	4.23%	\$20,000.00	✗	✓
UBS Cash-Plus Fund	SBC0812AU	0.30%	0.05%	0.05%	0.00%	3.88%	4.99%	4.78%	\$20,000.00	✗	✗
WealthFocus Investment Advantage Perpetual's Cash	PER0040AU	1.08%	0.00%	0.00%	0.00%	2.24%	3.24%	3.31%	\$2,000.00	✓	✓

FIXED INCOME MANAGED INVESTMENTS

FIXED INCOME MANAGED INVESTMENTS

There are literally thousands of managed investments on the market and their popularity continues to grow, with the latest report from the Australian Bureau of Statistics (June 2013) putting the figure at over \$2 trillion in funds under management.

It's not surprising the uptake of managed funds is escalating, as it is a way ordinary 'Mum and Dad' investors can tap into the investing power of millions, under the management of experts in this field. The question is how do every day, often inexperienced investors choose which managed fund to trust with their money and grow their wealth from the thousands on offer?

The CANSTAR managed investments ratings have been designed to assist small investors find a fund that best suits their needs. In this release, we have focused on Australian Fixed Income and Cash funds in order to determine the best fund provider in the category. A Fixed Income fund invests in Australian Capital Market securities i.e. those with maturities of one year or more.

FUND SELECTION CRITERIA

We have limited our fund selection to funds that are available for purchase directly by the average investor i.e. you do not need to purchase via an intermediary such as a financial planner. In addition, a number of key criteria were taken into account when selecting the funds for our ratings:

- Fund must be listed on a discount broker such as InvestSmart, 2020 DirectINVEST, and CommSec etc. Fund must be either available directly without paying entry fee, or through a discount broker who will rebate the fee.
- Funds from all top 30 (by FUM) investment managers regardless of individual FUM of the investment fund were included or the investment manager's FUM must be \$100m or more.
- Retail and wholesale funds were included.
- Nil Entry Fee funds were not included as we assumed consumer could buy the Entry Fee option via a discount broker and receive a rebate on the contribution fee.
- Long Short funds were excluded.
- Fund available directly from the manufacturer i.e. funds distributed via a 3rd party are excluded.

CATEGORIES USED IN EVALUATION

Australian Fixed Income Funds:

- Funds which predominantly invests in Australian Capital Market securities i.e. those with maturities of one year or more
- At least 70% of the fund's underlying assets invested in AA rated securities or higher
- Benchmark used is UBSA Composite Bond Index or equivalent

Cash Funds:

- Funds which predominantly invests in Money Market Securities i.e. those with maturities with less than one year
- Benchmark used is UBSA Bank Bill Index or equivalent

OVERALL METHODOLOGY

The funds were scored based on a generic investor profile with the following conditions:

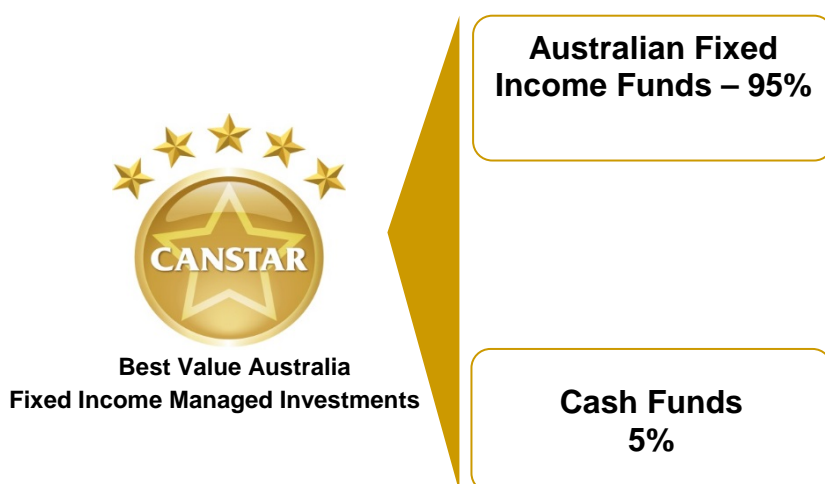
- Has \$100,000 to invest
- Fund minimum opening deposit up to and including \$50,000

The CANSTAR Best Value Fixed Income Fund Provider is decided using the following steps:

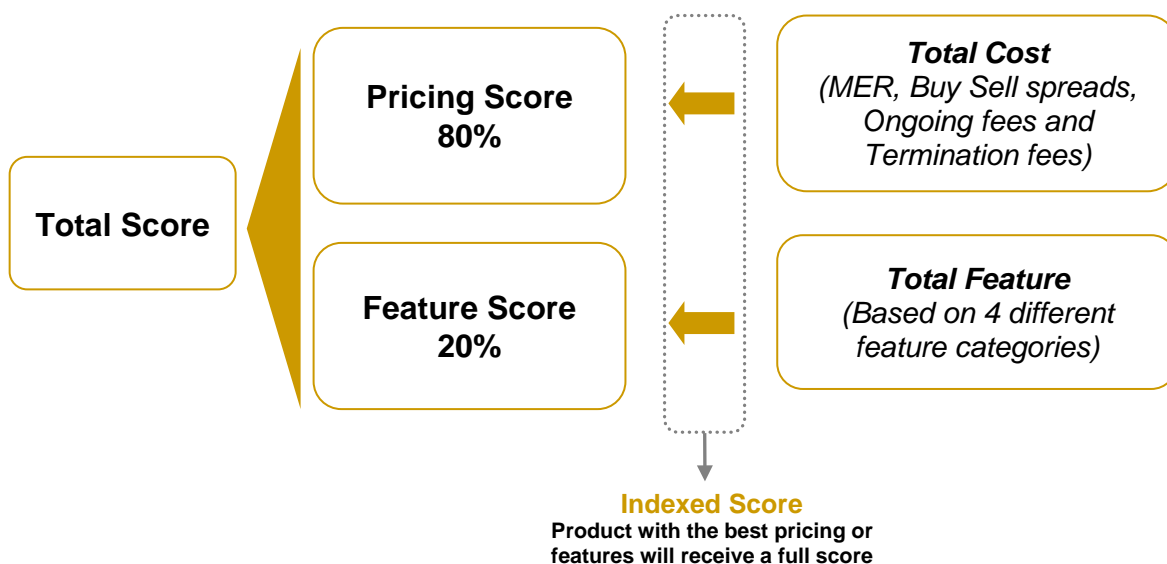
1. The managed funds in the two categories mentioned in the previous section are scored separately using our rating methodology.
2. The total score in the Australian Fixed Income category is given a 95% weighting towards the overall score calculation.
3. The total score in the Australian Cash category is given a 5% weighting towards the overall score calculation.

AWARD METHODOLOGY

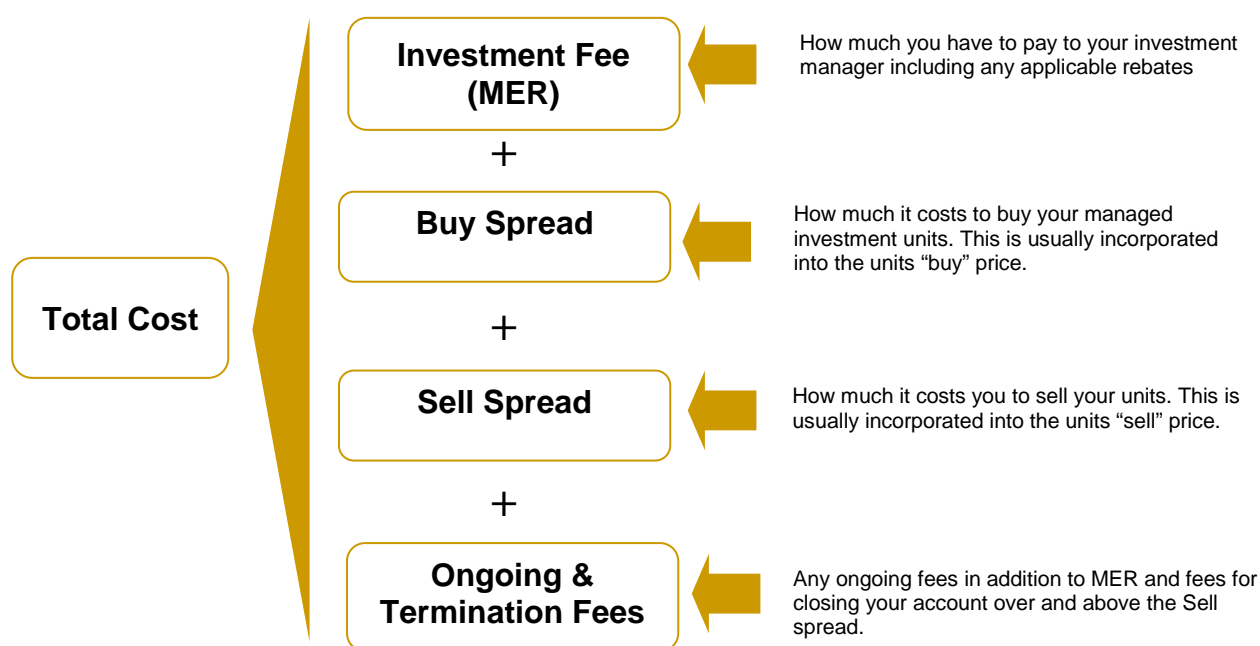
The following methodology applies to the CANSTAR Award:



RATING METHODOLOGY FOR FIXED INCOME AND CASH FUNDS



Pricing Score



The pricing score is based on the total cost of a \$100,000 investment over 5 years. Cost includes MER, buy sell spreads, ongoing and termination fees. Performance fees are not included in the pricing score.

We have not included contribution fee in our calculations. If purchasing directly via a discount broker 100% of the contribution fee will be rebated. If purchasing directly with the fund or via a financial planner the investor can negotiate a reduction in the up-front fees.

The fund with the lowest cost achieves the highest pricing score.

Feature Score

Each individual feature is categorised into four different categories and is allocated points. The total points received in each category are then weighted against the weights provided in the table below. The weighted scores are summed to arrive at the total feature score which is indexed against the highest feature score in each profile to arrive at the feature score for each product.

Category	Features Included
Product Conditions 30%	Minimum investment \$ Minimum additional investment \$ Minimum withdrawal amount \$ Regular investment plan available Minimum regular investment amount \$ Regular withdrawal plan available Minimum regular withdrawal amount \$ Payment methods available
Investor Access 20%	Online/phone access – check balance, statements or update personal details Buy Sell requests online or phone Check fund performance online Call centre available
Distributions 20%	Frequency of fund distributions e.g. weekly, monthly, quarterly Reinvestment Plan available
Fees and Rebates 30%	Number of free switches per annum Switching fee if applicable Termination fees Performance fees Fee rebates available Fee rebate or discount details

INVESTMENT PERFORMANCE

CANSTAR ratings do not include a measure for investment returns. We don't believe that we can predict future performance and have taken the decision not to make a judgment on the sustainability of investment returns by funds. The academic research supports this approach and states that you should not expect a fund to continue to outperform based on its past performance. Some studies suggest that persistence of high returns exists only in the short term, while others suggest that it is only at the lower end of the performance scale. At the extreme, they conclude that outperformance today can set in chain behaviours and events that can cause fund performance to severely fall off. That's why we have chosen not to rate on performance.

However, while we have not rated performance we have reviewed the fund performance over the past 5 years for signs of persistent underperformance. We do this because persistent underperformance can be an indicator of broader management or systemic issues which may be impacting the investment performance.

Funds that consistently underperformed in all of the 1, 3 and 5 year performance ratings (i.e. bottom quartile in all 3 performance measures) achieve a rating of no more than 3 stars.

Funds that did not have 3 or more years of performance history appear at the bottom of each profile and are shown as "Not Yet Rated".

How often are products reviewed for star ratings and Award purposes?

All ratings are fully recalculated every twelve months, based on the latest submissions from each institution. CANSTAR also monitors changes on an ongoing basis.

Does CANSTAR rate other product areas?

CANSTAR researches, compares and rates the suite of banking and insurance products listed below. These star ratings use similar methodologies to guarantee quality, consistency and transparency. Results are freely available to consumers who use the star ratings as a guide to product excellence. The use of similar star ratings logos also builds consumer recognition of quality products across all categories. Please access the CANSTAR website at

www.canstar.com.au if you would like to view the latest star ratings reports of interest.



- Account Based Pensions
- Agribusiness
- Business banking
- Business life insurance
- Car insurance
- Credit cards
- Deposit accounts
- Direct life insurance
- Health insurance
- Home & Contents
- Home Loans
- Life Insurance
- Margin lending
- Online Banking
- Online Share Trading
- Package banking
- Personal loans
- Reward programs
- Superannuation
- Travel insurance

DISCLAIMER:

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