

CANSTAR **MARGIN LOAN STAR RATINGS** **METHODOLOGY**



WHAT IS THE CANSTAR MARGIN LOAN STAR RATINGS?

CANSTAR Margin Loan Star Ratings is a sophisticated and unique ratings methodology that compares both Cost and Features across margin lenders. CANSTAR Star Ratings represent a shortlist of financial providers, enabling consumers to narrow down their search for products. CANSTAR Margin Loan Star Rating is a transparent analysis comparing margin loans on the following characteristics:

- Interest Rates
- Fees and Charges
- Features
- Loan to Value Ratio (LVR)
- No. of shares/funds available



MARGIN LENDING – PROFILE OVERVIEW

Margin Loan products included in the CANSTAR Margin Loan Star Rating is assessed across two consumer profiles. Each profile assumes that the consumer will have a preference over one of these forms of security against the other, but will also seek some content from their secondary security type.

The profiles considered are as follows:

Profile	Description
Share Investor	Predominantly invests in the share market
Managed Funds Investor	Predominantly invests in managed funds with the use of an adviser



How is the CANSTAR Margin Loan Star Rating calculated?

CANSTAR Margin Loan Star Rating is a consumer friendly benchmark or value index. Each product reviewed for the Star Rating is awarded points for its comparative Pricing and for the array of positive Features attached to the product. Points are then aggregated to achieve a Price Score and Feature score.

To arrive at the total score CANSTAR applies a weight (w) against the Price and Feature scores. This method can be summarised as:

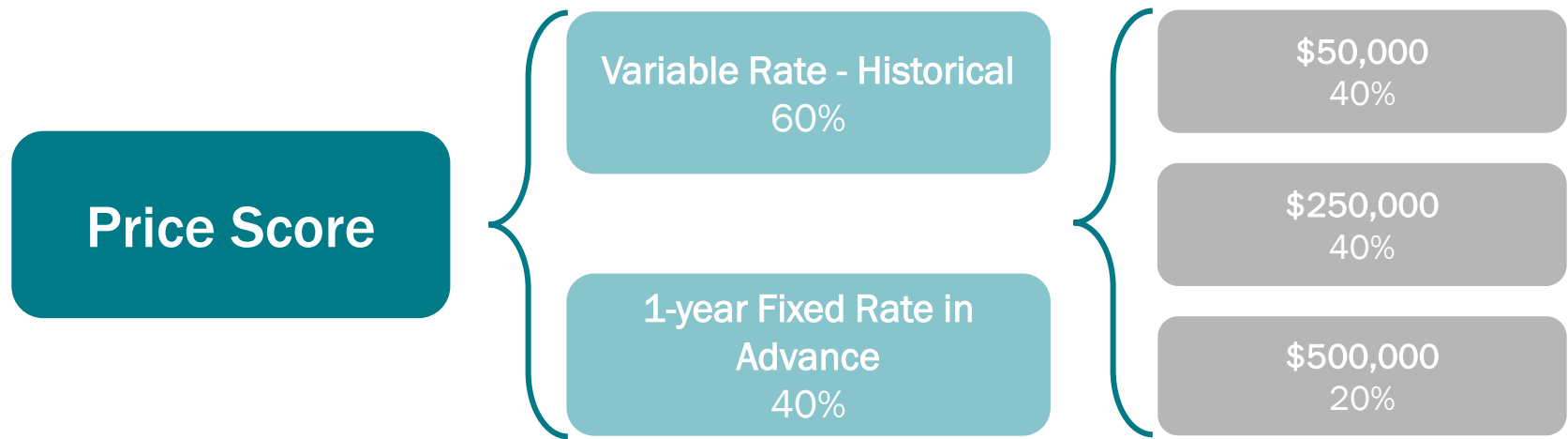
Total Score = Pricing Score + Features Score



METHODOLOGY- PRICING SCORE

The calculation of price considers both current and historical interest rates.

The weights assigned to each are as follows:

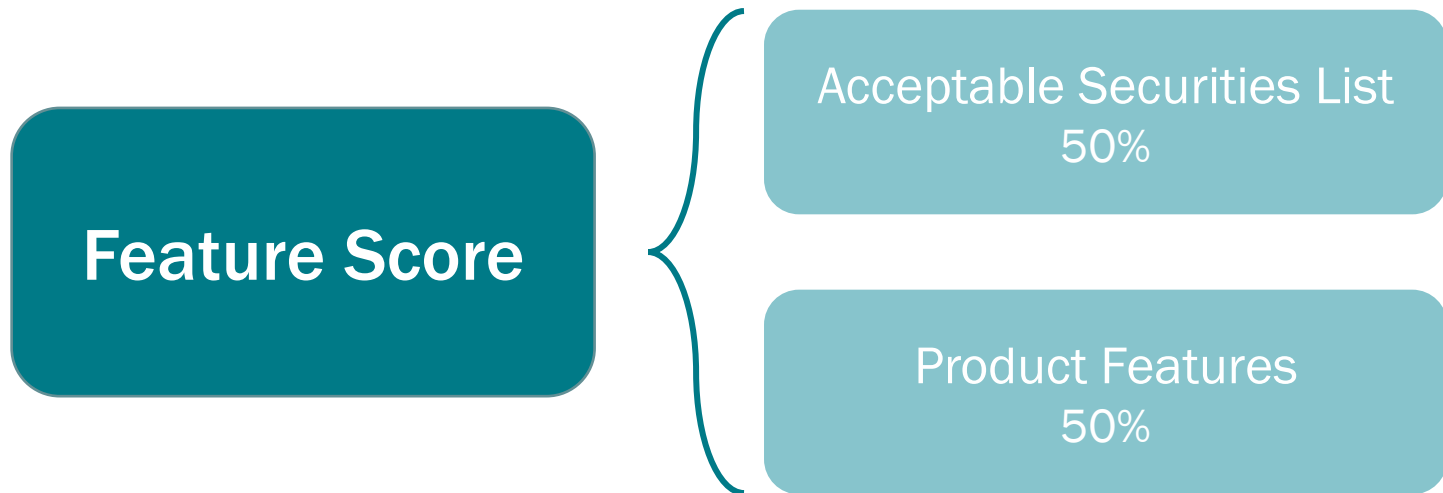


1. **Historical Performance of Standard Variable Interest Rates:** Looks at the average rates over the past six months across the three loan amounts.
2. **Standard 1-year Fixed Rate in Advance:** rates as at 1st of June and 22nd of June across the three loan amounts.



METHODOLOGY – FEATURE SCORE

Products are assessed and scored based on flexibility, operating terms and conditions, available tools and imposed product parameters. The points are totalled for each product and then indexed to determine the product's feature ranking.



METHODOLOGY – PRODUCT FEATURES

Each feature is allocated points. Points are awarded for positive traits such as account services, repayment options and flexible lending terms. The total feature score for each category of information is ranked and weighted with each category contributing to the overall Feature Score.

Category/Sub Category	Shares	Managed Funds	Description
Margin Loan Trading	25%	20%	Features available for trading
Loan Features	15%	15%	Loan application avenues and approval turnarounds
Direct Client Services	10%	10%	Customer service- newsletters, account managers, statements
Advisor Services	5%	10%	Advisor services - access to client information and advice
Fees And Charges	10%	10%	Initial, ongoing, behavioural and discharge fees
Margin Information	10%	10%	Information relating to margin call, period to fulfil and options
Lending Terms	10%	5%	General info relating to credit facility e.g. min/max loan amounts
Security	5%	5%	The types of security able to be used as security
Instalments Gearing	0%	10%	Availability of Instalment gearing
International Shares	5%	0%	Availability of international shares
Application	5%	5%	Ability to apply online



METHODOLOGY – PRODUCT FEATURES

Category/Sub Category	Shares	Managed Funds
Margin Loan Trading	25%	20%
Settlement Account and Risk Management	45%	55%
Options Trading	30%	5%
Portfolio Platform	25%	40%
Loan Features	15%	15%
Cash Advance	25%	30%
Dividend Distribution	10%	10%
Progressive Drawdowns	10%	10%
Repayments	25%	20%
Split/Combination Features	20%	20%
Switching	10%	10%
Direct Client Services	10%	10%
Advisor Services	5%	10%
Fees And Charges	10%	10%
Charges	50%	50%
Transaction Costs	50%	50%
Margin Information	10%	10%
Lending Terms	10%	5%
Security	5%	5%
Instalments Gearing	0%	10%
International Shares	5%	0%
Application	5%	5%



METHODOLOGY – ACCEPTABLE SECURITIES LIST

CANSTAR reviews the Acceptable Securities List (ASL) for only those securities that have either an APIR (managed funds) or ASX (Australian shares) code. International shares are not included in the calculation of the ASL Score.

The score for ASL is comprised of:

- The number of Listed Shares and Managed Funds available against which to borrow funds
- A product's average LVR for Listed Shares and Managed Funds
- Diversified and undiversified portfolio offerings

Each of the below components are calculated at six points during the six months preceding the star rating calculations. This provides an ASL score on historical performance and benefits the institutions with a consistent high offering on both the number of stocks/managed funds and the LVR.

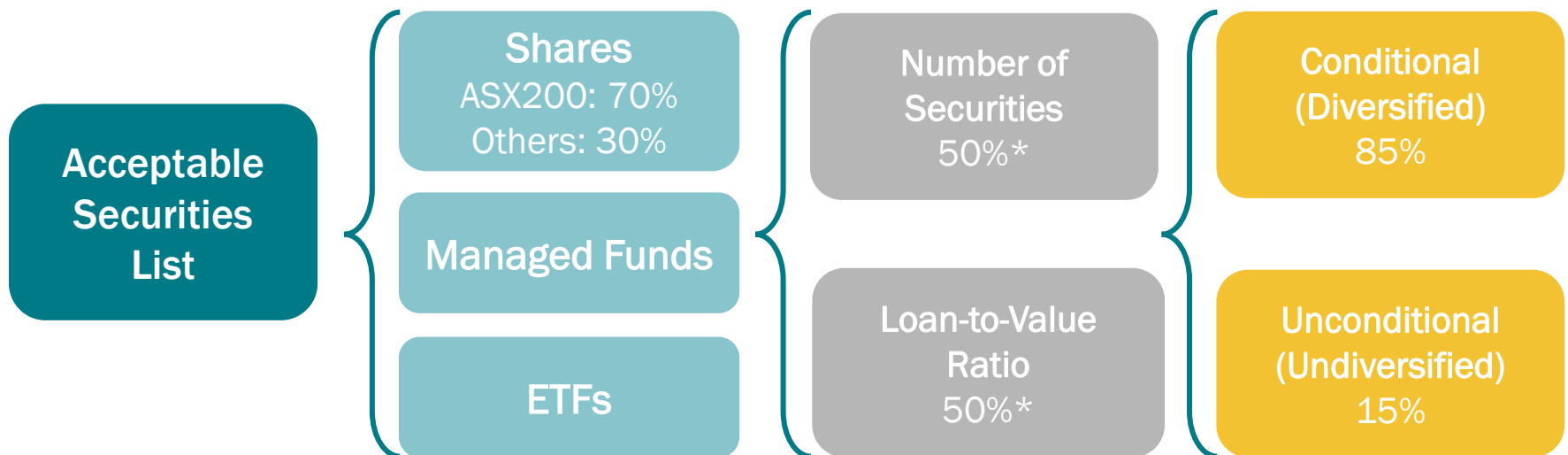
A higher number of funds and shares on a menu, along with a high average LVR, will result in a high relative score.



METHODOLOGY – ACCEPTABLE SECURITIES LIST

As with Product Features, the ASL score is assessed differently for the two investor profiles, with scoring weighted towards the more relevant of the two main security types in accordance with the profile.

Profile	Shares	Managed Funds	ETF
Share Investor	85%	10%	5%
Managed Funds Investor	20%	75%	5%



*For the ASX200 a weight of 30% is placed on number of securities and 70% on LVR.



DOES CANSTAR RATE ALL PRODUCTS AVAILABLE IN THE MARKET?

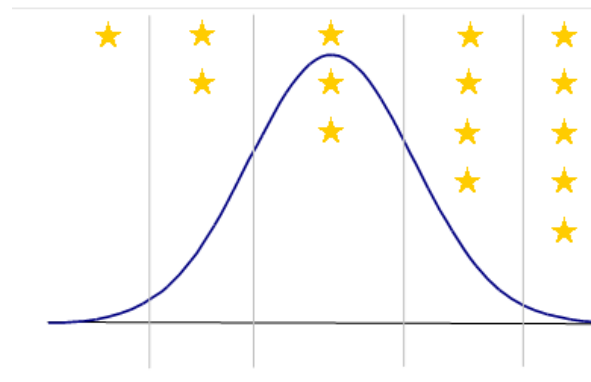
We endeavour to include the majority of product providers in the market and to compare the product features most relevant to consumers in our ratings. However, this process is not always possible and it may be that not every product in the market is included in the rating nor every feature compared that is relevant to you.

HOW OFTEN ARE ALL THE PRODUCTS REVIEWED FOR RATINGS PURPOSES?

All ratings are recalculated annually based on the latest features offered by each provider. CANSTAR also monitors changes on an ongoing basis. The results are published in a variety of mediums (newspapers, magazine, television, websites, etc.).

HOW ARE STARS AWARDED?

The products are ranked with each category based on the total score received. The stars are then awarded based on the distribution of the scores with the objective to award the top 5-10% of products with the CANSTAR five-star rating. The results are reflected in a consumer-friendly CANSTAR star rating concept, with five stars denoting outstanding value.



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
- Business life insurance
- Savings & Transaction Accounts
- Health insurance
- Landlord insurance
- Margin lending
- Package banking
- Reward programs
- Travel insurance
- Agribusiness
- Car insurance
- Direct life insurance
- Home & contents
- Life insurance
- Online banking
- Personal loans
- Superannuation
- Travel money cards
- Business banking
- Credit cards
- First home buyer
- Home loans
- Managed investments
- Online share trading
- Pet insurance
- Term deposits
- Youth banking



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