

Managed Investment star ratings

CANSTAR Methodology 2017



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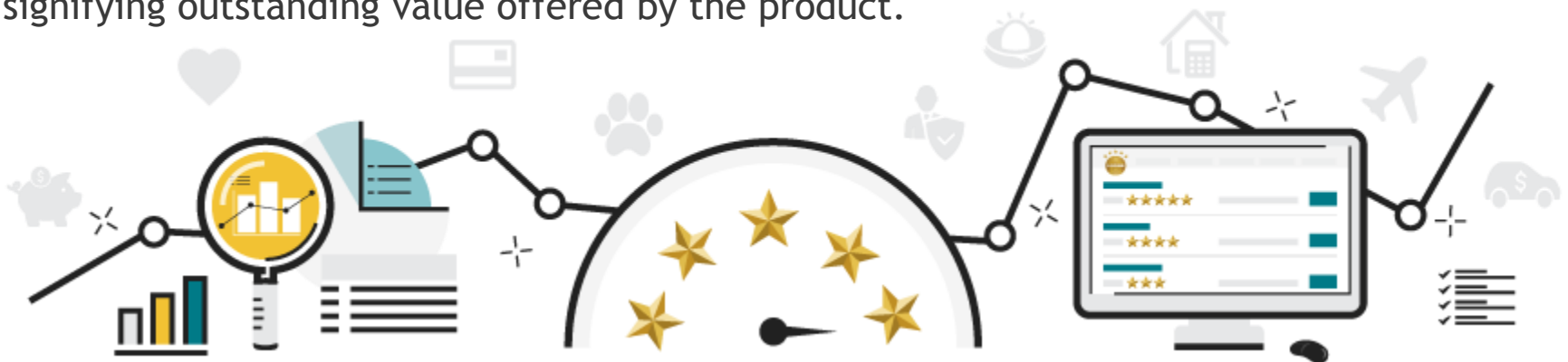
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What are the CANSTAR Managed Investment star ratings?

CANSTAR rates financial products to find value

CANSTAR Managed Investment star ratings involve a sophisticated rating methodology, unique to CANSTAR, that compares 165 products offered to Australians. CANSTAR's star ratings provide a transparent analysis of a shortlist of managed investment products, enabling consumers to narrow their search to products that have been reviewed, assessed and ranked.

The results are reflected in a consumer-friendly five-star concept, with five stars signifying outstanding value offered by the product.



What types of products are considered?

Product eligibility

To be eligible for the CANSTAR *Managed Investment star ratings*, a fund must meet certain requirements:

- Available for purchase directly by an individual investor;
- Or available through a discount broker such as Investsmart, 2020 Directinvest, and Commsec.
- Nil fee for initial deposit.
- Minimum FUM of \$50m.
- Retail or wholesale fund with the initial required investment amount equal to or less than \$20,000.
- Funds must be open to new investors.
- Funds must have a minimum 10 years of performance history
- All hedged funds are excluded.
- ETFs are excluded.

Each managed investment product reviewed for the CANSTAR *Managed Investment star ratings* is awarded points for its comparative pricing, for the array of positive features attached to the product and performance. Points are aggregated to achieve a Pricing score, a Feature score and Performance score.

What is considered?

Profiles - Multi-sector

Our current ratings focus on Multi-sector funds, where the profiles considered are based on the growth asset allocation of funds. The table below provides an outline of profiles considered:

Profile	Benchmark Growth Asset Allocation	Definition
Multisector Moderate	21-40%	Funds predominantly investing in at least 60% cash and fixed interest products while limiting investment in growth assets such as shares and property. Suitable for low risk investors or those nearing retirement and looking to secure their return.
Multisector Balanced	41% - 60%	Funds equally invested in cash, fixed investments and growth assets or a slightly bigger proportion invested in growth assets. Suitable for mid-risk investors or those in the midst of their career and willing to accept a moderate level of risk over time.
Multisector Growth	61%-80%	Funds predominantly investing in growth assets while limiting investment in cash and fixed investment products. Suitable for high-risk investors or those in the buildup of their career and willing to accept significant levels of risk over time.
Multisector Aggressive	80% +	Funds investing more than 80% in growth assets while limiting investment in cash and fixed investment products. Suitable for high-risk investors.

What is considered?

Profiles - Australia & Global

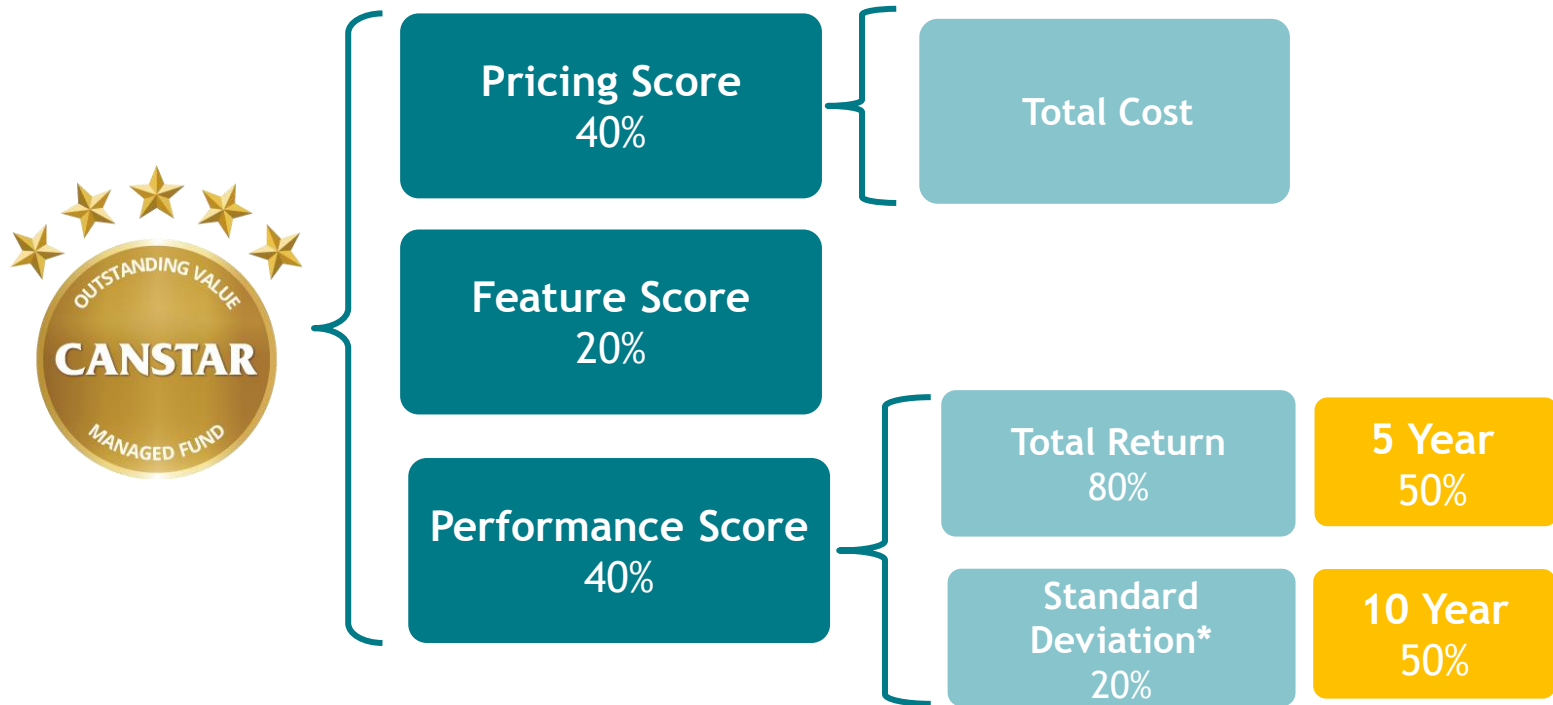
Our current ratings focus on Australian and Global funds, where the profiles considered are based on the asset class of the funds. The table below provides an outline of profiles considered:

Profile	Detail category	Definition
Australian Cash & Fixed Interest	<ul style="list-style-type: none"> • Australian Cash • Australian short term fixed interest • Australian Bond 	Funds invested in Australian cash or fixed investments. Suitable for low risk investors or those nearing retirement and looking to secure their return.
Australian Shares - Large Cap	<ul style="list-style-type: none"> • Equity Australia Large Blend • Equity Australia Large Growth • Equity Australia Large Value 	Funds invested in Australian larger-sized stocks with different investment styles.
Australian Shares - Mid/Small Cap	<ul style="list-style-type: none"> • Equity Australia Mid/Small Blend • Equity Australia Mid/Small Growth • Equity Australia Mid/Small Value 	Funds invested in Australian medium-sized and smaller-sized stocks with different investment styles.
Global Bonds	<ul style="list-style-type: none"> • Bond - Global • Bond - Global/Australia 	Funds invested in global fixed investments. Suitable for low risk investors or those nearing retirement and looking to secure their return.
Global Shares - Large Cap	<ul style="list-style-type: none"> • Equity World Large Blend • Equity World Large Growth • Equity World Large Value 	Funds invested in global larger-sized stocks with different investment styles

Managed Investment star ratings Methodology

To arrive at the total score, CANSTAR applies a weight against the Price, Feature and Performance scores. This weight applies to all profiles and will reflect the relative importance of either costs, features or performance in determining the best product. This method can be summarised as:

$$\text{Total Score} = \text{Price Score} + \text{Performance Score} + \text{Feature Score}$$

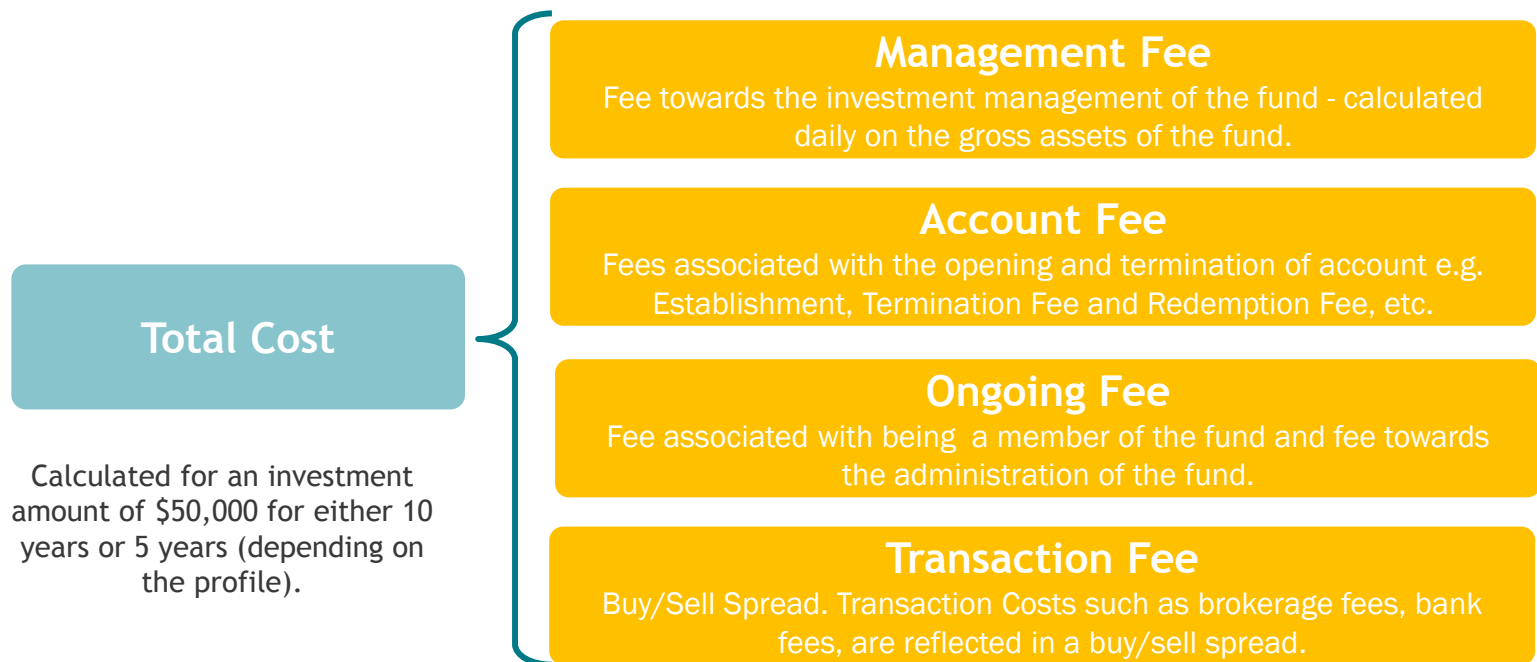


*Based on monthly performance

How does CANSTAR calculate the Price Score?

Price Score

The pricing score for the Managed Investment star ratings is based on the total cost of the investment over a period of 10 years. The lowest priced product receives the highest price score and all other funds are indexed against it. See below for a breakdown of total cost:



How does CANSTAR calculate the Feature Score?

Feature Score

Each individual feature is categorized into four main feature categories and allocated points. Based on the points received, each individual policy receives a total features score. The total feature score is then weighted against the weights provided in the following table for their respective profile feature score. The feature score is then indexed and weighted by the 20% weighting to provide the final Feature Score.

The table highlighting relative weights is detailed on the following slide.

How does CANSTAR calculate the Feature Score?

Feature Category	Weight	Features Included
Distributions	25%	<ul style="list-style-type: none"> • Regular distribution available • Frequency of fund distributions (e.g. weekly, monthly, quarterly, etc.) • Reinvestment Plan available • Franking credit available
Product Conditions	30%	<ul style="list-style-type: none"> • Minimum investment (\$) • Minimum additional investment (\$) • Payment methods available (Cheque/BPAY/Direct Debit) • Regular investment plan available • Minimum regular investment amount (\$) • Regular withdrawal plan available • Minimum withdrawal amount (\$) • Minimum regular withdrawal amount (\$) • The frequency of making regular withdrawals / investments
Investor Access	35%	<ul style="list-style-type: none"> • Which channel is available to the investor to access the managed fund? • Online/phone access (to check balance, statements or update personal details) • Buy/Sell requests online or phone • Check fund performance online • Call centre available
Other Fees and Rebates	10%	<ul style="list-style-type: none"> • General Fee (contribution fee/Redemption fee) • Performance fee • Number of free switches per annum • Switching fee if applicable • Fee rebates available • Fee rebate or discount details

How does CANSTAR calculate the Performance Score?

Performance Score

CANSTAR ratings include a measure for investment returns. Both return and risk are considered for the fund performance component. Risk is measured by the standard deviation.

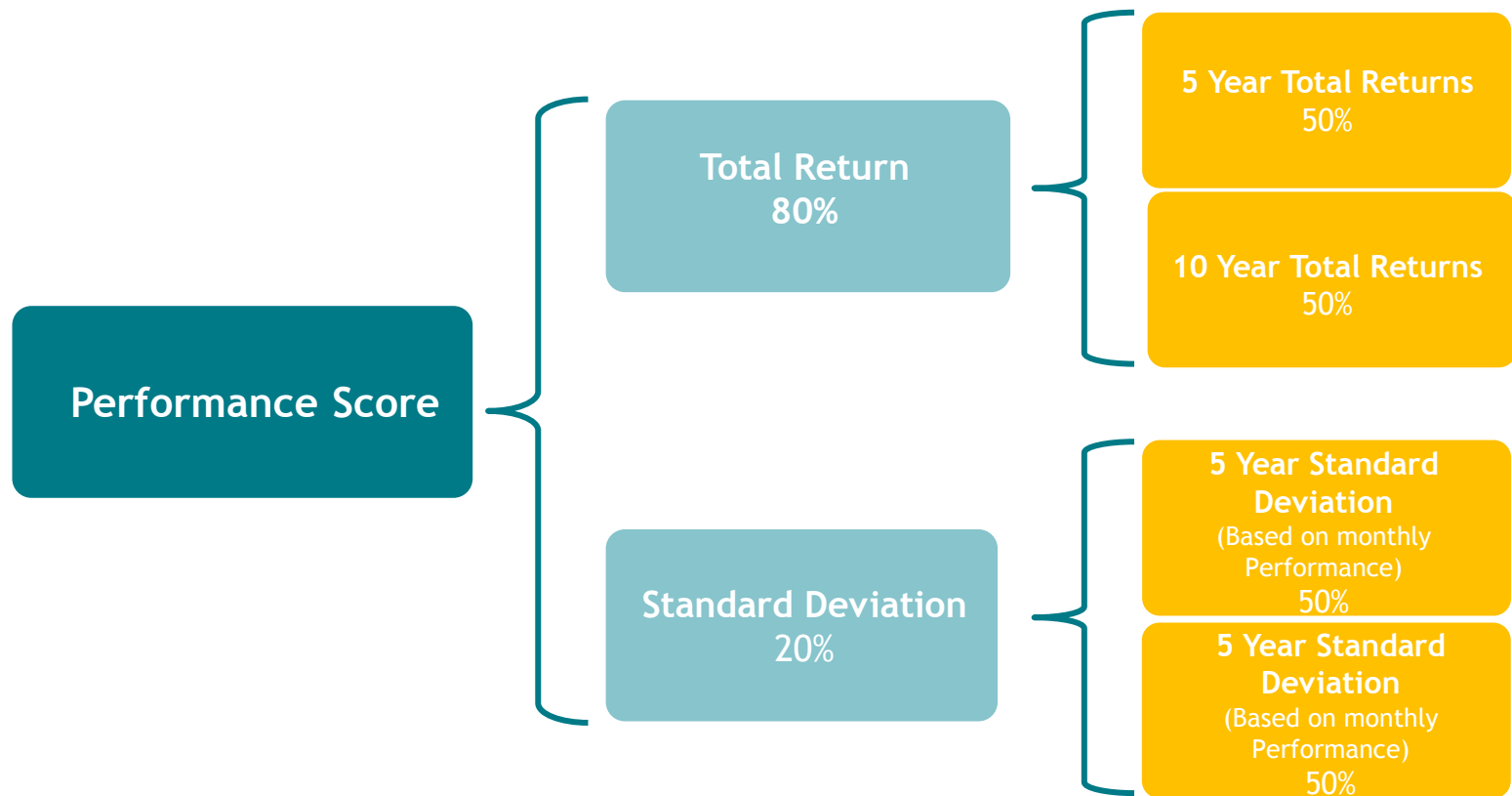
Standard deviation is the statistical measurement of dispersion around an average, which indicates how widely a stock or portfolio's returns varied over a certain period of time. Investors use the standard deviation of historical performance to try to predict the range of returns which is most likely for a given investment. When an investment has a high standard deviation, the predicted range of performance is wide, indicating greater volatility risk.

We have assigned 80% weight to Total Return and 20% to the Standard Deviation. Both total return and standard deviation are rated equally for up to two periods - 5 years and 10 years.

However, the whole performance measure is based on historic performance and it's meant to provide some insight about how the funds have been performed in the last 5 or 10 years. Investors should always bear in mind that "Past performance is no guarantee of future performance".

The graph highlighting relative weights is detailed on the following slide.

How does CANSTAR calculate the Performance Score?



Additional information

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.

What other product areas does CANSTAR rate?



CANSTAR researches and rates over 16,000 products across 40 different categories including banking, insurance and wealth. We then display our expert value based Star Ratings in our comparison tables so that you can easily compare and find the right product for you. For more information regarding CANSTAR's ratings as well as news and updates from the market, visit www.canstar.com.au

- 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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