AUSTRALIAN

RESEARCH

INDEPENDENT INVESTMENT RESEARCH

Atlantic Pacific Australian Equity Fund

October 2016

INDEPENDENT INVESTMENT RESEARCH

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4) Our research process for valuation is usually more conservative than what is adopted in Broking firms in general sense. Our firm has a conservative bias on assumptions provided by management as compared to Broking firms.
5) All research mandates are settled upfront so as to remove any influence on ultimate report conclusion;
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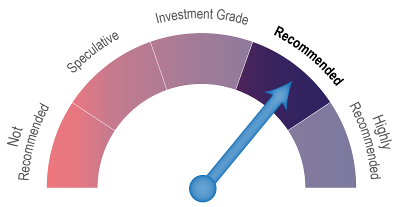
Note: This report is based on information provided by the Issuer as at October 2016.

Rating



Investment Profile	
Name of fund	Atlantic Pacific Equity Fund
Investment Manager	APSEC Funds Management Pty Ltd
Benchmark	
Inception Date	June 2013
Objective	Long term absolute total returns by investing in a concentrated portfolio of ASX-listed securities
Performance Target	5-10% outperformance per year after fees
Tracking Error	Benchmark unaware
MER	2.0% of Net Asset Value
Performance Fee	15% of excess net performance over the Benchmark plus 3% subject to a high water mark
Hurdle	S&P/ASX 200 Acc Index + 3.0%

Fees Commentary

Fees are on the high side, and made more so by the fact that the 2.0% MER is based on Gross Asset Value rather than Net Asset Value. The Performance Fee hurdle appears aggressive but is based on Gross Performance rather than net. On a net of fees basis the hurdle essentially equates to the performance of the S&P/ASX 200 Accumulation Index, The performance fee is otherwise appropriately structured, based on an appropriate benchmark and inclusive of a high water mark. IIR acknowledges lower FUM funds often need to charge at the higher end of the fee spectrum and would expect fee levels may decline over time with the growth in FUM.

Key Exposures (as at Sep 2016, % Portfolio)	
Long Australian Equities	63%
Long / (Short) Index Futures	3%
Short Individual Securities	0%
Cash	34%

OFFER OVERVIEW

The Atlantic Pacific Australian Equity Fund (the Fund) is a long-short, absolute returns, high conviction, Australian equities mandate based on a bottom-up fundamental and top-down thematic investment approach. The Fund was launced in June 2013 and, over its three year track record has generated alpha and superior risk-adjusted returns as well as meeting its aggressive performance objectives. The Fund is managed by a small, but capable and proven investment team. The long portfolio consists of a concentrated 20-40 ASX listed holdings of large to small cap stocks. Shorting is achieved both by shorting index futures in response to the manager's market cycle view and the manager has recently provided itself the ability (through a re-issued PDS in September 2016) to short individual ASX securities in order to add to its ability to implement its investment ideas. The manager will also go materially into cash to express market views. Since inception, the average net long position has been approximately 70%, and ranged from as low as approximately 40% up to 85%. The investment process combines bottom-up fundamental, top-down thematic and quantitative / technical analysis. Bottom up fundamental analysis represents the basis of stock selection, both on the long and short side. The top down thematic analysis aims to provide an indication of where the market is in its investment cycle and is the key input as to whether the investment strategy is positioned defensively, or otherwise, by way other either cash or shorting index futures. Quantitative / technical analysis is complimentary to the other frameworks in that it provides a discipline for entry and exit timing of investments.

INVESTMENT VIEW

Investor Suitability

We believe the Fund may be well suited to investors that: seek equity market growth exposure but gain comfort from the fact that the Fund has historically provided an effective degree of downside protection on account of the shorting component of the investment strategy and a readiness to go materially into cash; seek the reassurance of having their money managed by an investment manager characterised by a stable, investment led team culture and utilising a tested and repeatable investment methodology; investors who are comfortable with the additional performance risk through a shorting strategy. Overall, the Fund has been characterised by a lower degree of risk than the vast majority of its peers while also generating superior returns since inception. Having said that, we note the historic time frame of the Fund has been short, although we take comfort from the portfolio manager's track-record of outperformance over a full market cycle.

RECOMMENDATION

IIR has conviction in the investment's team ability to continue to generate alpha superior risk-adjusted returns over the medium and long term. This is based on a range of factors. Firstly, the team is adequately experienced, proven to be capable, stable and has a collegiate culture where, by nature of the small team size, there is a high degree of ownership and accountability of investment decisions. The investment process is established, disciplined, and effectively proven over a full market cycle. The small team ensures consistency of process and, in this regard, we believe the track record of alpha generation and superior risk-adjusted returns is repeatable. The track-record is strong and alpha has been generated both by stock selection and net market exposure management, largely by shorting index futures. We note the investment team is small but we do not believe over stretched. Key person risk in such a small team inevitability exists, but is particularly high in this case given the portfolio manager is the sole architect of the strategy and there is no succession planning in place. Fees are also high, but we recognise that this is partly a necessity of relatively low funds under management (FUM) that this point in time. Overall, IRR rates the Atlantic Pacific Australian Equities Fund RECOMMENDED.

SWOT ANALYSIS

STRENGTH

- Experienced, capable and stable investment team with a collegiate culture where, by its very nature, there is an absolute ownership and accountability of investment decisions. The PM, Nicolas Byron and supported by co-PM, George Paxton, has experience across multiple strategies (long only, long/short, quant, technical, macro) and across multiple investment environments, including a track-record of preserving capital during the GFC.
- Historic performance has been exceptionally strong, albeit over a limited three-year time period. The Fund has generally delivered on its aggressive performance objective of 5-10% p.a. excess returns and done so with materially lower volatility and drawdowns. The Fund has also outperformed in down market months on approximately two-thirds of such occasions.
- Alpha generation has been generated by both the long and short components, specifically through stock selection and defensive tactical positioning through shorting and going materially into cash.
- The investment process is well established, disciplined, and, given the PM's previous experience, effectively proven over a full market cycle. The small team ensures consistency of process and, in this regard, we believe the track record of alpha generation and superior risk-adjusted returns is very much repeatable.
- The Manager has set a capacity limit of $200M so that the fund manager's ability to generate performance for clients is protected.

WEAKNESS

- While the team is very much stable, with no turn-over to date, there is significant key-person risk with Nicolas Bryon who has been the main architect of the investment strategy to date. Furthermore, there is no effective succession planning in place, although we may expect this to change with further FUM growth.
- Fees are at the high end of the relative scale, with a 2% MER and a 15% performance fee. However, we acknowledge that lower FUM funds require higher fees partly in order to not compromise team stability through materially below market remuneration as well as business sustainability issues.
- Unit pricing and redemption / withdrawal frequency is on a monthly basis only.

OPPORTUNITIES

- Domestic investors often exhibit a significant bias to long-only equities portfolios. For such investors, the Fund may provide an effective source of diversification and importantly downside risk mitigation.
- Exposure to an investment manager with a strong track record of alpha and superior risk-adjusted returns across a full market cycle. This has been based on a strong and repeatable investment process and stable investment team in a broader ownership structure that enable the investment team to focus on investing without the distractions of business administrative, etc aspects.
- Exposure to an investment strategy that has not only generated alpha and strong risk-adjusted returns but has preserved capital during periods of market down turn.

THREATS

- The Manager has recently modified the strategy to enable short-selling of individual securities, rather than solely index futures. This has increased the strategy's emphasis on the stock picking abilities of the fund manager.
- Short selling has a skewed payoff ratio as the maximum gain – which occurs if the shorted stock was to fall to zero – is limited, but the maximum loss is theoretically infinite.

PRODUCT OVERVIEW

The Fund is managed according to a fundamentally based, long-short, high conviction and benchmark unaware investment mandate. While the fund is permitted to have a variable net market exposure between 0-100%, the fund will generally have a long bias.

The portfolio may consist of a mix of Australian equities and Australian index futures, both long and short positions, as well as cash. As a high conviction, benchmark unaware mandate, the portfolio is relatively concentrated, comprising 20-40 holdings, with position sizes of between 2-5%. Being unconstrained by benchmark considerations means that each investment is a positive decision and a sell-to-zero discipline can be adopted.

The investment process combines bottom-up fundamental, top-down thematic and quantitative / technical analysis. Bottom up fundamental analysis represents the basis of stock selection, both on the long and short side. Within this, there is a strong focus on short-to-medium term catalyst identification as a critical consideration to invest / divest and the timing of investment / divestment. The top down thematic analysis aims to provide an indication of where the market is in its investment cycle and is the key input as to whether the investment strategy is positioned defensively, or otherwise, by way other either cash or shorting index futures. Quantitative / technical analysis is complimentary to the other frameworks in that it provides a discipline for entry and exit timing of investments.

The Fund is very much an absolute returns mandate. The manager may defensively position the strategy by reducing its net market exposure through a combination of cash and shorting index futures, the latter being used more as a shorter term tactical way of reducing market risk. Historically, net market exposure has ranged from 42% to 85% with an average of 65%. In terms of historic performance, there has been a manifest and material benefit in terms of lower volatility and superior downside protection relative to the benchmark.

The Fund has an aggressive performance objective of delivering net returns of 5-10% p.a. over benchmark over a 5-7 year period with below average volatility and downside protection over the medium term through its ability short index futures and go materially into cash. Since inception in June 2013, the Fund has successfully achieved this objective, outperforming the benchmark in net terms by an annualised return of 4.1% over the three year period to August 2016 and recording lower volatility and drawdowns. Furthermore, this degree of outperformance has been consistent over a one, two and three year periods.

The Fund charges a 2.0% MER plus a 15% performance fee on excess net performance over the Benchmark plus 3% with a high watermark.

MANAGEMENT GROUP PROFILE

APSEC Funds Management Pty Ltd was established in August 2011 by staff at Atlantic Pacific Securities Pty Ltd. In April 2012, lead portfolio manager Nicolas Bryon was hired to lead and develop the fund. In January 2013, 43.3% of APSECFM was sold to Amalgamated Australian Investment Group Pty Ltd (AAIG). In June 2013, the Atlantic Pacific Australian Equity Fund was launched and has been continuously managed by Nicolas Byron and George Paxton since inception.

AAIG owns a diversified group of financial companies that include a financial planning and dealer group in Adelaide (with Funds Under Advice of approximately $110M), a several share advisory firms with in excess of 2,000 clients as well as Australian Stock Report Pty Ltd.

Over the three years since inception, FUM has grown to approximately $25M as at 30 June 2016. The flow has been $5m, $8m and $9.5m (inclusive of distributions) respectively for each year and we expect this to be maintained over coming years, barring any major performance catastrophe. The FUM has been raised predominantly through AAIG's internal distribution (share advisory and financial planning entities or clients of other companies wholly or partly owned by AAIG.

The Funds Management business is profitable as a stand-alone and will receive continued support from the AAIG group to fund growth via additional staff members, including hiring a BDM in the near term. The Fund moved into a positive cash flow state inclusive of performance fees of AUD$200k in fourth quarter 2015. Management estimate the business will be very profitable once it moves to AUD$50m resulting in revenue after Fund Service Providers of ~$800k

Moving forward external distribution through financial planning / dealer groups will be pursued and the manager is actively for business development resources to lay the foundations of it sales and marketing efforts within the financial planning and dealer networks. A total FUM target for the fund has been set at $200M

INVESTMENT TEAM

The investment team is small, consisting of two dedicated members. Broadly speaking, we would describe team culture as flat and collegiate. The stability of the team speaks well to team rapport and augurs well for future stability. The level of investment management experience with the PM is solid, demonstrating a track-record of outperformance across a full economic / market style.

Nicolas Byron is the senior fund manager of the Fund. He is assisted by George Paxton (co Portfolio Manager). Prior to joining APSEC, Nicolas began his career in the investment markets in the late 1990s as an equities analyst at JP Morgan late '90s. He subsequent moved to BNP Paribas IM, initially as an analyst and subsequently as a portfolio manager of a small cap strategy. From there Nicolas went to a boutique called Matrix Asset Management with the head of equities of BNP. The business ran capital protected products, specifically long only straight equity product wrapped with a derivative overlay. The business failed, although we note the structured products market in Australia never recovered after the GFC.

Nicolas then moved to Jaguar Funds which was a long short market neutral equities fund. According to Nicolas, performance was strong and the fund top quartile amongst the peer group.

Nicolas then moved to Arnott Capital where he was a portfolio manager of a long-short Asian equities strategy. This where Nicolas had his main success with building a boutique. Arnott Capital across its two managed funds grew FUM from $20m to $1bn just prior to GFC. From an investment return perspective through the GFC the fund successfully preserved capital and, general delivered very consistent returns over its four year track-record, as per the investment objective.

Prior to the Fund, George Paxton was based in England where he had studied Law. He became an M&A lawyer for a short period and then started getting into research on stocks. is a financial analyst with an extensive portfolio of financial services skills. Previous experience includes senior positions providing banks and hedge funds with actionable intelligence and analysis. Prior to this, he specialised in corporate finance advisory in London, with a focus on mergers and acquisitions and analysis within the North American and European markets. He has extensive experience in valuation techniques, global accounting standards and mergers and acquisitions.. Since moving to Australia, he has been researching Australian equities for over four years.

The team are generalists rather than sector specialists, and intentionally so. The Manager believes the latter structure creates myopia it plays to the importance of all team members being able to effectively compare and discuss stocks by having a common language to recognise the pros and cons of each business model and investment case. It also adds to the level of interaction between team members

In terms of team size and use of resources, the team is clearly small, notwithstanding the addition of a third dedicated quant based member. However, we do not view the team as stretched relative to the demands of the investment process. Further, as noted above, team members are distanced from some of the peripheral activities associated with investment management, enabling them to concentrate on portfolio management.

The incentivisation structure includes discretionary bonuses. We view key person risk more a function of being hit by the proverbial rather than Nicolas choosing to leave, at least at this point. However, key person risk is very significant given Nicolas is the architect of the strategy and there is no succession planning. If Nicolas was to depart our view of the strategy would, in all likelihood, change significantly.

Table 1: Key Investment Personnel

Name, Position	Years with Fund	Industry Experience
Nicolas Byron, Portfolio Manager	4	17+
George Paxton, Portfolio Manager	4	10+
Thomas King, Quant Analyst	1	1

INVESTMENT PROCESS

Broadly speaking, the investment process is well established, disciplined, and effectively tested over various market environments given Nicolas' prior portfolio management experience. The small team ensures consistency of process and, in this regard, we believe the track record of alpha generation and superior risk-adjusted returns is repeatable.

INVESTMENT PHILOSOPHY

The Fund's objective is to generate excess net returns of 5-10% p.a. over the benchmark over the medium to long term. The Team believes this is best achieved by investing in a concentrated, unconstrained portfolio based on a long-short mandate and drawing on multiple investment strategies (long only, long/short, quant, technical, macro). The manager describes itself as style neutral that looks to the adapt to any investment environment utilising the skills the team has develop in this and prior capacities and the various components of its investment process (see below).

There is a significant emphasis on event / catalyst identification. The manager is of the view that the fundamentals of a company are effectively defined by the events that have happened in the past and expectations of future events.

By its very nature being a long-short strategy, the Team is very conscious of downside risk, viewing the key risk to investors as the permanent impairment of capital. Downside risk is managed at the stock level through valuation disciplines and at the strategy level by the ability to short both index futures and specific securities as well as be materially invested in cash.

The Manager holds there are distinct benefits of a long-short strategy. All asset classes undergo periods of prolonged positive returns as well as negative returns. Therefore, unlike more traditional fully invested buy-and-hold strategies which are highly dependent on a rising market, allowing for variable net market exposure may lead to outsized relative returns during negative or range trading market environments. Periods in which an investment manager can capitalise on the direction of the market, whether for days or months, will lead necessarily to significant relative performance.

INVESTMENT PROCESS

The Team's investment process is detailed and diagrammatically presented below.

Universe Screen

The universe of Australian equity investments is reduced to a universe of 200 to 250 names based on a liquidity screen. Once the Investable Universe is available, the team then researches companies from a fundamental point of view, attempting to identify companies where there is a strong likelihood of outperformance. In addition, ideas are generated utilising various screens. Given the style neutral nature of the strategy, the number of screens is quite diverse. This list of companies becomes the Target Universe.

Catalyst Identification

For the Target Universe, the team identifies and defines catalysts, with the latter based on an expectation of timing and potential magnitude of return after the event has occurred. This provides the team a time frame over the next 3-6 months on when the team may want to invest in a particular stock. As the focus of the team's efforts is to maintain a portfolio of companies likely to outperform given the strong alpha objective, the outcome of events becomes a primary driver of potential outperformance.

The key types of events the team focuses on include reporting periods, profitability trading updates, and industry and economic activity data. Additionally, other events reported by companies during the year can have an impact on the team's bias towards a company. For example, a cheap acquisition within a company's normal operating environment may support earnings upgrades.

Events confirm holding/exiting a position or they support the start of a new position.

Macro Research

This framework aims to provide an indication of where a market is in its investment cycle.The outcome of this 'top down' approach is to describe the market environment in terms of three basic characteristics – bull, bear or range trading. Each phase may last for long periods of time and is a critical overlay to the construction of a portfolio. Knowing when to be defensive or otherwise is critical to the success of the investment strategy. This particular component of the investment strategy will to a great extent determine how much net market exposure the portfolio has any point of time.

Quantitative Analysis

This method of investment analysis is complementary to the other frameworks in that it provides the discipline for entry and exit points of an investment. This framework utilises company valuations, timing models and other technical analysis indicators. With respect to valuations, historical ranges across a number of variables provide a strong indicator of over or under valuation. The premise is that a company will have a distribution of valuation outcomes depending on the economic cycle or industry in which it operates and will not tend to deviate from this. In addition, discounted cash-flow models, as provided by market analysts, are used to provide a market-based anchor for valuation. In each case, the Investment Manager will seek to establish an intrinsic value for a business in order to form a view on relative or absolute valuation. Complementing the entry and exit decision for investments, the Investment Manager will utilise mathematical models of security price behaviour across a number of model families.

Net Exposure Management and Short Selling

The manager manages downside risk by both shorting index futures, individual securities and going into cash. With the recent ability to short individual securities, the importance of the Manager's stock picking abilities has been further augmented. While this represents a material evolution of the strategy, the manager's stock picking track-record on the long side provides us with conviction that we should not expect to see a deterioration in performance moving forward. (index futures is based on macro views as opposed to shorting individual securities).

Net exposure is managed within the range 0 to 100% of capital. The asset exposure of the strategy will be made up of long equity exposure accounting for most of the net assets. In order to manage this weight downwards due to anticipated macroeconomics events, minimising further losses in the fund, or general uncertainty, the manager will either sell index futures or sell out individual equity securities. This dynamic exposure management is to minimise downside volatility where it is clear equity markets will underperform.

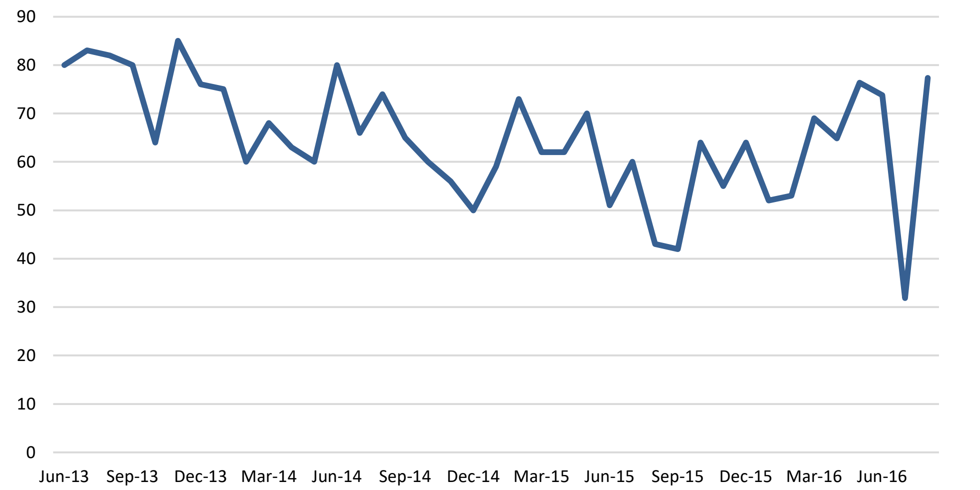
The selling of index futures is typically related to anticipated macroeconomic events where there is the potential for a negative period of returns. Alternatively, the manager may sell exposure after a negative macroeconomic event to minimise further losses in the fund. If the effect of the event is perceived to be permanent and will likely result in further medium term losses in selected investments, then this short term hedge will be replaced by outright security sales.

As noted above, shorting of individual securities is now permitted with the issue of the updated PDS in September 2016. In terms of investment process, the manager's fundamental process is symmetrical. The manager is looking for lower quality securities or where negative earnings revisions are likely to eventuate or likely to continue being negative.

Position sizes will again be dominated by liquidity. The manager does not expect to target mid and small caps on the short side due to the relative scarcity of borrow for these securities. This is consistent with the manager's liquidity focus but translated to the borrowing dimension.

Risk management is also symmetrical as applied to short sold securities. However, event and take-over risk becomes more acute for short selling of securities. Take-over risk can present a fat-tail risk which the manager would actively avoid. The manager also expects short selling to be much shorter term in nature creating trading income rather than being necessarily structural in nature, particularly for less liquid names.

Chart 1: Net Exposure



PORTFOLIO CONSTRUCTION

Given the unconstrained nature of the portfolio, no consideration is given to the composition of the benchmark index, which is simply used to represent a client's 'opportunity cost'. This means that all investment decisions are positive, not passive, and that the focus for decision-making is on what the strategy owns, not what it does not own. The portfolio is constructed on the basis of liquidity, upcoming event catalysts and entry prices relative to where the manager believes a security can move towards over time. Notwithstanding the relatively concentrated nature, the portfolio is generally diversified across sectors, representing a component of portfolio risk management.

With respect to liquidity, more liquid names that the team has a positive bias towards will typically be allocated 2-5% of the portfolio's capital. Less liquid names will be allocated 1-2.5% of capital (in part due to natural higher volatility as well as event related liquidity risk) and micro-caps can be allocated up to 1%.

Position sizing is also based on a forward view of what events will or may occur in the future. The team will start building a position and as those events confirm the potential for that company the manager's conviction starts to arise and, as a corollary, so may the position size.

To summarise, allocation is based on the following parameters:

- Liquidity of a company – This ensures an upper limit to a position size. For example the top 50 liquid names will have an upper limit of 10%.
- Conviction from a fundamental perspective
- The timing of events – Where the manager has higher conviction from a fundamental perspective, the manager will tend to up-weight when leading into an event.

In no case, is the liquidity limit of 10% breached due to conviction or event timing.

Buy/Sell Discipline

In each case, buying or selling, there is symmetry in terms of the methods used. Key to the team in identifying entry and exit points relate to valuation ranges and technical entry and exit points. Even with the recent ability to short individual securities, most stocks will be long term investments so long as company events support the continuation of company performance.

For entry into a stock, the process is typically as follows, with neither being mutually exclusive nor in any particular order. Exit timing is largely the oppositie of the below.

- Wait for the price to return to the bottom of a recent trading range, near support. Trading ranges are define as either flat or trending
- Is oversold from a technical point of view (various timing models used)
- Is near to an event (within a month) where a change in sentiment can occur
- Occasionally, a break-up will be bought (much lower levels of capital deployed) where an event has caused a name to move to the top of its recent trading range
- A company's valuation is low relative to its historical distribution and/or market.

RISK MANAGEMENT

The manager's approach to risk management is to consider both market exposure (net market exposure levels), individual security risk tied to certain market events, and natural drawdown risk through negative periods given portfolio composition. Additionally, while the portfolio is relatively concentrated, there is typically sector diversification and position size limits by security in general and by liquidity more particularly

The approach is relatively informal, with the manager not using any quantitative risk measurement systems, such a Barra. IIR does not take an overly negative view on the absence of such systems, but by providing a variety of measures of statistical risk, style analysis and decision-making consistency they provide a more comprehensive picture and therefore an informational advantage.

PERFORMANCE ANALYTICS

We note the following regarding the performance of the Fund to date:

- On a rolling 12-month basis (as a means to remove entry and exit timing bias), the Fund has consistently outperformed the benchmark on both returns and risk metrics over its three-year track-record, and has generally met its aggressive performance objective each of the three years (+5-10% p.a. relative to benchmark (see Table 2 and Chart 4).
- Again, in relation to risk, both volatility and drawdown, the Fund has materially outperformed the benchmark and consistently so over the three-year period (see Table 2).
- The attribution of alpha returns has been across both the long and the short component of the strategy. Outperformance in the 2014 and 2015 periods was more about stock picking whereas 2016 to date has been more about capital preservation.
- The Team's hit rate, the proportion of buys that outperform rather than underperform the benchmark is strong as is the proportion of stocks that have generated positive absolut performance. The manager has illustrated a solid stock picking ability.
- The Fund's investment process is based on no particular style biases. The consistency of historic positive performance and relative outperformance highlights that the Fund is capable of performing well any market environment but the corollary has been the Fund has not fully participated in market sell-offs.
- Relative outperformance in down markets has been very strong (see Chart 5). Outperformance in positive months has been surprisingly good given net exposure levels of less than 100%, and where underperformance has occurred the degree has been generally low (see Chart 5).
- Relative performance has deteriorated to a degree in 2016, largely on account of two months - April and July. However, the cause of the underperformance is consistent with the nature of the strategy and, in our mind, rather than a potential concern rather encouraging that the Manager is executing the strategy with conviction.

- In Aprl 2016, the underperformance was attributable to being underweight energy and materials where materials outperformed the Financials sector by 13%. The Fund was underweight these sectors.
- In July 2016, the Fund kept up with the market post the reduction in interest rates through to the middle of the month but as the market and stocks become overbought, in the view of the Manager, market exposure was tactically reduced, which an integral component of the Fund's strategy.

Table 2: Performance to August 2016

Time Period	Return (% p.a.)	Alpha	Volatility		Sharpe Ratio		Max Drawdown	
			Fund	B'mrk	Fund	B'mrk	Fund	B'mrk
1 year	7.57%	-1.64%	8.31%	14.87%	0.61	0.45	-7.5%	-17.8%
2 year	8.71%	5.87%	9.52%	13.98%	0.65	0.02	-10.4%	-17.8%
3 year	10.69%	4.13%	9.53%	12.52%	0.86	0.32	-10.4%	-17.8%

Chart 2: Performance Returns

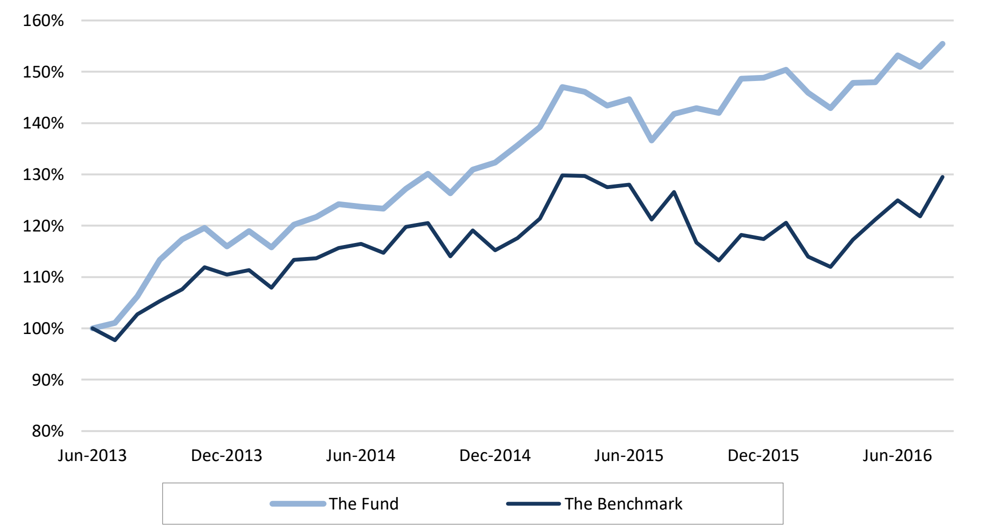


Chart 3: Rolling 12-month returns

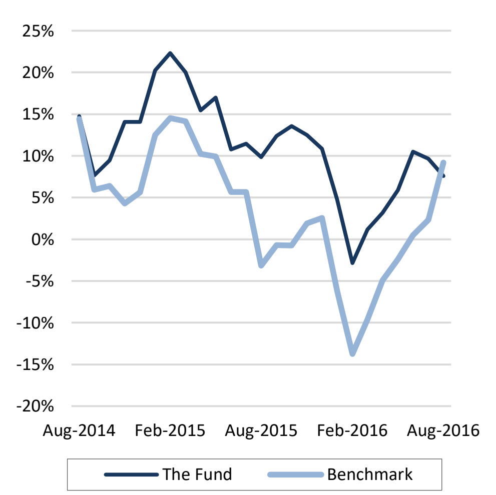


Chart 4: Rolling 12-month Alpha

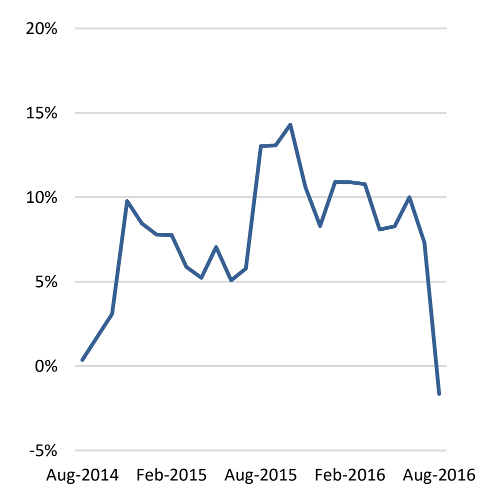
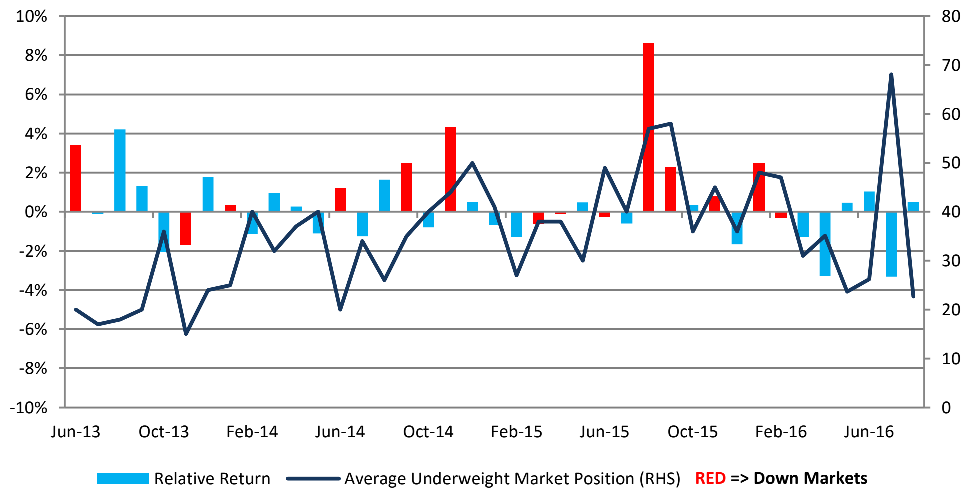


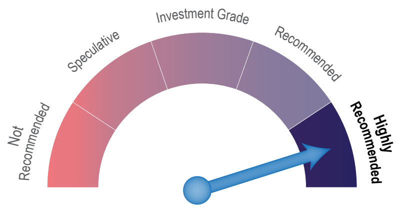
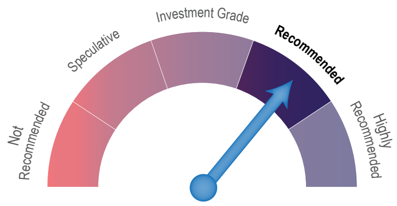
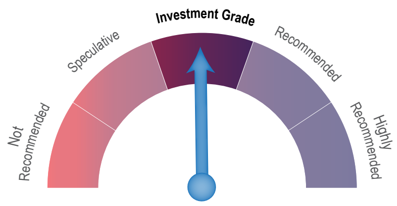
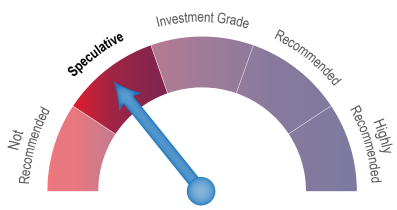
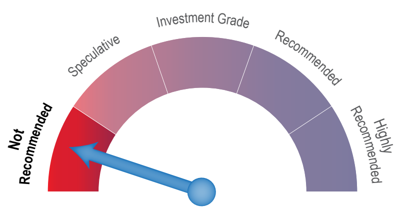
Chart 5: Relative Return



APPENDIX A – RATINGS PROCESS

INDEPENDENT INVESTMENT RESEARCH PTY LTD "IIR" RATING SYSTEM.

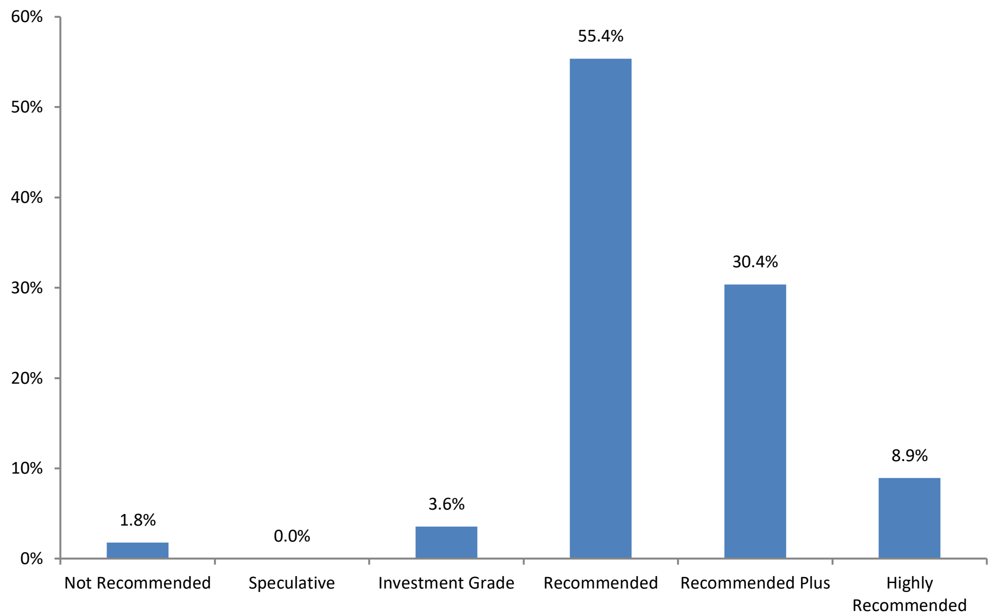
IIR has developed a framework for rating investment product offerings in Australia. Our review process gives consideration to a broad number of qualitative and quantitative factors. Essentially, the evaluation process includes the following key factors: product management and underlying portfolio construction; investment management, product structure, risk management, experience and performance; fees, risks and likely outcomes.

GRAPHS	SCORE
Highly Recommended	**83 and above**
	This is the highest rating provided by IIR, indicating this is a best of breed product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved exceptionally high scores in a number of categories. The product provides a highly attractive risk/return trade-off. The Fund is likely effectively to apply industry best practice to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors.
Recommended	**75-82**
	This rating indicates that IIR believes this is a superior grade product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved exceptionally high scores in a number of categories. In addition, the product rates highly on one or two attributes in our key criteria. It has an above-average risk/return trade-off and should be able consistently to generate above average risk-adjusted returns in line with stated investment objectives. The Fund should be in a position effectively to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors. This should result in returns that reflect the expected level of risk.
Investment Grade	**60-74**
	This rating indicates that IIR believes this is an above-average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an above-average risk/return trade-off and should be able to consistently generate above-average risk adjusted returns in line with stated investment objectives.
Speculative	**40-59**
	This rating indicates that IIR believes this is a suitable product that has met the aggregate requirements of our review process across a number of key evaluation criteria. The product provides some unique diversification opportunities, but may not stand apart from its peers. It has an acceptable risk/return trade-off and should generate risk adjusted returns in line with stated investment objectives. However, concerns over one or more features mean that it may not be suitable for most investors.
Not recommended	**39 and below**
	This rating indicates that IIR believes that despite the product's merits and attributes, it has failed to meet the minimum aggregate requirements of our review process across a number of key evaluation parameters. While this is a product below the minimum rating to be considered Investment Grade, this does not mean the product is without merit. Funds in this category are considered to be susceptible to high risks that are not reflected by the projected return. Performance volatility, particularly on the down-side, is likely.

APPENDIX B – MANAGED INVESTMENTS COVERAGE

The below graphic details the spread of ratings for managed investments rated by Independent Investment Research (IIR). The managed investments represented below include listed and unlisted managed funds, fund of funds, exchange traded funds and model portfolios.

Spread of Managed Investment Ratings



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