



**Analyst(s):** Aniket Das; John Huynh

## Standard & Poor's View

Standard & Poor's Fund Services rates this fund three stars. This reflects our conviction that the manager can generate risk-adjusted returns in line with relevant investment objectives and relative to peers.

Peters MacGregor Capital Management (PMCM) is an Australian boutique manager that specialises in global equity investing, while focusing on a single strategy. The Peters MacGregor Global Fund is a highly concentrated benchmark-unaware product which typically holds between 10 and 20 stocks. Based on the investment team's experience and areas of competence, the manager has historically invested in financial, consumer-oriented, and services businesses, predominantly in North America and Australasia.

Characterised by low turnover and a value-style bias, the manager selects investments with a long-term view. Performance is likely to vary significantly from that of the benchmark over shorter periods of time. The manager's investment philosophy is influenced by other high-profile value investors such as Benjamin Graham and Warren Buffett. Thus far, we have seen stocks selected in a true-to-label fashion, and we consider the manager's process appropriate for its high-conviction nature.

While the investment team is the smallest within our global equities peer group, due to the manager's focused efforts and investment style, we believe it is still able to conduct the necessary research in order to achieve objectives. Nevertheless, the limited size of the team reduces the opportunity set relative to peers who may be able to generate ideas across a broader spectrum of the market.

In our opinion the two portfolio managers, Wayne Peters and Michael Haddad, demonstrate a genuine passion for investing and display a good level of knowledge of their own holdings. However, we feel that due to individual responsibility for stock holdings as well as the team size, there may not be the same level of on-going peer review as found at other managers.

Although a weakness common to many boutique managers, we consider risk-management systems at PMCM less developed than peers. Investors should be aware that the team actively manages its currency positions, exposing the fund to foreign currency movements if certain positions are not hedged. The fund is currently meeting its objective and we have conviction that this will continue in assigning our three-star rating.

## Investor Suitability

- This is a long-only offering that may be suitable for investors seeking an exposure to global equities.
- The fund may be appropriate for investors seeking style and manager diversification. Due to the fund's concentration within a small number of stocks, we would expect it to represent a non-core allocation in an investor's global equity portfolio.
- Investors should be aware that the fund will differ significantly from the index in composition and liquidity, and may take large biases to specific securities, countries, sectors, or market caps.
- The fund typically performs strongly when lower market-cap stocks and/or value-style investing are in favour.
- Investors should have an investment time horizon of at least five years.

## Key Strengths

- Portfolio managers have focused their investing efforts toward areas of experience and competence, while demonstrating a solid knowledge of their own portfolio holdings.
- Investment team retains complete ownership of the business, in addition to substantial co-investment in the strategy, providing for a strong alignment of interests.
- Fund is currently meeting its investment objective.

## Key Weaknesses

- Investment team size is the smallest in our global equities peer group, reducing the opportunity set as well as effective peer review of ideas.
- Risk-management systems are less developed than peers.
- Due to the manager's size, corporate access is likely to be relatively restricted compared to larger peers.

## Risks

- Risks in the portfolio arise from large stock-specific positions, the level of micro- and small-cap holdings, and potential illiquidity.
- Effective diversification may be compromised due to the focus on a limited range of industries and regions.
- Key person risk is present for both portfolio managers, however, equity ownership mitigates the risk to a degree.
- The fund can hold a significant level of cash. While this can help to protect capital in falling markets, it can drag on performance in rising markets.
- Foreign exchange risk—the fund employs active currency management, and not all foreign currency exposures are likely to be hedged.

<b>APIR code</b>	WPC0002AU	<b>Performance Fees (%)</b>	N/A
<b>Fund status</b>	Open	<b>Investment manager</b>	Peters MacGregor Capital Management
<b>Inception date</b>	July 12, 2004	<b>Redemption policy</b>	Weekly
<b>Responsible entity</b>	PetersMacgregor Capital Management	<b>Distribution frequency</b>	Quarterly
<b>Peer group</b>	Global Equities - Large Cap Unconstrained Equity	<b>High water mark</b>	N/A
<b>Benchmark</b>	Index Not Available	<b>Hurdle rate</b>	N/A
<b>Investment style</b>	Value	<b>Return objective (%)</b>	Outperform benchmark
<b>Multi manager</b>	No	<b>Tracking error objective (%)</b>	N/A
<b>Fund Size (\$A)</b>	62.5 .mil (at Aug. 31, 2011)	<b>Average portfolio turnover (3yrs) (%)</b>	<25%
<b>Minimum investment (\$A)</b>	10000	<b>Maximum cash holding (%)</b>	100
<b>ICR / MER (%)</b>	1.67	<b>Typical number of stocks</b>	10–20
		<b>Release authorised by</b>	Leanne Milton



## Objectives, Fees and Features

The Peters MacGregor Global Fund aims to produce net returns that exceed the MSCI World Total Return Index (Net Dividends Reinvested in local currency translated to A\$) over rolling five-year periods.

The fund also endeavours to preserve and generate capital growth over this period through exposure to a portfolio of listed global equities. Although the fund is benchmarked to the MSCI World Total Return Index (Net Dividends Reinvested in local currency translated to A\$), its exposures will differ significantly from that of the benchmark in terms of country, market capitalisation, and sectors. The manager has the ability to invest in small- and micro-cap holdings which can affect the liquidity of the fund. Given the manager's benchmark-unaware process, the fund doesn't target a tracking error objective. The recommended investment time horizon is five or more years.

The fund's mandate is broad and it allows the manager to invest in a vast array of securities across multiple asset classes, including fixed income investments. While the manager has not ruled out making investments in instruments such as convertible notes in the future, we are advised that we would be immediately notified if investments outside of global equities are likely to be made. If it occurred it may cause the fund to be reclassified from its current global equity peer group.

The fund's currency exposures are managed actively with an intention to be mostly hedged, where practicably possible, on the basis of the currency exposures of underlying companies' revenues (see "Currency Management"). Derivatives, in particular forward contracts, are used only as part of the manager's currency hedging strategy. The manager is unconstrained in its cash holding and may hold up to 100% of the fund in cash if it does not find attractive opportunities for investment.

The fund has a MER of 1.5% and no performance-based fees apply. The fund is priced as a retail product and its cost should therefore be compared to the cost of similar retail global equity products. The fund only provides weekly pricing, and liquidity is limited compared to peers with withdrawal requests generally processed within 10 business days, although the fund's constitution allows 30 days for the processing of withdrawals. A buy/sell spread of 0.2%/0.2% is charged on applications and redemptions. Distributions are paid quarterly, although, investors should not be reliant on distributions for regular income, as these may be infrequent at times.

## Investment Philosophy and Style

The manager's investment philosophy and style has been influenced by other well-known value investors such as Mr. Graham and Mr. Buffett. PMCM's approach can be split broadly into three requirements, all of which should be satisfied prior to investment:

- The manager aims to identify businesses which it believes have a durable competitive advantage. The manager states that it must be able to understand the business and it must possess certain characteristics such as a strong balance sheet, pricing power within its industry, and favourable prospects, among other factors. Further, the manager considers investments in these companies akin to buying the entire business, not only as a parcel of shares.
- The business should have competent, shareholder-oriented management which demonstrates a good track record in capital allocation. The manager considers it important to check also whether management is provided appropriate incentives.
- The manager believes that the price paid for the business is critical, regardless of its strength. The manager seeks a price which is at least 25% lower than that which it calculates as the underlying or intrinsic value of the share. This 25% figure is what the manager terms its

"margin of safety". The intrinsic value is calculated through a range of methods including multiples- and cash flow-based models.

Regarding diversification, the manager sees more risk in investing in a broad set of companies that it knows little about rather than focusing on a small set of companies which it can understand very well. Hence it does not believe that diversification through holding a large set of stocks is optimal. The manager notes that effective diversification can be gained by holding a relatively small number of stocks provided they are in different industries with different performance drivers. Due to the fund's limited breadth of industries, we believe this may not necessarily apply and we highlight this as a key risk.



## Investment Team

### Structure

The investment team comprises the two portfolio managers based in Sydney. While the investment team is the smallest within our global equities sector, due to the manager's focused efforts and investment style, we believe it is still able to conduct the necessary research in order to achieve objectives. The manager states that it prefers to keep a smaller team size as increasing it may lead to an overproliferation of marginal ideas. Nevertheless, the limited size of the team reduces the opportunity set relative to peers who may be able to generate ideas across a broader spectrum of the market or conduct even more thorough research. The manager notes that it makes use of consultants for special projects from time to time.

The manager believes that its Sydney base, compared to larger financial centres such as New York or London, allows it to be less distracted by what it perceives as a short-term mentality prevalent in these cities. There are generally no constraints on travel for research purposes and both portfolio managers visit North America at least once a year with trips to other regions made as required.

### Key Investment Personnel

Name, Position	Years*	Experienced
Wayne Peters, portfolio manager and CIO	12	20
Michael Haddad, portfolio manager	9	11

\*Years with current firm. †Years of relevant industry experience.

### Portfolio Managers

Mr. Peters is both a portfolio manager and chief investment officer (CIO) for the fund as well as the founder of PMCM. He has 20 years' experience investing and 11 years previously spent establishing and managing a retail chain. We believe this formative experience to be a key differentiator from other managers with less hands-on experience in the retail industry. It led Mr. Peters initially to invest largely in consumer-focused and services businesses. However, over time, he has broadened his scope to include financial services companies including insurers and banks. Mr. Peters holds an MBA from Bond University and has studied company valuation at Harvard University.

Mr. Haddad is the other portfolio manager for this fund and has worked at PMCM since 2002. He has over 11 years' experience as an investment analyst including roles at ABN AMRO Craigs and Fisher Funds Management. He holds a Bachelor of Management Studies (First Class Honours) from the University of Waikato and is a CFA charterholder.

Portfolio managers will sponsor ideas and maintain individual responsibility for particular stocks within the portfolio with Mr. Peters as CIO having ultimate authority. Due to this arrangement as well as a



small team size, we feel that there may not be the same level of ongoing peer review as found at other managers. But also we see evidence of a strong working relationship between the two which has developed over a number of years.

#### Research Team

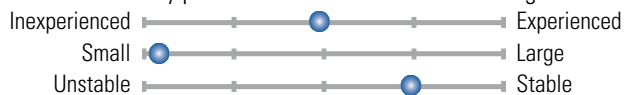
The two portfolio managers also conduct the research. Although each portfolio manager has relative strengths in particular areas of the market, there is no formal separation of coverage across industries. The main research task is to source new investment ideas for addition to the watchlist as well as maintain coverage of companies already on the watchlist including current portfolio holdings. While the initial watchlist of companies were mostly North American, gradually companies in other regions were added. The manager notes that although the majority of companies on the watchlist are still North American, a large proportion of the companies' underlying revenues are sourced from other regions.

The manager has in the past enlisted consultants, who have been previously familiar to the manager, to perform work on projects as required. The purpose of these special assignments was to fill in knowledge gaps about industries or companies that the manager was considering for investment.

#### Alignment and Accountability

The two portfolio managers combined have complete equity ownership in PMCM. This combined with substantial co-investment provides for a strong alignment of interests between investors and the manager.

Although, a performance fee no longer applies to this fund, performance fees do apply to individually managed accounts (IMAs) that PMCM manages. These IMAs are invested under the same strategy as this fund. This provides for a further alignment of interests. As the business is currently profitable and has been since its creation, we believe that equity ownership, in addition to being a strong motivator, also reduces the key person risk attached to either manager.



## Investment Process

#### Overview

PMCM's investment process centres around achieving the three pillars of its philosophy. This includes identifying: (1) outstanding businesses, (2) run by competent management, and (3) for a great price. Companies that satisfy the first two criteria are added to the watchlist. If, and when, a company satisfies the margin of safety requirement, then the third criterion—investment in the company—is considered. Cash will form the residual holding, meaning that it will be held if there are no perceived investment opportunities at the time.

#### Research Process

The manager's research process can be classified into five distinct steps:

- The initial stage of the research process involves company identification from within the investment universe, which includes the 23 countries that comprise the MSCI World Index. Screens based on quantitative criteria are set up in tools such as CapitalIQ, while qualitative data is examined by way of business news and trade journals. Investment ideas are also sourced from investment conferences and from the manager's network of industry contacts.
- The second stage filters the companies identified in the first stage. One of the filters requires that PMCM must be able to understand the business. The company should have a consistent operating history and favourable long-term prospects. Additionally, a company should

have a high return on invested capital. This figure, taken as a six-year average, should be greater for the company than its industry average. As six years of economic data is required before a company can be considered for investment, this precludes the manager from investing in start-up businesses and some IPOs.

- The third stage involves a detailed analysis of a company's financial and non-financial data, including annual reports, company announcements, and industry reviews. Earnings adjustments may be made to data in order to correct for one-off items. An assessment of the competence of management is made at this stage, including an examination of its capital allocation track record.
- The fourth stage requires the construction of a discounted cash flow model which incorporates the manager's growth forecasts. A valuation range for the company is determined as well as the required margin of safety (25% less than the intrinsic value calculated from the model). PMCM prefers models using free cash flows as their basis.
- The fifth and final stage is the production and maintenance of the watchlist. Companies which pass the required criteria are added to the watchlist. Unanimous agreement is necessary for stocks to be added to the watchlist, meaning that either portfolio manager has the power to veto an idea. The watchlist is monitored to see whether companies on it are satisfying the margin of safety requirement, and hence may be considered for investment. Meanwhile, the watchlist is regularly reviewed to ensure the rationale for investment is still sound. This watchlist comprises more than 200 stocks at present.

#### Portfolio Construction

Portfolio construction will be dictated largely by the research process. If, and when, companies on the watchlist satisfy the margin of safety requirement, they will be considered for investment. Positions initiated will be between 3% and 20% of the fund's value at cost, and will be dependent on the manager's relative level of conviction in the stock as well as an appraisal of the stock's return potential.

Cash will form the residual holding, meaning that it will be held if there are no perceived investment opportunities at the time. As an example, we note that after the fund was inception in late 2004, it held a significant amount of cash for a lengthy period of time due to perceived high valuations in the market. Then, true to its style, the manager became fully invested in September 2008 in the midst of the global financial crisis.

The manager will sell a stock from the portfolio once it believes the stock price has exceeded its assessed valuation of the company or if it believes it can improve the overall price-to-value ratio of the fund by substituting a holding for another which is more attractive in value. Portfolio holdings will also be sold if the manager believes that the future earnings of the company are likely to become severely impaired by threats to the business, poor capital allocation, or changes in management.

#### Risk Management

The manager views its risk management of the portfolio as a function of the qualitative and quantitative filters it uses in screening stocks as well as the 25% margin of safety requirement. It does not use any off-the-shelf software nor does it have any internally developed risk-measurement tools. Although a weakness common to many boutique managers, we consider risk-management systems at PMCM less developed than peers.

Reflecting the unconstrained, high-conviction nature of the fund, there are few constraints applied to either individual or overall positions. The major constraint applied is that investments should represent between 3% up to a maximum of 20% of the fund's value at cost when initiating the position. Due to subsequent market movements, the exposure to a single stock may go above 20% of the fund's value. This has historically occurred as late as 2007 when Michael Hill International came to represent 24.9% of the fund's value in March of that year. As Mr. Peters is a non-executive



director of Michael Hill, the manager is only able to transact in shares of the company during specific director-trading windows. Hence the liquidity of the fund is somewhat compromised by its significant position in this stock, although the manager has been reducing the holding recently.

Investment decisions are reviewed monthly in a committee which combines the investment team along with three external members who act in an advisory capacity. In line with the proper segregation of duties, the compliance function is performed externally.

### Risk Constraints

Typical number of stocks	10–20
Active stock limits (%)	<20%
Active sector limits (%)	N/A
Active country limits (%)	N/A
Maximum cash holding (%)	100
Targeted tracking error (%)	N/A

### ► Currency Management

The fund employs active currency management which means that the manager has discretion in choosing whether to hedge foreign currency exposures or not. The manager's stated aim is to be mostly hedged, where practicable possible, on a "look-through" basis to companies' revenues.

For example, Michael Hill International, one of the fund's holdings, is listed on the New Zealand Stock Exchange and the stock is quoted in New Zealand dollars, although the majority of Michael Hill's revenue is actually generated in Australia. The manager does not hedge the currency exposure in this case as the underlying business has exposure mainly to Australian dollar movements rather than that of New Zealand dollars. Although, the reasoning is sound, investors should be aware that performance for this fund may be significantly different to that if it were hedged on a non-look-through basis, as for a hedged equity index.

As of July 31, 2011, the fund's currency exposures on a non-look-through basis were the following:

- Australian dollars: 53.4%,
- U.S. dollars: 26.8%,
- New Zealand dollars: 18%, and
- British pounds: 1.8%.

The manager does take into account any hedging programs a company itself may conduct, although the manager notes that the majority of companies in which it invests do not perform such operations extensively.

### Performance

The objective of the fund is to produce net returns which exceed the MSCI World Total Return Index (Net Dividends Reinvested in local currency translated to A\$) over rolling five-year periods. For the five years ending June 2011, the fund produced a net return of 3.76% per year compared to the benchmark return of 0.52% per year, outperforming by 3.24% per year, and meeting its objective.

We feel a more appropriate performance benchmark for this fund would be the MSCI World Total Return Index (Net Dividends Reinvested hedged into A\$) as this index incorporates the costs of currency hedging (e.g. the "cost of carry") while the local currency version does not. Against this benchmark, the fund was outperforming by 3.87% per year over the five years to June 2011. Return volatility over this five-year period was comparable with the fund at 18.1% while that of the hedged index was 17.5%. The maximum drawdown for the fund was -48.5% while it was -52.3% for the hedged index. For a fund with an objective to preserve capital, we might expect superior drawdown characteristics.

Over the past year, the fund produced a net return of 4.02% while the local currency and hedged versions of the benchmark index

returned 21.82% and 23.52%, respectively, demonstrating how single year performance can vary dramatically from that of the benchmark. Performance for the manager's IMAs, which have a longer track record, is strong with excess net returns of 12.8% and 13% per year against the local currency and hedged versions of the benchmark index, respectively, since inception (January 2000).

The manager was unable to supply S&P with performance attribution data. However, we did receive a trade list which detailed fund transactions since the fund's inception. From this, we were able to analyse the performance of stock calls. Generally, results were mixed. Out of the 15 stocks sold from the portfolio since inception, seven were sold at a loss (calculated using the volume-weighted average price of buy trades and sell trades) while eight were sold for a gain.

In the past year, profits were taken on the fund's position in BP (+40.2%), which had been established opportunistically after the Gulf of Mexico oil spill, as well as on Pre-Paid Legal Services (+41.3%) and Iron Mountain (+18.4%). Meanwhile, a significant loss on capital (-59.5%) was realised in the fund's investment in a small Chinese manufacturer, Dapai International.

### Top Five Contributors and Detractors (at -)

Contributors	Sector	1 Year*
NO TABLE DATA		

Contributors	Sector	3 Years*
NO TABLE DATA		

Detractors	Sector	1 Year*
NO TABLE DATA		

Detractors	Sector	3 Years*
NO TABLE DATA		

\*Value Add (% p.a.). Source: Peters MacGregor Capital Management.

### Portfolio Review

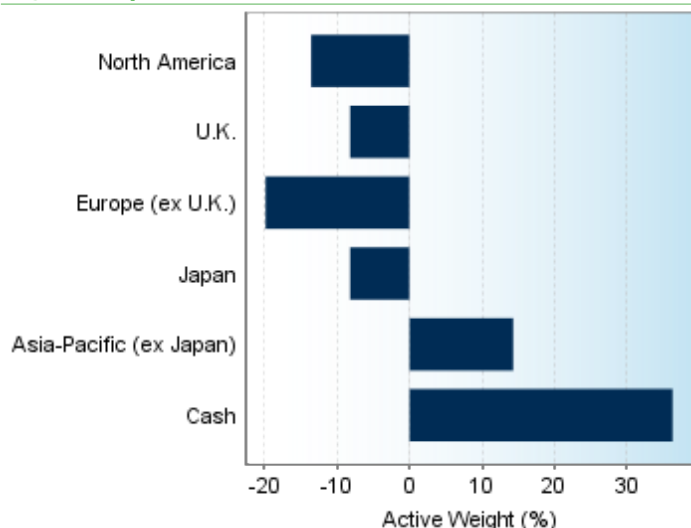
As of June 2011, the fund showed a "barbell" approach in terms of size exposures, with heavy weightings toward both large-cap companies and small-cap companies. Fairfax Financial Holdings and Howard Hughes Corporation were the only mid-cap companies (US\$2 billion–US\$10 billion market capitalisation) in the portfolio at the time.

The fund held the following positions:

- Cash (37.8%),
- Michael Hill International (15.6%): New Zealand-based jewellery retailer,
- Fairfax Financial Holdings (6.2%): Canadian property and casualty insurer,
- Berkshire Hathaway (12.3%): U.S. conglomerate with large insurance operations,
- Wal-Mart Stores (6.2%): U.S.-based hypermarket retailer,
- Johnson & Johnson (6%): U.S.-based global health care company,
- Wells Fargo (4%): U.S. retail bank,
- Asta Funding (10.7%): U.S. financial services company which buys and manages bad-debt books from other companies,
- Symex Holdings (4.3%): Australian manufacturer of specialty chemicals and personal care products,
- Howard Hughes Corporation (4.8%): U.S. real estate development and management company, and
- Guinness Peat Group (1.6%): U.K.-based conglomerate with businesses in Australia and New Zealand.

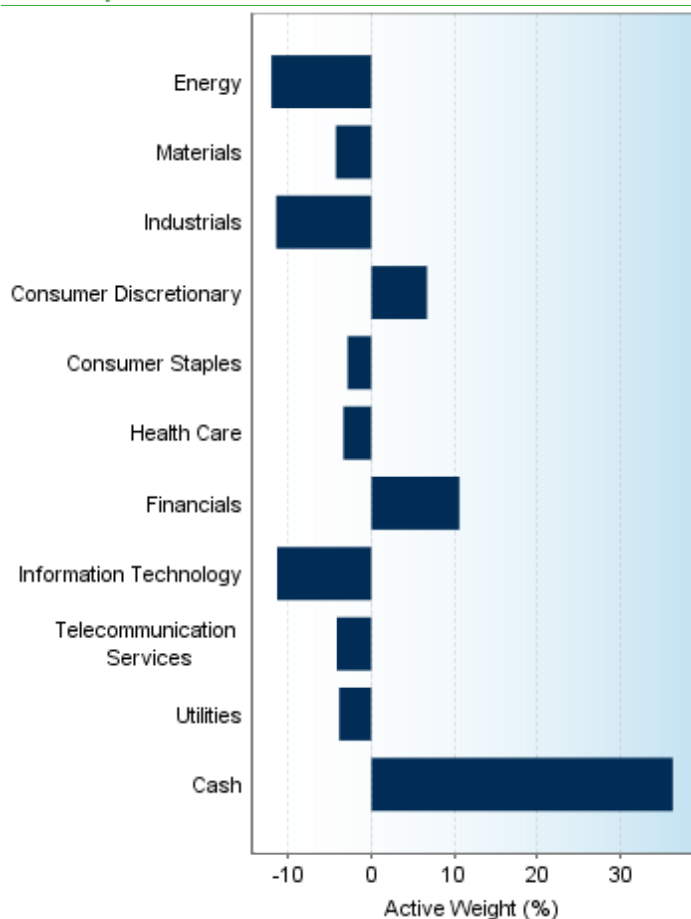


## Regional Exposure Versus Benchmark (at March 31, 2011)



Source: Peters MacGregor Capital Management.

## Sector Exposure Versus Benchmark (at March 31, 2011)



Source: Peters MacGregor Capital Management.

## Management Group Profile

PMCM is an Australian funds management business focused on global equity investing. Founded by Mr. Peters in 1999, it initially managed money on behalf of wealthy investors under an IMA structure. In April 2004 a listed investment company, Peters MacGregor Investments Ltd., was launched, followed later by the Peters MacGregor Global Fund in October 2004. All three structures: the IMAs, listed investment company, and managed fund, follow the same underlying strategy by investing into a master fund.

PMCM outsources fund accounting and administration to Macro Fund Services while it outsources custody to Bond Street Custodians. Equity ownership of PMCM rests entirely in the hands of Mr. Peters and Mr. Haddad. Officium Capital is the responsible entity for this fund.

## Funds Under Management

In June 2011, PMCM managed A\$132.1 million in total FUM including A\$63.4 million in this fund. The remainder was split between the listed investment company (A\$24.7 million) and the IMAs (A\$44 million). While the manager is seeking FUM growth, the business is currently profitable at these FUM levels.

## Funds Under Management Table (at June 30, 2011)

Current pool size (\$)	\$63.4 million
Total FUM in strategy (\$)	\$132.1 million
Estimated capacity for strategy (\$)	N/A
Total FUM across all asset classes (\$)	\$132.1 million
Net strategy flows over past 12 months (\$)	N/A

Source: Peters MacGregor Capital Management.



## Performance Analysis

### Annualised Net Returns % (at Aug. 31, 2011)

	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>10 Years</b>
Fund performance (% p.a.)	5.92	2.56	2.91	-
Income (% p.a.)	1.83	0.6	3.21	-
Growth (% p.a.)	4.09	1.96	(-0.3)	-
Benchmark performance (% p.a.)	-	-	-	-
Excess return (% p.a.)	-	-	-	-
Peer group return (% p.a.)	(-5.42)	(-8.05)	(-7.1)	(-3.63)
Standard deviation (%)	7.82	21.62	18.08	-
Sharpe ratio	-	0.02	(-0.04)	-
Information ratio	-	0.67	0.7	-
Tracking error	-	16.32	14.09	-

Benchmark: Index Not Available.



## Fund Rating Philosophy

A star rating is a forward looking assessment of a manager's ability to consistently generate risk-adjusted returns (net of fees) in excess of both its relevant investment objectives and its peers.

## Fund Rating Process

In assigning a star rating to a fund, Standard & Poor's evaluates: the size, skill, and stability of the manager's investment team; the clarity, implementation, and risk management of the investment process; the fund's objectives, fee structure and portfolio characteristics; and the manager's business management.

## Fund Rating Definitions

**S&P FUND RATING**  
★★★★★ Standard & Poor's has very high conviction that the manager will consistently generate risk-adjusted fund returns in excess of its relevant investment objectives and relative to its peers.

**S&P FUND RATING**  
★★★★☆ Standard & Poor's has high conviction that the manager will consistently generate risk-adjusted fund returns in excess of its relevant investment objectives and relative to its peers.

**S&P FUND RATING**  
★★★☆☆ Standard & Poor's has conviction that the manager will generate risk-adjusted fund returns in-line with its relevant investment objectives and relative to its peers.

**S&P FUND RATING**  
★★☆☆☆ Standard & Poor's has conviction that the manager will not generate risk-adjusted fund returns in-line with its relevant investment objectives and relative to its peers.

**S&P FUND RATING**  
★☆☆☆☆ Standard & Poor's has high conviction that the manager will not generate risk-adjusted fund returns in-line with its relevant investment objectives and relative to its peers.

**S&P FUND RATING**  
**ON HOLD** Issues that may affect the fund's management have emerged; and the fund rating is temporarily suspended, pending clarification.

**S&P FUND RATING**  
**SELL** Significant issues exist that potentially will adversely affect the fund's performance. Investors should consider obtaining advice on switching or redeeming funds.

**NEW**

**Fund Rating Subscript**—here the investment process, fund manager, or the fund has a relatively short history, or the analytical team has changed significantly, but a relevant and demonstrable track record is shown on similar funds.

## Glossary of Terms

<b>Benchmark</b>	The standard (e.g. an index) by which an investment is measured against to evaluate performance.
<b>Excess Return</b>	Return of an investment relative to its benchmark.
<b>FUM</b>	Funds Under Management - The total value of the funds managed by an asset management firm.
<b>High Water Mark</b>	The highest net asset value (NAV) of a fund achieved to date. If the NAV of a fund falls below this level, no performance fee will be payable to the investment manager until this level is subsequently exceeded.
<b>Hurdle Rate</b>	A minimum rate of return that a fund must achieve before a performance fee can be charged. This can be the benchmark or the benchmark plus an additional fixed rate.
<b>Performance Fees</b>	A fee payable in excess of the ongoing management fee. There is often a hurdle rate and/or high watermark that must be reached before this fee is payable.
<b>ICR-Indirect Cost Ratio</b>	This is a ratio of indirect costs to the total investment in a particular fund expressed as a percentage. It includes the MER, expense recoveries, performance fees and other costs associated with running the fund.
<b>Information Ratio</b>	Is a measure of the relative reward for the relative risk taken (excess returns of an investment (above the benchmark) divided by the tracking error). A positive information ratio would indicate efficient use of risk by the manager.
<b>MER-Management Expense Ratio</b>	This ratio is a calculation of investment management, marketing, trusteeship, legal, accounting and auditing costs of a managed investment fund expressed as a percentage of a fund's net asset value. It is the ongoing charges for managing a fund.
<b>Peer Group Return</b>	The average return of the funds in the relevant S&P peer group.
<b>Sharpe Ratio</b>	Is a measure of risk-adjusted performance, measuring the absolute reward for the absolute risk taken (return of the investment less the risk-free rate (e.g. bank bills) divided by the standard deviation). The higher the Sharpe ratio the greater the efficiency produced by the manager.
<b>Standard Deviation</b>	Measure of the variability or volatility of the monthly returns of the fund.
<b>Tracking Error</b>	How closely a portfolio follows or "tracks" an index to which it is benchmarked. (the standard deviation of monthly excess returns against the benchmark).
<b>Ex Ante Tracking Error</b>	Predicted or forecast of tracking error.
<b>Ex Post Tracking Error</b>	Historical or actual tracking error.

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