



# Qualitative Fund Research

ASB KiwiSaver Scheme Moderate Fund

December 2017



**KiwiSaver Manager of the Year - Finalist**  
**Diversified Sector - Finalist**

## About the Manager

ASB Group Investments Limited (the Manager, ASB) is a wholly owned subsidiary of ASB Bank Limited, which in turn is wholly owned by the Commonwealth Bank. ASB feel it is important that customers can understand the investment strategies and policies employed by the manager. The Manager has provided a brief profile available [here](#).

The [ASB KiwiSaver Scheme](#) is one of New Zealand's largest providers, and has been a default provider since the inception of KiwiSaver in 2007. The ASB KiwiSaver Scheme offers a [focused investment menu](#) that draws from ASB's core investment philosophy. This leverages ASB's belief that asset allocation and currency management are the main driver of performance, and that decision making is focused on the medium to long term. ASB strongly focuses on the cost of managing money, which is an important component of investment returns.

ASB focuses on transparency and good governance, outlined [here](#), and actively contributes

back to the local communities, available [here](#). FundSource views corporate citizenship and governance frameworks as extremely important foundations from which a manager starts to engage with the clients' experiences.

ASB manages five KiwiSaver diversified funds under the ASB KiwiSaver Scheme:

- ASB KiwiSaver Scheme Cash Fund
- ASB KiwiSaver Scheme Conservative Fund
- [ASB KiwiSaver Scheme Moderate Fund](#)
- ASB KiwiSaver Scheme Balanced Fund
- ASB KiwiSaver Scheme Growth Fund

These funds are managed by a team of two investment professionals, supported by three analysts. The investment team report through to the ASB Investment Committee which is responsible for determining investment objectives, strategy and policy. For the number and type of funds being managed, the team is adequately resourced and governed. The Manager does not publicly provide individual bios for the team at ASB.

## Using this Fund

**This is General Advice only and should be read in conjunction with the Disclaimers, Disclosures and Warnings at the end of this document.**

The ASB KiwiSaver Scheme Moderate Fund ("the Fund") is a multi-asset portfolio that is best suited to medium to long-term investors who can accept some investment risk over the longer term. The Fund has a lower exposure to equities and higher allocation to income assets

The Fund is subject to market risk from several sectors, including equities and bonds, both domestic and global. Accordingly, the Fund may experience both positive and negative movements in valuation, as the prices of the underlying securities in the portfolio vary. Investors should therefore be aware that there is a risk of potential capital loss being incurred on their investment.

This report focuses on the ASB KiwiSaver Scheme Moderate Fund which has a target investment of 60% income and 40% growth asset mix. The Manager executes their strategy predominantly through index tracking investment options. Importantly the Manager can choose active investment management, and regularly reviews active and passive investment options across each class. If the Manager determines long term benefits can be achieved by active investment management, the Fund can implement this change.

The Fund is a Portfolio Investment Entity (PIE). The Fund currently does not pay distributions to investors. This means that any income received by a Fund is retained, and is reflected in the unit price.

Question	What the Manager says	What FundSource think																		
<p>What are the Manager's assets under management - in total and in this Fund?</p>	<p>The total funds under management (FUM) of the ASB Kiwisaver Scheme Moderate Fund was \$1,343.2m. The total FUM of the Manager, ASBGI, is \$10,902.7m across a wide range of investors throughout New Zealand.</p> <p><i>As at 30 September 2017:</i></p> <table border="0"> <tr> <td>Cash Fund:</td> <td>\$</td> <td>419.9m</td> </tr> <tr> <td>Conservative Fund:</td> <td>\$</td> <td>3,583.1m</td> </tr> <tr> <td>Moderate Fund:</td> <td>\$</td> <td>1,343.2m</td> </tr> <tr> <td>Balanced Fund:</td> <td>\$</td> <td>1,161.1m</td> </tr> <tr> <td>Growth Fund:</td> <td>\$</td> <td>1,386.4m</td> </tr> <tr> <td><b>Total KiwiSaver Funds:</b></td> <td><b>\$</b></td> <td><b>7,893.7m</b></td> </tr> </table>	Cash Fund:	\$	419.9m	Conservative Fund:	\$	3,583.1m	Moderate Fund:	\$	1,343.2m	Balanced Fund:	\$	1,161.1m	Growth Fund:	\$	1,386.4m	<b>Total KiwiSaver Funds:</b>	<b>\$</b>	<b>7,893.7m</b>	<p>The KiwiSaver Scheme has significant funds under management across the five investment options, a cash option and four diversified options.</p> <p>The Fund was incepted on 2 October 2007, and aims to provide investors with a modest total return with a negative return expected less than one in every seven years. FundSource notes the Conservative Fund is the ASB default fund. This means that if an employer has not chosen a KiwiSaver scheme, and you are not already a member of a KiwiSaver scheme, Inland Revenue may allocate you to a default KiwiSaver Scheme provider. If ASB is the Inland Revenue selected provider, you will automatically be invested in the ASB Conservative Fund.</p>
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<p>Who is accountable for managing the Fund, and how long has the investment team worked together?</p>	<p>John Smith, as Head of Managed Funds, is the person responsible for the ongoing management of the Fund. John has worked in the funds management business for over 30 years. The other key member is Peter Freeman, Senior Manager Investment Strategy; he has held a variety of roles in the CBA Group and his most recent position was at Sovereign as Manager of the Investment Solutions team. John and Peter are supported by a team of analysts and also use third party advisors including Colonial First State Asset Management (Australia) Ltd who provide investment advisory services and Mercer (NZ) Ltd who provide investment consulting services.</p>	<p>Smith has been responsible for managing the ASB diversified funds for over five years. Smith is supported by Freeman, who commenced August 2017, replacing Chris Wilson, who had supported Smith for approximately 4 years. Freeman has strong industry tenure, and has worked across the broader CBA/ ASB group including First State Investments NZ (CFSGAM), and most recently Sovereign Insurance. Both companies invest in a similar method as ASB. FundSource observes that Senior Analyst Mairead Needham, with two years manager tenure, becomes a more critical lynch pin between Smith, Freeman and the small analyst team.</p> <p>FundSource highlights two changes to the Investment Committee have occurred since the previous report. Firstly, due to the retirement of the former Executive General Manager (EGM) of Retail Banking. Secondly, the Investment Committee charter has been amended to incorporate the EGM of Business Banking, ensuring that all major distribution channels are represented. There were changes in 2016 due to a change in the EGM Wealth. These changes are material, given the importance of the Investment Committee.</p> <p>Investment Analyst Will Cato, departed in July 2017, and has been replaced by Mathieu Raoux. Both Cato and Raoux held junior roles and the change is not significant as all decisions will be reviewed by Smith or Freeman, prior to being submitted to the Investment Committee for consideration.</p> <p>While the principal decisions are made by the Investment Committee, key person risk, around Smith has escalated, due to the team turnover. The Investment Committee comprises eight senior executives, and is a critical part of the Managers investment process. The Investment Committee sets policies, guidelines, and all proposed changes to the portfolios.</p>																		

		<p>ASB engage the services of third party investment advisers to assist in the decision making process. FundSource believes this will assist in reducing some key person risk around Smith. Each adviser fulfils a different function. Related party, Colonial First State Global Asset Management (CFSGAM) provide asset allocation, currency hedging and strategy advice. Mercer provide manager monitoring and selection and portfolio construction advice. FundSource notes the CBA has indicated it is looking to divest itself of CFSGAM, which may impact the current relationship. FundSource notes this is an advisory, non-voting relationship and does not anticipate this being a significant impact.</p>
<p>What objective is the Manager trying to achieve?</p>	<p>To provide modest total returns with a negative return expected less than one in every seven years.</p>	<p>The Fund's performance history, for the last five years, is attributable to both Smith and Wilson.</p> <p>There are no standardised benchmarks used by diversified funds. As such the Manager uses a benchmark that is based around the target investment mix for the Fund. FundSource highlights that using the Managers target weighted asset allocation as the Fund's benchmark is considered standard practice for diversified fund managers. With this in mind, the Fund will be biased to defensive assets. Please refer to the Manager's <a href="#">KiwiSaver investments page</a>.</p> <p>The Funds' performance benchmark objective is to exceed the S&amp;P/ NZX 90 Day Bank Bill Index by 1.0% per annum before fees and expenses over three year rolling periods. FundSource would prefer to see performance objectives stated on a net of fees and expenses basis. FundSource believes a net of fee basis better represents an investors experience however, notes that index performance does not consider fees.</p>
<p>What does the Manager invest your money into?</p>	<p>The fund is diversified across both asset classes and countries and invests in circa. 4700 underlying securities. The fund invests using an index tracking management style for all assets other than cash. As at 30 September 2017 the fund was invested in Cash, NZ Fixed Interest, Global Fixed Interest, Australasian Equities and Global Equities.</p>	<p>The Manager has undertaken a review of active investment managers for New Zealand and Australian equities in 2017. This was conducted in conjunction with a consultant. The review resulted in no change to the current passive market exposure.</p> <p>The Fund is suitable for investors who want an actively managed, benchmark aware, Moderate fund that currently implement its strategy via index tracking. By using index funds an investor can expect to have exposure to a significant number of asset classes, regions, countries, and sectors as the Fund is likely to hold 4000+ securities.</p> <p>Notably the Manager can change the underlying investment managers that it invests with. The Manager did undertake a change of investment managers in late 2016, moving the global equity and global</p>

		<p>property underlying manager from Vanguard to BlackRock.</p> <p>FundSource believes the Manager's transparency, courtesy of using mandates, and publishing the Fund's holdings on the <a href="#">Disclose website</a>, to be a positive. The underlying securities are predominantly long only equity positions. The Manager can use derivatives to assist in hedging market risks.</p>
<p>What are the inherent risks imbedded in the Fund?</p>	<p>We consider the principle risks of investing in the Fund are:</p> <ul style="list-style-type: none"> <li>• Market risk</li> <li>• Exchange rate risk</li> <li>• Credit risk</li> <li>• Asset allocation risk</li> <li>• Underling investment manager risk</li> <li>• Cash risk</li> <li>• Counterparty risk</li> <li>• Product risk</li> <li>• Operational risk</li> <li>• Regulatory risk</li> </ul> <p>(For further descriptions of these risks please see the "Other Material Information ASB KiwiSaver" document online)</p>	<p>The Manager is aware of the broad range of risks and is mindful of them when constructing and managing the Fund. The Manager believes that a key driver of performance is the asset allocation, as such the Manager develops views around a range of factors to assist in mitigating the risks identified, which are detailed on the Managers <a href="#">website</a>.</p> <p>From a day to day perspective, and critical to the Managers process is determining the how proposed changes in the Funds asset allocation occurs affect investors outcomes. The Manager employs a structured quarterly process which is centred on trigger levels of the Funds Sharpe Ratio and Tracking Error. Exceeding either ratio, positively or negatively will lead to a recommendation for the investment committee's consideration. The Investment Committee will decide on an appropriate course of action. FundSource views the structured decision making positively, however notes that this can be slow to respond to sudden changes in market dynamics. Importantly the Manager is not opportunistic, investing for the medium to long term.</p> <p>At present the Manager's currency hedging decision is dynamic for both Australian and international equities. The equities hedging level changes in response to movements in the relative strength of the NZD against the relevant currency. International fixed interest hedging is fixed at 100%. FundSource observes the process employed is in line with industry standard practice.</p>
<p>Why do they believe the future prices of the Fund's investments will vary?</p>	<p>ASB's core investment beliefs are:</p> <ul style="list-style-type: none"> <li>-It is important that our customers can understand our investment strategies and policies, including how we take into account environmental, social and governance considerations.</li> <li>-Asset allocation and currency decisions are the most important investment decisions we make. They drive the majority of the investment outcome.</li> <li>-Investment decisions taken with a medium - long term horizon will in the long term outperform decisions that are taken with a short term horizon.</li> <li>-Investment risks should be clearly understood and carefully considered when seeking investment return.</li> </ul>	<p>A key feature of the Fund is the repetition and consistency that reviews of assumptions, historical decisions, and market inputs are undertaken. The Manager strives to put a customer in a position to understand the strategies, and policies that drive fund decisions. FundSource views this positively, however, notes this does not imply that a customer could readily implement the strategy.</p> <p>Investors should consider the Fund as having a minimum investment horizon of at least four years. Over shorter periods, there is potential for material change in the Funds value, based on market movements.</p>

	<p>-We consider active management where we are satisfied that the manager can add value over the long term. -The cost of managing money is an important component of investment returns.</p> <p>These beliefs mean that:</p> <ul style="list-style-type: none"> <li>- ASB uses investment strategies and policies that can be understood by our customers.</li> <li>-ASB's investment decision making time and resources are focused on making the best possible asset allocation and currency hedging decisions.</li> <li>- ASB makes investment decisions based on medium to longer term expectations.</li> <li>-ASB focuses on both risk and return outcomes when making investment decisions. Generally, higher returns means higher risk, therefore we aim to ensure that returns appropriately reflect the risk that is being taken to achieve it.</li> <li>-When choosing an investment management style for each asset class, we consider whether an active investment management style will outperform a market index (after fees) over the long term.</li> <li>- ASB focuses on keeping investment costs as low as possible, meaning that more of ASB's customers' money is invested to earn returns.</li> </ul>	
<p>Why does the Manager believe you should give them your money rather than to someone else or to an inexpensive index fund?</p>	<p>The Manager believes the significant benefits of investing in the Fund are:</p> <p><b>Competitive Fees:</b> there are competitive fees so more of the Investor's money is invested which helps them achieve your investment goals.</p> <p><b>Market access:</b> the investor can access investments that they might not otherwise to be able to invest in.</p> <p><b>Confidence:</b> the ASB group helps over 500,000 Kiwis invest for their future, so the Investor can be confident we have the experience and expertise to help them achieve their investment goals.</p>	<p>The Manager is providing investors with a relatively unique approach to investing in a diversified fund. The uniqueness comes by using index funds to implement the asset allocation decisions. Of the 38 funds in the FE Analytics NZ KiwiSaver Diversified Defensive sector, this Fund is one of seven funds are labelled moderate funds, of which only this Fund primarily use index tracking strategies.</p> <p>With an inception date of October 2007, the Fund has performed in line with the FE Analytics NZ KiwiSaver Diversified Defensive sector peer average, for all time periods, as at the date of this report. The Funds' performance is available on the <a href="#">ASB KiwiSaver website</a>.</p>
<p>How does the Manager decide to buy or sell investments?</p>	<p>The fund is largely index tracking at the asset class level apart from cash which is actively managed. The funds asset allocation and currency hedging is managed according to the asset allocation and currency hedging policies which are approved by the Investment Committee. The policies are devised and monitored by CFS.</p> <p>Currency hedging levels are assessed every month as per the currency hedging policy. Asset allocation is reviewed quarterly and determines the target portfolio of the Fund. The asset allocation process focuses on relative trigger levels of both the Sharpe Ratio and Tracking Error relative to the Reference Portfolio (which is described in the SIPO). Any costs which may occur during implementation are</p>	<p>With a very structured approach to managing the asset allocation, currency hedging and implementation of investment ideas, the buy and sell decisions are well considered and must meet rigid requirements. Risks in the decision making process are front and centre of how the Fund is constructed.</p> <p>FundSource notes that the cost benefit analysis conducted through the decision making process, while not unique, is more detailed and further ingrained than typically seen in Australasian diversified managers.</p>

	<p>considered prior to an asset allocation change occurring.</p> <p>All investment decisions we make are consistent with our core investment beliefs.</p>	
<p>Has the CIO/ PM personally invested in the Fund? If so, paying the same fees as other investors?</p>	<p>Although the Portfolio Managers do not personally invest in the Fund, both are members of the ASB KiwiSaver Scheme.</p>	<p>FundSource believes that managers 'eating their own pudding' should be an aspect a potential investor considers when deciding to invest in any financial product.</p> <p>Investing in a fund, alongside investors, aligns the interests of investment personnel with those of the investors. When investment personnel are significantly invested in a fund they are managing, and at the same fees, FundSource views this as a strong alignment.</p> <p>Given the risk profile of this Fund, FundSource highlights it may not align to an investment teams risk profile, however, each ASB KiwiSaver Fund invests in the same pool of underlying investments, at differing allocations. Therefore, the investment teams KiwiSaver accounts are aligned to all KiwiSaver members, regardless of risk profile.</p> <p>FundSource believes that KiwiSaver contributions being invested is a lighter form of alignment with investors, however, notes that a number of NZ investors may only have their KiwiSaver money invested in managed funds. The Manager has not indicated if staff discounts apply to staff investments in the Managers funds.</p>
<p>How much latitude does the Manager have to deviate from the weightings of the Benchmark portfolio?</p>	<p>ASBGI adopts a predominantly index tracking approach where the underlying investment managers aim to track their respective target benchmark as closely as possible. Overall the Fund is expected to have a tracking error of no greater than 2% relative to the Reference Portfolio (as described in the SIPO).</p> <p>Tracking Error                    ≤2%</p> <p>Cash Allocation:                n/a</p> <p>Single Security Limit:        n/a</p> <p>Defensive Assets:            55% - 65%</p> <p>Growth Assets:                35% - 45%</p> <p>Currency Hedge:              50-100% asset class dependent</p>	<p>The Manager has a tightly governed process, which is overseen by the Investment Committee. While the Fund is predominantly index tracking, the Manager can invest via index funds or replicate an index, by holding direct securities. The Manager is not beholden to fully replicating an index, which may exclude replicating an index's tail.</p> <p>While there may be a small amount of divergence from a reference index, FundSource views the process and the Funds governance to be in line with the practices of Australasian and global diversified fund managers. The use of two investment advisers, CFSGAM and Mercer adds additional rigor to overall process of asset allocation through to portfolio construction and manager selection.</p> <p>FundSource highlights the international fixed interest allocation can include New Zealand companies that have issued bonds in a foreign currency. Further to this both Australasian and international equities can include listed property securities. For international equities this may include New Zealand property. This implies there may be some doubling up of exposure to some companies across the Fund.</p>

<p>On what basis does the Manager believe the fees they charge are justified?</p>	<p>The charges for the fund are 0.58% p.a. (estimated percentage of the net asset value). There is no performance fee associated with the fund. We believe that these fees represent very good value given the services that ASB provides to the investor including access to world leading investment capability and managers that the client would not normally be able to access.</p> <p>We regularly monitor the market place and are confident that the bundle of product and services are good value relative to alternatives.</p>	<p>The Funds basic management fee is well below the average basic management fee charged by peer funds in the FE Analytics NZ Diversified Defensive Sector. FundSource views this positively. The ASB KiwiSaver Scheme charges an annual \$30 fee per member, in addition to any management fees.</p>
<p>How would you describe the quality of your organisational and investment governance processes?</p>	<p>The ASBGI board has overall responsibility with ensuring compliance with ASBGI's obligations as the issuer of ASB KiwiSaver. The board's constitution does not allow directors of ASBGI to act contrary to the best interests of the licensed business when they are exercising their powers or performing their duties. On a monthly basis, the ASBGI board reviews compliance certificates from the Head of ASBGI regarding the administration of the Fund and must certify to the relevant supervisor that the Fund has been properly administered. The ASBGI board has delegated investment related powers to the Investment Committee which is a sub-committee of ASB's Executive Leadership Team (ELT). The investment committee is the primary oversight body for investment management accountabilities and is supported by advisers with specialist investment expertise.</p> <p>All outsourced services provided for the Fund are through reputable service providers and are subject to regular, on-going due diligence and monitoring.</p>	<p>The oversight and governance frameworks implemented by institutional funds management operations, for diversified funds is market leading. The regular reporting and use of committees significantly reduces the influence any one person may have on a fund. ASB's governance practices are in line with its institutional peers. Investment committee voting members are employees of ASB and the chairman of ASB Bank</p> <p>FundSource believes that best practice would see investment committees include external members. The use of two advisers, one considered to be internal and the other external, does strengthen the investment committee process. FundSource would prefer that investment committees included external parties with the right to vote, as opposed to advice only.</p> <p>FundSource notes that, all external service providers are large well-resourced and reputable firms. Regular annual reviews is considered the minimum acceptable period for external provider reviews to be completed. Pleasingly ASB do conduct formal and informal reviews more frequently than annually.</p>
<p>Is there alignment of interests through; ownership of the Manager, and remuneration of the investment team?</p>	<p>ASBGI is a wholly owned by ASB, neither entity is publicly listed. ASBGI's ultimate parent company, CBA, is incorporated and listed on the Australian Stock Exchange. There is no direct alignment of the interests of shareholders of CBA and the remuneration of the investment team.</p> <p>The majority of compensation for the investment team comes from a fixed remuneration salary which is reviewed on an annual basis with any increases based on performance, position in the remuneration range and internal relativities. The team undergoes a performance review each year where an incentive bonus may be paid depending on both the business' performance and individual's performance against a range of objectives, which may include an assessment of the Fund performance.</p>	<p>FundSource observes that to preserve capital and generate a long-term positive return for investors, the Manager must remain operational. The ownership and total FUM of ASB mitigates the Manager or this Fund being at risk.</p> <p>Remuneration structures are as expected for an institutional fund manager, predominantly base salary, with a variable component. The Manager, through its ownership, ultimately works for the benefit of shareholders. Despite this, FundSource believes that the investment team and Investment Committee are focused on delivering positive investor experiences.</p>

## Conclusion and Rating

This Fund provides an investor with exposure to a diversified basket of investments, biased to defensive asset classes. The Manager believes the asset allocation is the primary driver of returns, based on long term views. This is complemented with an active currency overlay to assist in alpha generation and managing risk. FundSource notes the Manager is not the only New Zealand based manager to employ index replication, but it is not as prevalent as active management. FundSource believes this provides a point of differentiation, as the Manager sticks to what it believes best reflects its strengths.

The Managers use of multiple advisory inputs in to the investment team, and Investment Committee, is seen as market leading. FundSource expects this to challenge the investment teams thinking, and improve robustness to assumptions used to formulate and implement asset allocation, manager selection, and currency hedging decisions. This compliments the Manager's very structured and disciplined investment process.

Despite the team changes FundSource retains a positive overall view of the investment team, and notes that the Investment Committee is seen as a critical component of the investment process.

Despite the strong influence of the Investment Committee, FundSource believes key person risk relating to Smith has increased significantly, post Wilson's departure. Smith's departure would have a strong negative impact overall, but will dissipate as Freeman's tenure increases.

Decision making by committee can have its positive and negative aspects, in the Managers case it prevents over reaction to short term market movements. Some recent changes within the Investment Committee are material. However, FundSource views modest turnover of Investment Committee personnel as an opportunity to test long held beliefs, and prevent committees from becoming stagnant.

The Manager's basic fee is well below the sector peer average of the FE Analytics NZ KiwiSaver Defensive sector.

FundSource recommends that investors carefully consider that the Managers asset allocation bias to defensive assets matches with their risk profile, and meets their investment needs and objectives.

### FundSource Rating: **AA**

Fund ratings are current as at the date of publication of this report. FundSource reserve the right to review and update fund ratings from time to time.

## Research Factor Weighting

Research Process Category	Model Factor Weight	Analyst Average Score
Corporate & Investment Governance	15%	4.25 / 5
Investment Philosophy & Process	20%	3.80 / 5
People	25%	3.33 / 5
Portfolio Construction & Implementation	15%	3.50 / 5
Risk Management	15%	3.80 / 5
Investment Fees	10%	3.86 / 5

Overall Average Score: **3.71 / 5**

## FundSource Rating Guide

The qualitative rating of a fund is a function of the FundSource Research Factor Weighting process, which is built around the six core qualitative research process categories. The weighted scores result in an overall score, out of five, which is then matched to the following rating:



### AAA: Highly Recommended

Funds that have superior average scores in all six underlying qualitative factors. This recognises aspects about the Manager and Fund in question that includes, but is not limited to, significantly experienced and stable senior personnel, a sound track record over a full market cycle, a clearly defined investment philosophy and process, and a portfolio consistent with that philosophy and process. The management company will also have established effective controls to maintain that philosophy.

### AA: Recommended

Funds that have strong average scores in all six underlying qualitative factors. This recognises aspects about the Manager and Fund in question that includes, but is not limited to, experienced and stable personnel, a sound track record over a full market cycle, a clearly defined investment philosophy and process, and a portfolio consistent with that philosophy and process. The management philosophy must be coherent and consistent with existing portfolios and processes.

### A: Investment Grade

Funds that have good average scores in all six underlying qualitative factors. This recognises aspects about the Manager and Fund in question that includes, but is not limited to, experienced personnel, a sound track record a defined investment philosophy and process, and a portfolio consistent with that philosophy and process.

### FW: Fund Watch

There has been a material change with either the manager, this may include, but is not limited to, departures, new hires, process changes, changes to the investment philosophy. This is considered to be an interim measure, to enable further investigation, re-evaluation and an appropriate course of action to be determined.

### S: Sell

This category covers previously recommended funds that are no longer recommended because of some material change. Removal from recommended status might be for a variety of reasons such as a fundamental change in the fund management company or in the manager's investment strategy, or because a fund did not meet its original expectations. The implications for ongoing service are that the fund should be reviewed on an individual client basis to ensure it still matches their original investment objective.

### NR: Not Rated – Screened/ Not Rated

Funds in the Not Rated – Screened category have provided information and/or FundSource has conducted an initial analysis of the fund, but has chosen not to provide a recommendation at this stage. FOR Not Rated funds the manager may have provided information, but no review meeting has been conducted

## Disclaimers, Disclosures and Warnings

**FundSource Limited notes that the information in this report must be read in conjunction with the warning and disclaimer below. This report supersedes all prior reports.**

**Warning:** Past performance is not a reliable indicator of future performance. Any information, opinions, views or recommendations in this report are for general information purposes only. To the extent that any such information, opinions, views and recommendations may constitute advice, they do not take into account any person's particular financial situation or goals and therefore do not constitute personalised financial advice under the Financial Advisers Act 2008, nor do they constitute advice of a legal, tax, accounting or other nature to any person. This report should not be relied upon as a substitute for advice from your authorised financial adviser.

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 FundSource

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FundSource delivers high quality quantitative and qualitative fund research to financial advisors and the broader financial services industry. FundSource works with a number of expert providers to source this data. Quantitative data is supplied by FE Australia, while qualitative research is provided by Research IP.

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NZX provides high quality information, data and tools to support business decision making. NZX builds and operates capital, risk and commodity markets, and the infrastructure required to support them.

NZX owns a suite of securities and agricultural information businesses; managed fund research house FundSource; exchange traded funds provider Smartshares; and managed funds provider SuperLife.



## RESEARCH IP

FundSource's qualitative research is conducted by independent research company, Research IP Pty Ltd. Research IP was founded in 2015 as a special purpose financial services vehicle, licensing or contracting the services of specialist advisers and analysts. The rationale behind contracting, as opposed to employing staff, is to provide flexibility, and allow Research IP to leverage the skills of specialists on an as required basis, to best meet the brief and scope of the work required to be completed. Research IP is able to leverage executive, corporate, funds management, compliance, administration, operational, quantitative analytics, qualitative research, data collection, interpretation and analysis, and database technology specialists, to deliver client focused solutions.

By leveraging the skills of specialists, Research IP is able to provide innovative and tailored financial services solutions to the market place. Client focused outcomes are underpinned by the belief that the role of business model innovation and accelerating technological change opens up new possibilities, to put client interests at the centre of the financial services industry focus, based on John Hagel's work on the possibilities for "Disruption by Trusted Advisors" and John Kay's "Other People's Money: Masters of the Universe or Servants of the People".