



Qualitative Fund Research

Castle Point Funds Management Ranger Fund

December 2017



Alternatives Sector - Winner

About the Manager

Castle Point Funds Management Limited (the Manager, Castle Point) was founded in 2013, and is built on a highly disciplined approach to identifying investment candidates. Castle Point's ownership structure sees the investment team, New Zealand Asset Management (NZAM) shareholders and RCP Holdings come together to form Castle Point Holdings, which is the parent company of Castle Point. The Manager has provided a brief profile available [here](#).

Castle Point believes that superior returns can be generated by investing with a long-term perspective and focusing on capital preservation. Combining this with a rigorous approach to in-depth research, and a team that is strongly aligned with investors is key to maximising the identification of these opportunities.

Castle Point clearly spells out its governance and controls framework [here](#).

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 Castle Point Ranger Fund ("the Fund") is an 'absolute return' concentrated, Trans-Tasman product, primarily investing in Australasian equities, fixed income and cash and cash equivalents. As such the Fund, will generally sit within the growth component of a balanced portfolio, more specifically the alternative sector, due to the variety of instruments available to the Manager.

The Manager expects equities to be the primary driver of returns over the long term. The Manager can invest into fixed income and cash when the return from equities does not compensate the risk being taken. The Manager's ability to move dynamically across asset classes should enhance their ability to protect capital in periods of market turmoil. This degree of flexibility means that the Fund sits within the Alternatives allocation of a portfolio, despite the primary driver of investment returns being the equities allocation. Accordingly, the Fund is suitable for investors with an investment horizon of more than five years.

Castle Point manages two PIE funds:

- [Castle Point Ranger Fund](#)
- Castle Point Five Oceans Fund

In addition, Castle Point also manage wholesale funds and segregated accounts for clients.

All four members of the investment team perform research for the underlying investments and each fund has designated dual portfolio managers. Other functions, other than investment functions, are outsourced to third parties. Public Trust provides custodian and supervisor duties, MMC fund administration and NZAM operational support. For the number of funds being managed the team is an adequately resourced team of well tenured and experienced personnel. Individual bios for the team at Castle Point can be found [here](#).

The Fund is concentrated and can have a significant investment in a single security, as well as invest in unlisted equities and debt instruments, which can impact the liquidity of the fund. The point in time asset liquidity for the Fund is available on the Disclose website [here](#). Investors should consider the appropriateness of the Fund in meeting their liquidity profile, needs and objectives, prior to investing. Should a significant market event occur, the level of unlisted investments may increase, beyond the ranges detailed by the manager, which may impact the Fund's liquidity, security concentration may compound this.

Investing in unlisted instruments, in conjunction with fixed income and cash or cash equivalents, can assist in dampening the volatility of the Fund performance, conversely these levers can hinder performance. The Manager's skill will, in part, be reflected in their ability to manage the allocation between equities, fixed income and cash or cash equivalents, and the type of securities used.

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>As at November 2017 Castle Point (the Manager) has more than \$340 million of funds under management (FUM). Castle Point was established to provide investors with a truly differentiated investment offering.</p> <p><i>As at 30 November 2017:</i></p> <table border="0"> <tr> <td>Ranger Fund:</td> <td style="text-align: right;">\$ 34M</td> </tr> <tr> <td>5 Oceans Fund:</td> <td style="text-align: right;">\$ 21M</td> </tr> <tr> <td>Mandates:</td> <td style="text-align: right;">\$ 290M</td> </tr> <tr> <td>Total:</td> <td style="text-align: right;">\$ 345M</td> </tr> </table>	Ranger Fund:	\$ 34M	5 Oceans Fund:	\$ 21M	Mandates:	\$ 290M	Total:	\$ 345M	<p>The Manager has two retail products in the market place. The Fund is an absolute return fund, which currently has a level of FUM which is growing, reflective of the boutique nature of the business and the relatively short tenure of the Manager, being less than five years.</p> <p>The Ranger Fund was launched in January 2014 and is the first product Castle Point brought to market. Combining the mandates and newly launched 5 Oceans Fund, the total Manager FUM is now growing from what is typically required for a Manager to be profitable, which combined with the ownership structure mitigates any corporate risk.</p>
Ranger Fund:	\$ 34M									
5 Oceans Fund:	\$ 21M									
Mandates:	\$ 290M									
Total:	\$ 345M									
<p>Who is accountable for managing the Fund, and how long has the investment team worked together?</p>	<p>Richard Stubbs and Stephen Bennie are Co-Portfolio Managers. Jamie Young and Gordon Sims are analysts. The four have worked together as a team for the past 8 years.</p>	<p>The investment team have worked together for a total of eight years, four and a half years at Castle Point, and previously for three and a half years at Tower, providing comfort that the portfolio management team work well together. Ultimate responsibility for the Fund lies with Stubbs and Bennie. The Fund's improving track record is a testament to the investment team remaining true to their process and conviction in the decision they make.</p> <p>Analyst functions are shared between Young and Sims, though all four investment team members are responsible for identifying opportunities and undertaking investment research on the investments that successfully pass through the proprietary filters and candidate gates.</p> <p>All the investment team are co-founders and equal equity owners in the business, which remains at 16% as at 2017.</p>								
<p>What objective is the Manager trying to achieve?</p>	<p>The objective of the Fund is to provide equity-like returns over the long run while minimising exposure to extreme share market fluctuations.</p> <p>The performance objective of the Fund is to outperform the NZ Official Cash Rate by 5% per annum over the long-term, after all fees (and other expenses) but before tax.</p>	<p>The Fund seeks to provide investors with an absolute return, and the OCR +5% benchmark is reflective of other real return funds globally, with a similar broad approach to investing in asset classes and instruments.</p> <p>The Fund has a track record of less than four years, having been inception in January 2014.s. This is shorter than preferred to develop a meaningful understanding of how Manager skill translates in to the Fund performance.</p> <p>The Manager reports performance on a net of fee basis, as detailed on the Funds factsheet. FundSource notes that performance calculations, net of annual fund charges and tax can be found on the New Zealand Government's Disclose website here.</p>								
<p>What does the Manager invest your money into?</p>	<p>Castle Point has broad discretion on the type and proportion of Australasian assets the Ranger Fund invests into. Given the broad investment mandate of the Ranger Fund there is no target asset allocation or</p>	<p>The Fund has a very broad scope across multiple sectors and instruments. This includes unlisted investments, which may impact the Fund's liquidity and derivatives,</p>								

	<p>investment mix. There are some restrictions and investment limits on certain assets (see Permitted Investments for details).</p> <p>There are times in the economic cycle when equity prices can become excessive and the upside from equity investments is limited. Depending on the prevailing investment environment the Ranger Fund might be significantly invested in equities, or might be significantly invested in cash and debt instruments, or it might use derivatives. This allows the Ranger Fund to have capacity to invest when valuations become more attractive.</p> <p>The Ranger Fund can invest in the following New Zealand and Australian assets:</p> <ul style="list-style-type: none"> • Equities <ul style="list-style-type: none"> o Listed equities (includes ordinary shares, preference shares and rights); o Unlisted equities (maximum of 10% of the Ranger Fund's net asset value); • Fixed Interest <ul style="list-style-type: none"> o Government bonds; o Corporate bonds; o Unlisted debt instruments (maximum of 10% of the Ranger Fund's net asset value); • Derivatives <ul style="list-style-type: none"> o Options; o Warrants; o Futures; o Forward foreign exchange contracts; • Cash and Cash Equivalents o Term deposits (up to 12 months); o Commercial paper; • Any other investment agreed to by the Manager and the Supervisor; • Managed Investment Schemes (whose assets are Permitted Investments above). <p>The holding of an individual asset can range from -5% (i.e. a short position) to a maximum of 20% of the Ranger Fund's net asset value.</p> <p>The maximum investment (including Derivatives) in any one company, must not exceed 19% of the issued share capital of that company.</p>	<p>which can introduce leverage in to the portfolio.</p> <p>These asset classes and instruments are reflective of a real return focused fund, with a Cash+ or CPI+ absolute return performance benchmark.</p> <p>While the ranges available to the Manager are broad, they are not likely to fully utilise the full bandwidth of the ranges on a month by month basis. However, there may be periods where the Fund will experience material changes to the allocation of underlying sectors and the type of instruments being used.</p> <p>The Manager publishes the Fund's holdings on the Disclose website.</p> <p>Despite the Manager striving to dampen the volatility of investing in to equity markets directly, investors should consider the Fund as having a minimum investment horizon of at least five years. Over shorter periods, there is potential for material movement in the Funds value, based on market movements.</p>
<p>What are the inherent risks imbedded in the Fund?</p>	<p>Market Risk</p> <p>The returns you receive from the Fund will be affected by the performance of the Fund's investments, which may be affected by the performance of the investment markets generally. This risk includes movements in the general price level and demand and supply in the market in which the relevant investments are made, the sectors in which the investments are made, and economic and regulatory conditions, including market sentiment, inflation, interest rates, employment, political events, environmental and technological issues, and consumer demand both in New Zealand and globally.</p> <p>Currency Risk</p> <p>A portion of the Fund's investments may be invested in assets denominated in</p>	<p>The Manager is aware of the broad range of risks and is mindful of them when constructing and managing the portfolio. The mix of fundamental bottom-up security analysis and allocation to different asset classes will be critical to the Manager's ability to achieve its stated objective of equity type returns with less volatility.</p> <p>The Fund is concentrated, comprising <20 positions which can be compounded by potentially large single security positions. The Manager is aware of the risks that both concentration in the number of securities and size of a single position can bring to a portfolio. They are also aware of the need to ensure appropriate levels of liquidity, despite equity and fixed income being typically very liquid.</p>

	<p>currencies other than New Zealand Dollars - e.g. Australian Dollars. Returns may be affected by movements between the New Zealand dollar and other currencies. The Fund's hedging policy is designed to control this risk (see SIPO for further details).</p> <p>Concentration Risk The Fund can invest into a relatively small number of assets which could result in higher risks compared to a more diversified portfolio.</p> <p>Credit Risk The risk of a counterparty to the Fund being unable to meet its payment obligations.</p>	
<p>Why does the Manager believe the future prices of the Fund's investments will vary?</p>	<p>The returns of the Fund will be largely driven by bottom up stock picking. The Manager conducts deep research on potential investment candidates and will only invest in equities where strong conviction has been built that there is significant long term potential of at least 50% but typically more than 100%.</p> <p>When the Manager doesn't see many such opportunities, the cash and fixed income levels in the Ranger Fund will increase. The Fund has the flexibility to be 100% in cash and fixed income if there are no attractive equity opportunities whatsoever. In practice this is highly unlikely, and to date cash levels have not exceeded 50%. This then gives the Fund dry powder to invest when opportunities become more attractive.</p> <p>This level of mandate flexibility means that the Fund can at times have returns very different to that of the S&P/NZX50 or the S&P/ASX200.</p>	<p>The Manager clearly understands the dynamics between fundamental bottom up research and market mechanism that will drive the asset allocation decisions across equities, fixed income and cash holdings, within the portfolio. The Manager has a capital preservation ethic, embedded in to the Funds objective that sees equity holdings naturally reduce when attractive opportunities are scarce. FundSource notes that this implies there is a bias to downside protection rather than outperformance of equities in growth markets.</p> <p>The Manager employs a detailed process to arrive at a potential investment for the Fund. The process commences with a series of proprietary filters and other approaches to identify potential candidates.</p> <p>Each candidate must then pass through a specific gate which seek to identify certain value and quality criteria. There are two value gates - deep value and value. Similarly, there are two quality gates; mid-cap growth and moat. The research and criteria evaluated are specific to each of these gates. This process looks to combine aspects of both value and quality investing.</p>
<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 that superior returns are generated by investing with a long-term perspective and focusing on capital preservation.</p> <p>The investment strategy of the Fund is to exploit market inefficiencies resulting from a bias to short term performance by financial market investors, through investing in a range of Australasian assets.</p> <p>These inefficiencies exist because, in Castle Point's opinion, financial market investors tend to:</p> <ul style="list-style-type: none"> - focus on recent past performance - underestimate the effect of capital flows and the resilience of poor returning companies (this is called the 'Value opportunity') 	<p>The Fund has outperformed its objective, of OCR +5% as shown in the Funds factsheet, at the time of writing. Volatility is higher than the FE Analytics NZMI Diversified Flexible sector peer average. FundSource notes that investors have been rewarded for the higher volatility, with the Fund's FE Analytics sector leading performance, at the time of writing.</p> <p>As the Manager states, the Fund invests with a long term perspective, FundSource believes potential investors should be investing with a minimum five year time horizon in mind.</p> <p>By using fixed income and cash in conjunction with equities, the tracking error of the fund is expected to be high. The Funds tracking error is widened by the Managers ability invest outside of the</p>

	<p>– underestimate the length of time growth companies can earn excess returns (this is called the 'Quality opportunity').</p>	<p>NZX20 and ASX200, enhancing the Funds ability to exploit market inefficiencies.</p> <p>FundSource believe that the Fund's focus on long term capital preservation could make it an attractive diversifier, or additional satellite investment, in a well-diversified Australasian equity portfolio.</p>
<p>How does the Manager decide to buy or sell investments?</p>	<p>We focus our research time and stock selection on Value and Quality opportunities. We use a disciplined process to identify, research and monitor these opportunities.</p> <p>There are times in the economic cycle when equity prices can become excessive and the upside from equity investments is limited. Depending on the prevailing investment environment the Fund might be significantly invested in equities, or might be significantly invested in cash and debt instruments, or it might use derivatives. Castle Point has broad discretion on the type and proportion of Australasian assets the Fund invests into. Given the broad investment mandate of the Fund there is no target asset allocation or investment mix. There are some restrictions and investment limits on certain assets. Refer to the Fund's current statement of investment policy and objectives.</p> <p>We align our interests to yours by having a passionate investment team who are all firm believers in this philosophy and who are invested in the Fund.</p>	<p>The buy decision for the Manager employs a detailed rigorous process, from universe filtering, in-depth research to portfolio selection and position sizing. Detailed processes should provide a clear and logical approach to determining how a decision to buy or sell a portfolio holding is arrived at, alternatively it can become unmanageable by overcomplicating what and how portfolio holdings are arrived at. In this case the Manager has applied the process consistently, but this does not mean the Manager will not make poor investment choices over time.</p> <p>Fundamental, bottom up research drives investment decisions, with cash and fixed income allocations being the residual of the bottom up stock selection process. It is important to understand that the Manager is principally an equity manager, rather than a fixed income specialist. Higher weighting to cash and fixed income reflects the Manager's belief the opportunity set in equities is diminished at that point in time.</p>
<p>Has the CIO personally invested in the Fund? If so, paying the same fees as other investors?</p>	<p>The entire investment team have units in the Fund and pay the same fee as our retail clients.</p>	<p>FundSource believes that the interests of investment personnel are better aligned to those of the investors, when investment personnel are significantly invested, and at the same fees.</p> <p>The Manager believes this to be an important aspect as well, and accordingly, all the investment team have their wealth, beyond property, invested in this and other Funds managed by Castle Point. Effectively the investment team are eating their own cooking, bringing strong investor alignment.</p> <p>FundSource does expect that investment personnel should to be paying the same fees as other investors, to ensure the experience of both parties is symmetrical. FundSource notes that the staff at Castle Point do pay the same fees as investors.</p>
<p>How much latitude does the Manager have to deviate from the weightings of the Benchmark portfolio?</p>	<p>Castle Point has broad discretion on the type and proportion of Australasian assets the Ranger Fund invests into. Given the broad investment mandate of the Ranger Fund there is no target asset allocation or investment mix. There are some restrictions and investment limits on certain assets (see "What does the Manager invest your money into?" above for details).</p>	<p>The Manager has complete discretion when it comes to the asset class level, that is cash, bonds and equities all range from 0% - 100%, however it is unlikely the Manager will use the full range across each asset class, except for periods of extreme uncertainty. These decisions fall to Stubbs and Bennie.</p>

	<p>There are times in the economic cycle when equity prices can become excessive and the upside from equity investments is limited. Depending on the prevailing investment environment the Ranger Fund might be significantly invested in equities, or might be significantly invested in cash and debt instruments, or it might use derivatives. This allows the Ranger Fund to have capacity to invest when valuations become more attractive.</p> <p>Tracking Error: n/a Cash Allocation: 0% to 100% Fixed Income Allocation: 0% to 100% Equities Allocation: 0% to 100% Single Security Limit: 20% Sector Limits: n/a Regional Limits: New Zealand & Australia only</p>	<p>The Fund is focused on Australasian securities. The default position is to predominantly hedge Australian currency exposure back to NZD, though the Manager has discretion to leave positions unhedged.</p> <p>The Fund can invest into a single security, capped to 20%, and must not exceed 19% of the issued share capital of that security, with this in mind the Fund is not benchmark aware. Investors must determine that the broad discretion available to the Manager, in implementing the Fund's strategy, aligns with their needs and objectives.</p>
<p>On what basis does the Manager believe the fees they charge are justified?</p>	<p>The Fund charges a capped all in fee of 1.05%. The only additional fee to this is a performance fee of 15% on any fund gains above the OCR plus 5% hurdle. A perpetual high watermark applies to the performance fee.</p> <p>The Manager believes for an absolute return Fund, such as Ranger, that this a fair and transparent fee structure.</p>	<p>FundSource believes the Manager is transparent from a fees perspective, noting the annual fund charge is capped, as disclosed in the Product Disclosure Statement (PDS) available here, which includes an indicative performance fee calculation. FundSource views the capping of fee is a positive feature, when performance fees are being charged.</p> <p>FundSource believe that when a manager charges a performance fee there should be a reduction in annual fund charges. Compared to annual fees charged by FE Analytics NZMI Diversified Flexible sector peers, the Fund is slightly lower than the average base management fees charged.</p> <p>This Fund is the only fund in the FE Analytics Diversified Flexible Fund sector that charges a performance fee. FundSource notes there are only 10 funds in this FE Analytics sector. However, this does make the Fund stand out against a small sample size of funds.</p> <p>FundSource believe that where performance fees are being charged, highwater marks should have a reasonable basis on which they are calculated, and be perpetual in nature. The Fund's highwater mark is perpetual, but the reference hurdle, OCR +5%, may appear inappropriate. FundSource highlights the Manager can pull several levers to generate significant outperformance. However, the manager is focused on the Fund's absolute return, rather than its benchmark return. Aligning the Fund to a cash based or official interest rate linked benchmark is common across peer FE Analytics sector funds. This Fund is the only fund in the FE Analytics sector that provides an outperformance expectation, above the cash based benchmark.</p>
<p>How would you describe the quality of your organisational and investment governance processes?</p>	<p>We believe that superior returns can be generated by investing with a long-term perspective and focusing on capital preservation. This is because financial market investors are generally, in our</p>	<p>The Manager has a reasonable governance framework. FundSource believes this could be significantly strengthened by increasing the number of Non-Executive Directors and appointing</p>

	<p>opinion, biased towards short term performance resulting in the inefficient pricing of some assets. We also believe that having a focused team with a rigorous approach to in-depth research, and a team that is strongly aligned with investors is key to maximizing the identification of these opportunities.</p> <p>Performance is monitored daily by Castle Point and portfolio holdings are reconciled daily against the records of the Administrator and Custodian. Performance is also monitored by the Investment Committee on a quarterly basis. Investment performance is reported monthly through fund fact sheets which are available on our website. Performance is monitored over multiple periods including 1 month, 3 months, and 1, 3, and 5 years (as applicable). Performance is measured net of fees but before any tax on an absolute basis and with reference to the fund's return objective(s).</p> <p>The SIPO is reviewed annually by the Castle Point Investment Committee who in turn report to the Board. If there is any material change to a fund's investment strategy or to the regulations or market conditions affecting a fund an ad hoc review is undertaken. Any changes to the SIPO are made in consultation with the Supervisor. We will not implement any material changes to the SIPO until we have given investors at least one month's prior notice.</p> <p>Compliance with the SIPO is independently monitored daily by the operations team and any positions outside of mandate are communicated to the investment team for rectification. Any SIPO breaches are reported to the Supervisor.</p>	<p>them to more Committees that are separated from the general board, this may include Audit and Remuneration committees.</p> <p>FundSource views the appointment of independent members to key committees as a key aspect of strong corporate governance frameworks. Notably, since the initial fund report in 2016, there has been some change within the investment committee membership, with Greg Peacock resigning from NZAM, this is viewed negatively. Amanda Smith has seen her role expand with the business, which is viewed favourably.</p> <p>The Manager has undertaken a strategic review as its funds under management (FUM) has grown. The Manager has undergone some restructuring of its ownership, with key Castle Point Holdings taking a greater equity stake. The Manager undertook a capital raising in 2017, which due to FUM growth, was required. FundSource is aware of some of the Manager's growth plans and the structures that are being put in place to support its recent and future growth in FUM.</p> <p>FundSource believe that the Manager is considered and deliberate in the decisions it makes, and with the benefit of strong ownership and advisory roles, is able to put in place a governance framework that would typically be seen at a larger fund manager. The foresight to develop the business is embedded in the Manager's thinking and culture, and considered a strong point.</p>
<p>Is there alignment of interests through; ownership of the Manager, and remuneration of the investment team?</p>	<p>The investment team have their savings outside of property invested in Castle Point's funds, the Ranger Fund and the 5 Oceans Fund.</p> <p>50% of any performance fees, the Ranger Fund generates, go into a bonus pool for the executive team.</p> <p>The executive team all have shares in the business, the four of us have 4% each.</p>	<p>To remain operational the Manager must preserve current FUM, and grow FUM by generating long term positive returns for investors.</p> <p>Being partly owned by the Investment team and aligning variable compensation to performance is a positive alignment of interests with investor outcomes.</p> <p>Ownership can assist with team stability; however, the level of ownership is typically more significant than the current 4%.</p> <p>Importantly, the investment team founded the business and have managed to grow the business to the point it is moving toward, if not already, breaking even. The other shareholders, NZAM and RCP Holdings, mitigate the corporate risk typically associated with a relatively new business with less than a four year track record.</p>

Conclusion and Rating

The Fund provides investors with exposure to a portfolio that can dynamically move across Australasian equities, fixed income, and cash. While the Fund is active across these asset classes, the core focus is in the equity allocation. Investors must be prepared as the Manager can make asset allocation decisions that move readily across asset classes, in spite of the equities bias. Investors considering this Fund, should have a minimum investment timeframe of five years.

Castle Point's ownership, consisting of the investment teams 4% each, and non-related, well funded entities NZAM and RCP Holdings, continues to assist in reducing corporate and personnel risk. In addition, Castle Point has had strong funds under management (FUM) growth since the initial review in November 2016. This has allowed the Manager to embark on a deliberate plan to enhance its operations, bringing in greater independence and removing some operational and compliance aspects from the investment team. FundSource views this positively as it improves the Manager's long term sustainability.

This is the first fund launched by the Manager since commencing operation in 2013. Correspondingly, how the Fund reacts, and the Manager adjusts the portfolio, proactively or reactively, continues to develop. FundSource notes that strong peer relative investment performance has been a

catalyst to the Fund's growth. Despite the Fund's FUM growth, the Fund remains free of capacity issues, and can readily implement its investment process.

FundSource observes the investment team has strong industry experience. The interests of the investment team are aligned to those of the investor via their shareholding, and their investment in the Fund, paying the same fees as retail investors. This degree of alignment is a strong positive. FundSource would prefer the team had a dedicated fixed income analyst, but notes fixed income is not expected to be a key driver of performance.

The Manager's basic fee is slightly below the peer average in the FE Analytics Diversified Flexible sector. This is the only FE Analytics peer fund to charge a performance fee in this sector. FundSource believes as the Fund's FUM to grow, there is scope for the Manager to review the basic fee.

FundSource recommends that investors carefully consider the Managers flexible mandate and approach to asset allocation, matches with their risk profile, 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%	4.00 / 5
Investment Philosophy & Process	20%	4.00 / 5
People	25%	4.00 / 5
Portfolio Construction & Implementation	15%	3.33 / 5
Risk Management	15%	3.40 / 5
Investment Fees	10%	3.29 / 5

Overall Average Score: **3.74 / 5**

FundSource Rating Guide

AAA: Highly Recommended

Funds which have excellent managers, stable senior personnel, a sound track record over a full market cycle, a clearly defined investment philosophy, and a portfolio consistent with that philosophy. The management company will also have established effective control procedures to maintain that philosophy.

AA: Recommended

Funds will have first class, experienced managers, and a sound track record and reasonable stability of senior personnel where the management philosophy must be coherent and consistent with existing portfolios.

A: Investment Grade

This category of funds covers most of the reasonably experienced, competent managers, but often with less stability of personnel than the higher rating trusts.

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

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