



Qualitative Fund Research

Devon Diversified Income Fund

July 2018

About the Manager

Devon Funds Management Ltd (Devon or the Manager) has provided a comprehensive corporate profile available here. Devon was established in 2010 and has proven to be successful in growing its business in institutional and retail funds management.

Devon takes its fiduciary duty to clients very seriously. The Manager believes it has an obligation to ensure that the businesses it invests into conduct themselves in accordance with the highest governance standards. The Manager outlines its values and views on the expectations of businesses Devon invests in, viewing good corporate citizenship, stakeholder interest and sustainability as being the foundation of good business sense, available here. FundSource views corporate citizenship and governance frameworks as extremely important foundations from which a manager starts to engage with the client experiences.

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 Devon Diversified Income Fund (“the Fund”) provides investors with exposure to equities and fixed interest securities. The Fund is biased to fixed income, which typically represents 75% of the asset allocation. This asset allocation is expected to remain constant over the medium-term but changes are permissible if market conditions change significantly.

The Fund is predominantly exposed to domestic credit market risk and movements (both positive and negative) in interest rates, and the prices of the underlying securities comprising the portfolio. Equity market and listed property market risks and

Understanding clients is at the heart of any business and is critical to the longevity of an investment manager. Devon has a clearly articulated statement on Client Care [here](#).

Devon manages a range of funds including:

- Devon Alpha Fund
- Devon Australian Fund
- Devon Dividend Yield Fund
- [Devon Diversified Income Fund](#)
- Devon Trans-Tasman Fund
- Devon Global Themes Fund; and
- Wholesale Funds

The funds above are managed by four Portfolio Managers, who, together with an additional investment analyst are also responsible for sector research. Operations consists of six people plus the Managing Director. For the number of funds being managed, this is a small team of well tenured and experienced personnel. Individual bios on the team at Devon can be found [here](#).

movements are also present, but to a lesser degree. Investors should be aware that the Fund may experience periods of negative returns and that there is a risk of potential capital loss being incurred on their investment. The Fund is suitable for investors with an investment horizon of more than five years.

The Fund intends to be fully invested, however cash can range from 0%-100%, and may enter into forward currency and other derivative contracts to manage the Australian equities AUD currency risk. Typically, the Fund is typically fully hedged against currency movements.

The Fund is a Portfolio Investment Entity (PIE) that targets a quarterly distribution at the Manager’s discretion.

| Question | What the Manager says | What FundSource thinks | | | | | | | | | | | | | | | | |
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| <p>What are the Manager's assets under management - in total and in this Fund?</p> | <p>As at June 2018 Devon Funds Management (the Manager) had about \$2.3 billion under management on behalf of a diverse range of New Zealand clients, including; the New Zealand Superannuation Fund, Community Trusts, charities, KiwiSaver schemes, corporates pension schemes and individual investors.</p> <p>As at 30 June 2018:</p> <table border="0"> <tr> <td>Alpha Fund:</td> <td>\$ 136.01M</td> </tr> <tr> <td>Australian Fund:</td> <td>\$ 16.3M</td> </tr> <tr> <td>Diversified Income Fund:</td> <td>\$ 5.7M</td> </tr> <tr> <td>Dividend Yield Fund:</td> <td>\$ 185.06M</td> </tr> <tr> <td>Trans-Tasman Fund:</td> <td>\$ 279.40M</td> </tr> <tr> <td>Global Themes Fund:</td> <td>\$ 68.2M</td> </tr> <tr> <td>Mandates</td> <td>\$1,501.65M</td> </tr> <tr> <td>Manager Total FUM:</td> <td>\$2,290.22M</td> </tr> </table> | Alpha Fund: | \$ 136.01M | Australian Fund: | \$ 16.3M | Diversified Income Fund: | \$ 5.7M | Dividend Yield Fund: | \$ 185.06M | Trans-Tasman Fund: | \$ 279.40M | Global Themes Fund: | \$ 68.2M | Mandates | \$1,501.65M | Manager Total FUM: | \$2,290.22M | <p>The business as a whole has significant funds under management across its six strategies.</p> <p>With an aging population, the chase for yield is being heightened as the number of retirees increase. Yield and income strategies have been a benefactor of fund flows. This is a trend that is expected to grow.</p> <p>The Devon Diversified Income Fund has a short history, commencing on 1 January 2016, which is reflected in the very low funds under management.</p> |
| Alpha Fund: | \$ 136.01M | | | | | | | | | | | | | | | | | |
| Australian Fund: | \$ 16.3M | | | | | | | | | | | | | | | | | |
| Diversified Income Fund: | \$ 5.7M | | | | | | | | | | | | | | | | | |
| Dividend Yield Fund: | \$ 185.06M | | | | | | | | | | | | | | | | | |
| Trans-Tasman Fund: | \$ 279.40M | | | | | | | | | | | | | | | | | |
| Global Themes Fund: | \$ 68.2M | | | | | | | | | | | | | | | | | |
| Mandates | \$1,501.65M | | | | | | | | | | | | | | | | | |
| Manager Total FUM: | \$2,290.22M | | | | | | | | | | | | | | | | | |
| <p>Who is accountable for managing the Fund, and how long has the investment team worked together?</p> | <p>Nick Dravitzki assumed the role of Portfolio Manager (PM) in January 2017, replacing Slade Robertson, who held PM responsibilities since the Fund's inception. Dravitzki has specialised in high yield equities, and also carries responsibility for the Alpha Fund and Dividend Yield Fund. Both Gaskin and Willis have over 15 years' experience in the New Zealand and Australian investment industries.</p> <p>Devon utilises its expertise in Australasian equities either directly or through their managed investment scheme. Devon employs the specialist services of the JBWere Fixed Interest team to provide fixed interest recommendations.</p> | <p>Dravitzki assumed Portfolio Manager (PM) responsibilities for this Fund, in January 2017. This is due to the most recent investment team departure, with Slade Robertson moving to the role of Managing Director in March 2017. FundSource would typically see a change in Portfolio Manager as a significant change, however in this case it is somewhat mitigated by Robertson remaining with the Manager and remaining an integral part of the Investment Committee, which approves all decisions, prior to implementation.</p> <p>Devon appointed Mark Brown in the role of Chief Investment Officer (CIO), commencing in January 2018. Brown has also assumed responsibility of Investment Committee Chair, succeeding current Managing Director, Robertson. FundSource views the appointment of Brown positively.</p> <p>The tenure of the investment team remains strong, and since commencing operations in 2010, the Manager has added resources building out the team as required. That being said, FundSource would view the addition of analyst resources to the investment team, over 2017, positively. This will assist in complimenting the broader investment teams extensive experience managing Australasian equity based products.</p> <p>For the Fixed Interest component of the portfolio, the Manager has appointed an Investment Adviser, the JBWere (NZ) Fixed interest team, for fixed interest security selection and portfolio construction and implementation of the Devon approved recommendations. FundSource views the formal engagement of the Investment Adviser positively.</p> | | | | | | | | | | | | | | | | |
| <p>What objective is the Manager trying to achieve?</p> | <p>The Fund aims to provide investors with access to a diverse and carefully selected portfolio of high yielding investments and aims to outperform its benchmark, OCR+1.5%, on a rolling 12-month basis.</p> | <p>The Fund aims to generate greater returns than its benchmark, via a portfolio of cash, fixed interest securities, listed equities, and high yield credit. FundSource believes the portfolio will be biased to fixed interest</p> | | | | | | | | | | | | | | | | |

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| | | <p>securities, accordingly the Manager has selected an absolute benchmark of OCR + 1.5%. The Disclose website requires the Fund has a market based benchmark. The Disclose website uses a market index based on 75% of the 90 Day Bank Bill returns and 25% of the 50:50 composite of the S&P/NZX50 Gross Index and the S&P/ASX200 Gross Accumulation Index.</p> <p>With an inception date of January 2016, the current performance history is too short to form a view on the Manager's ability to consistently produce a solid investment return for investors. Investors should expect the Fund to be generally fully invested. FundSource notes that the Fund's allocation to equities and fixed interest will have an impact on the fund's performance, as well as security selection.</p> <p>The Manager reports performance on a net of fees basis, as detailed in the Fund's monthly reports. FundSource notes that reference benchmarks do not typically consider fees or taxes. Further performance information can be found on Disclose website.</p> |
| <p>What does the Manager invest your money into?</p> | <p>The Fund invests in a carefully selected portfolio of government and corporate bonds, cash, listed property, infrastructure and utility companies, high yielding equities, credit securities and other yielding financial assets.</p> | <p>The Fund is suitable for investors who want an actively managed diversified portfolio with exposure to dividend yielding companies and fixed interest securities.</p> <p>The exposure to listed companies is achieved by investing in to the Managers Dividend Yield Fund, and can invest in companies directly as well. FundSource does not expect the direct investments to be material, with the portfolio investing predominantly via the Dividend Yield Fund.</p> <p>The fixed interest securities selection is based on recommendations provided by the Investment Adviser. The recommendations are approved by the Manager prior to the Investment Adviser implementing the trades.</p> <p>Notably the equity portfolio may include material sector exposure, due to the Fund seeking regular exposure to companies that provide regular dividend payments, while protecting capital value. The fixed interest allocation is focused on new issuance coming to market but can invest via secondary and off-market transactions. The fixed interest portfolio is likely to be concentrated in the number and type of securities, a function of the Fund's current low FUM. FundSource expects the fixed interest portfolio to diversify further as the Funds FUM grows.</p> <p>Investors in the Fund should have a minimum investment horizon of at least five years. Over shorter time periods there is the risk of a loss in investment capital. The Fund is considered a diversified fund that will be typically biased to fixed interest securities. The allocation between the fixed</p> |

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| | | <p>interest and equity allocation is dynamic in nature.</p> |
| <p>What are the inherent risks imbedded in the Fund?</p> | <p>The principal risks of investing in the Fund are risks relating to:</p> <ul style="list-style-type: none"> • investing in shares; • the investment objectives not being met; • the performance of a particular company they have invested in; • the concentration of the Fund in a particular region, industry, or other grouping; • Unit pricing or taxation errors; and • currency risk management between the New Zealand dollar and Australian dollar. | <p>The Fund currently pays a quarterly distribution, at the Managers discretion. FundSource notes that there is a small chance the Manager may decide to not to pay a quarterly distribution, or pay a significantly reduced quarterly distribution. FundSource believes the Manager's intention is to pay a regular quarterly distribution in ordinary circumstances, however it may not during periods of market turmoil.</p> <p>The Fund has a bias to investments with attractive yields, from an equities and fixed interest perspective. This is complimented with the views the Manager may hold on companies, including the level and types of debt instruments on issue, developed from an equity perspective. The Manager has the discretion to veto recommendations from the investment Adviser. The framework from which those decisions are made, may potentially impact fixed interest securities decisions, which may influence future performance or risk characteristics.</p> |
| <p>Why does the Manager believe the future prices of the Fund's investments will vary?</p> | <p>The Manager adopts a combination of credit quality for fixed interest and 'value' investment philosophy for equities, and has reasonable mandate flexibility in the management of this Fund. The Manager seeks to invest in quality companies that are trading at a discount to fair value, have favourable industry characteristics, a sustainable competitive advantage, strong management and governance, a clear strategic plan for growing shareholder wealth and a robust business model. The fixed interest portfolio is built around a structured framework that considers duration, yield, credit spreads and credit quality. The Manager has appointed JBWere as the Investment Adviser and to implement the fixed interest portfolio. Devon is ultimately accountable for the Fund and retains the right to veto Investment Adviser recommendations.</p> <p>The Manager believes that the historical performance of high dividend yield investing is very good, because investors typically underestimate the contribution to returns from dividends and overestimate company growth rates. Also the Manager says that focusing on dividend yields naturally directs investment towards companies that have stable and predictable cash flows and can accordingly pay out a high proportion of their earnings as dividends.</p> | <p>FundSource views the Fund's approach to constructing this portfolio positively. The Manager recognises where its core strengths lie, and has appointed an Investment Adviser for the fixed interest exposure.</p> <p>The Manager conducts fundamental, bottom-up research, spending a lot of their time visiting companies, and utilising the research provided by external sources such as sell-side brokers, (although they rely upon their own investment models). The Manager's edge is that they invest in a relatively small number of shares and are less benchmark aware (including taking sector bets and investing outside the S&P NZX 50 and S&P/ASX 200 listing), especially compared with Australian fund managers.</p> <p>The Investment Adviser uses a logical framework, as credit quality reduces diversification and the number of securities increases. Credit rates, yield curve, credit spreads and duration are also considered, to ensure that recommendations continue to meet the objective of maximising yield return, with an emphasis on generating income yield, while taking account of transaction costs. The Manager typically reviews the level and types of debt instruments a company has issued, and where appropriate uses internal research prior to accepting the Investment Advisers recommendations.</p> <p>The Fund's security selection and allocation between equities and fixed interest, are seen as the key drivers of performance and risk for this Fund. In general, the Manager is looking to invest in a high quality portfolio of fixed interest</p> |

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| | | <p>opportunities and businesses that exhibit lower earnings risk than the rest of the market, and therefore lower value risk.</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 clearly articulates its investment philosophy and process, which it has been adhering to since the inception of the Fund.</p> | <p>The Fund's return to investors, available on the Manager's, the Disclose, and FundSource websites, highlights the Fund's return compared to the Funds hybrid benchmark, comprising 75% of the 90 Day Bank Bill and 25% of the 50:50 composite of the S&P/NZX50 and the S&P/ASX200 Gross Accumulation Index after fees, for the three years to 31 December 2015. FundSource notes the Fund's equities exposure is impacted by the Manager's security selection, and conviction in their thesis on some domestic companies.</p> <p>The Manager has three core statements which are publicly available through the Managers values and client care statements and approach to responsible investing. These statements clearly spell out the commitment Devon undertakes to investors and how they manage funds on behalf of investors. The statements published on Devon's website do differentiate the Manager, in that few managers clearly articulate this in writing.</p> <p>In conjunction with a disciplined approach to investing, the Manager, presents a clear rational as to why a potential investor should consider investing in this Fund.</p> |
| <p>Fund How does the Manager decide to buy or sell investments?</p> | <p>For the equity exposure within the Fund the Manager filters and identifies investment opportunities through detailed industry and company analysis. Devon use research models to value each company they wish to invest in, subjecting them to rigorous analysis focusing on their earnings, capital structure, free cashflow generation and growth prospects.</p> <p>The investment process begins with a screen that ranks all stocks in the market (the NZX50 and ASX200) by their 12-month forward dividend yield (calculated as a gross yield to a New Zealand resident investor).</p> <p>Dividend estimates are a combination of consensus forecasts and internal modelling. The ranking identifies the universe from which the portfolio is then constructed. The companies that make up the portfolio are then chosen using fundamental analysis.</p> <p>The investment team conducts a review of each business to assess its industry structure, management quality, governance structures, competitive position and growth plans. Peer reviews are then conducted to ensure the Fund invests in, what the Manager believes, are the best possible companies.</p> <p>Companies, identified in the research process, are then included in a portfolio of</p> | <p>Essentially the analytical process used to conduct detailed analysis of potential holdings is identical to that used across Devon's other funds. The key differentiator, compared to other Devon funds is the appointment of an Investment Adviser; introducing counter party risk, largely mitigated by the Manager retaining the right of veto over the Investment Adviser recommendations.</p> <p>The Manager focuses on five key areas/characteristics of a company (business model, industry structure, financials, management, and valuation). Each characteristic is scored and weighted by analysts which is encapsulated in a standardised 'Summary Research Screen' (SRS). The SRS serves as a ranking tool, which along with the analyst research report, is a key input to stock selection and portfolio construction.</p> <p>The Manager typically takes a long-term view, for both the equity and fixed interest portions of the portfolio.</p> <p>From an equity perspective, the concentrated structure of the portfolio means the manager has to critically evaluate each position regularly, and exit companies that have reached 'fair value' or no longer meet the Manager's dividend yield requirements in their view or where</p> |

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| | <p>shares. The key factors considered in building the portfolio are the company's valuation, an assessment of the business, its risk characteristics, liquidity, the Managers views on the economy and the identification of a catalyst to boost its performance.</p> <p>The fixed interest portfolio is built around a structured framework that considers duration, yield, credit spreads and credit quality. The Manager has appointed JBWere as the Investment Adviser and to implement the fixed interest portfolio. Devon is ultimately accountable for the Fund and retains the right to veto Investment Adviser recommendations.</p> | <p>the quality of the business has declined, even if this is over a short time period.</p> <p>For the fixed interest component, the Investment Adviser has a significant bias to investing in new issuance, and holding to maturity. Should credit quality, yield or credit spreads change, the Investment Adviser may recommend changes. The Investment Adviser has strong links to the secondary market and off market transactions, if required.</p> <p>All investment ideas and portfolio changes are assessed by Devon's Investment Committee (which currently includes the entire investment team, the Managing Director and a representative from the Compliance team).</p> |
| Has the CIO/ Portfolio Manager personally invested in the Fund? If so, paying the same fees as other investors? | The investment staff and senior managers are investors in the Devon Funds and on the same terms as all other investors. | <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>Effectively the investment team are "eating their own cooking", bringing strong investor alignment.</p> |
| How much latitude does the Manager have to deviate from the weightings of the Benchmark portfolio? | <p>The Portfolio Manager has complete discretion as to which stocks and fixed interest securities are used to build the portfolio.</p> <p>Tracking Error: na Cash Allocation: 0% -100% Single Stock Limit: Not Specified Sector Limits: None</p> <p>Asset Class Limits: Australasian Equities 0%-40% New Zealand Fixed interest 0%-100% Other 0%-10%</p> | <p>Individual stock positions can have a significant impact on the overall return of the portfolio, especially over shorter time periods, say, one year. FundSource views that the Portfolio Manager's level of discretion is expected to result in the return of the Fund differing significantly from that of the hybrid benchmark. Investors seeking a benchmark-like return may not be suited to the Fund.</p> <p>In regards to the fixed interest portfolio FundSource highlights that the Investment Advisers model is more granular, mapping the credit rating to a maximum exposure and breaking down to a maximum exposure to a single security within that credit rating. As credit quality deteriorates the exposure size and single entity exposure reduces.</p> <p>Most constraints are soft, providing further latitude for the manager to implement the process. This is reflected in the Manager's approach to hedging, where investors should expect the Fund to be typically unhedged, but the Manager can hedge from 0-100%.</p> |
| On what basis does the Manager believe the fees they charge are justified? | The manager charges a base fee of 0.65% p.a. plus GST. | The Funds basic fee is below the average fee charged by peer funds in the FE Analytics NZMI Diversified Defensive sector. FundSource notes this remains the case with the Funds administration fees added. |
| How would you describe the quality of your organisational and investment governance processes? | The Board consists of six Directors, four of whom are independent. The Audit, Risk & Compliance Committee and Remuneration Committee are chaired by one of the Independent Directors. The Managing Director heads the Operations Team, | The Manager has a strong governance structure which starts with the composition of the Board and leadership of key Board Committees. In addition to the out-sourced functions, there are sufficient internal personnel in operational roles, to ensure |

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| | <p>totalling seven staff. The Supervisor, Custodian, and Registrar/Administration functions are outsourced to reputable firms.</p> | <p>that the four investment team members can concentrate on managing the portfolios.</p> <p>The integration of environment, social and governance (ESG) policies in to the research process is viewed positively, however, investors should be aware that ESG and the United Nations Principles of Responsible Investing (UNPRI) are relatively loose, and is not seen as a negative screen for filtering companies. The important aspect that underpins UNPRI and ESG is the application of the principles, with active ownership being one factor Devon specifically state in their approach to responsible investing.</p> |
| <p>Is there alignment of interests through; ownership of the Manager, and remuneration of the investment team?</p> | <p>The Manager, Devon Funds Management Limited, is a 100% subsidiary of the Investment Services Group Limited which is wholly owned by interests associated with the staff and directors. The business was established in March 2010 when it acquired the asset management business of Goldman Sachs JBWere NZ Limited.</p> <p>Staff salaries are slightly below market by design. Compensation also comes from the bonus pool and is directly tied to the performance of funds/portfolios and the business. A number of funds/portfolios have performance fees so that the firm and client incentives are aligned.</p> | <p>Being 100% owned by its employees and directors, there is strong buy-in from the team to work hard for the firm's long-term success - this is good news for investors.</p> <p>There is alignment between the bonus component of staff remuneration and the performance of the funds/portfolios, although FundSource doesn't know how bonuses are calculated and thus can't comment on the extent to which it is aligned to the interests of investors.</p> |

Conclusion and Rating

The Fund provides an investor with exposure to a portfolio that is biased to fixed income, which typically represents 75% of the asset allocation, with the balance comprising equities and cash. FundSource notes that cash can range up to 100%, but expects it to remain a relatively minor allocation. The Manager expects the asset allocation to remain constant over the medium-term but changes are permissible if market conditions change significantly. For the equities component, this Fund invests in to the Manager Dividend Yield Fund. The Fixed income portfolio is managed by JBWere (NZ) Fixed interest team. FundSource has spoken with JBWere (NZ) directly, and views the structure and methodology for the fixed income portfolio positively.

FundSource notes that the Fund has a short track record and the FUM is low, accordingly, capacity is not considered an issue. The Manager's total FUM across its full product suite reduces business risk and the impact of low FUM in any one fund.

While building out the operational aspects of the firm, and adding an analyst resource, portfolio management expertise has been retained.

FundSource's conviction in the Manager is underpinned by its measured approach to growing the investment team over time, methodical research process, which includes oversight from the Investment Committee, and the ability to attract staff as required.

The Manager's basic fee is well below the peer average in the FE Analytics NZMI Diversified Defensive sector. This Fund does not charge a performance fee.

FundSource recommends that investors carefully consider that the Managers approach to managing a diversified income, 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% | 4.40 / 5 |
| People | 25% | 4.00 / 5 |
| Portfolio Construction & Implementation | 15% | 3.30 / 5 |
| Risk Management | 15% | 3.40 / 5 |
| Investment Fees | 10% | 4.57 / 5 |
| Overall Average Score: | | 3.98 / 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 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.

FundSource is a wholly-owned subsidiary of NZX, the operator of the New Zealand stock exchange. For more information about FundSource please visit www.fundsource.co.nz



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".



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