



Qualitative Fund Research

QuayStreet Altum Fund

September 2018



Awards 2018
Boutique Manager of the Year

About the Manager

QuayStreet Asset Management Limited (the Manager, QuayStreet) was re-established in 2014, and is a wholly owned subsidiary of Craigs Investment Partners (CIP). CIP grasped the opportunity to assemble an experienced and dedicated funds management team. While relatively new, QuayStreet has a strong base of funds under management and distribution platform. QuayStreet aim to deliver great investment returns and superb client service. The Manager has provided a brief profile available [here](#).

QuayStreet's investment philosophy is that an actively managed and concentrated selection of investments can provide better returns than market benchmarks. A broader description of the Managers philosophy is available [here](#).

QuayStreet makes available a range of investor resources outlining the broad investment beliefs including understanding risk, diversification and asset allocation [here](#) and socially responsible investment policy [here](#).

QuayStreet have 10 funds available in the market place:

- QuayStreet Income Fund
- QuayStreet Conservative
- QuayStreet Balanced Fund
- QuayStreet Growth Fund
- QuayStreet Fixed Interest Fund
- QuayStreet New Zealand Equity Fund
- QuayStreet Australian Equity Fund
- QuayStreet International Equity Fund
- QuayStreet Balanced SRI Fund
- [QuayStreet Altum Fund](#)

The Altum Fund is directly managed by a team of five investment professionals, who represent the total QuayStreet investment team. For the number and type of funds being managed, the team is slightly under resourced, however is led by senior investment personnel with strong investment and portfolio management backgrounds. The Manager has provided individual bios for the team [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 QuayStreet Altum Fund ("the Fund") gives investors access to an absolute return focused portfolio of quality growing predominantly mid to large cap Australasian listed companies.

The Fund is subject to equity market risk and movements (both positive and negative), in the prices of the underlying securities comprising the portfolio. Investors should therefore 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, and while the Fund will be biased to New Zealand and Australia, the Fund can invest across all asset classes including all equity markets, all bond markets, all listed property markets and cash, all of which can range from 0%-100% of the Fund's investments. The exception being the Fund will not hold any positions in unlisted property. There are no sector constraints in place. This Fund has a very flexible mandate, which may see the Fund's portfolio holdings vary significantly over the economic cycle.

The Fund is a Portfolio Investment Entity (PIE). The Fund does not pay a distribution, any dividends from companies held in the portfolio are reflected in the Funds 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>As at 30 June 2018 QuayStreet Asset Management had \$789.3m of net funds under management (FUM). The gross fund size of the QuayStreet Altum Fund was \$52.2m.</p> <p><i>As at 30 June 2018:</i></p> <table border="0"> <tr> <td>Income Fund:</td> <td style="text-align: right;">\$ 118.4M</td> </tr> <tr> <td>Conservative Fund:</td> <td style="text-align: right;">\$ 68.4M</td> </tr> <tr> <td>Balanced Fund:</td> <td style="text-align: right;">\$ 188.5M</td> </tr> <tr> <td>Growth Fund:</td> <td style="text-align: right;">\$ 184.0M</td> </tr> <tr> <td>Fixed Interest Fund:</td> <td style="text-align: right;">\$ 192.3M</td> </tr> <tr> <td>New Zealand Equity Fund:</td> <td style="text-align: right;">\$ 57.9M</td> </tr> <tr> <td>Australian Equity Fund:</td> <td style="text-align: right;">\$ 53.0M</td> </tr> <tr> <td>International Equity Fund:</td> <td style="text-align: right;">\$ 233.5M</td> </tr> <tr> <td>Balanced SRI Fund:</td> <td style="text-align: right;">\$ 39.0M</td> </tr> <tr> <td>Altum Fund:</td> <td style="text-align: right;">\$ 52.2M</td> </tr> <tr> <td>Total in these PIE Funds:</td> <td style="text-align: right;">\$1,187.0M</td> </tr> </table>	Income Fund:	\$ 118.4M	Conservative Fund:	\$ 68.4M	Balanced Fund:	\$ 188.5M	Growth Fund:	\$ 184.0M	Fixed Interest Fund:	\$ 192.3M	New Zealand Equity Fund:	\$ 57.9M	Australian Equity Fund:	\$ 53.0M	International Equity Fund:	\$ 233.5M	Balanced SRI Fund:	\$ 39.0M	Altum Fund:	\$ 52.2M	Total in these PIE Funds:	\$1,187.0M	<p>The Manager has had significant funds under management growth across all funds since May 2017, increasing by over \$230 million, across its product suite. FundSource notes that QuayStreet commenced in 2014 net FUM of \$276.3m and has grown to a net FUM of \$789.3m in less than 4 years. This is a significant result and a testament to the effectiveness of the relationship between Craigs and QuayStreet.</p> <p>The Altum Fund was established on 9 September 2014. FundSource notes the Manager has undergone changes with the investment team moving from another manager to QuayStreet in July 2014. A key component to the growth of the Managers FUM is its aligned distribution through Craigs Investment Partners, one of New Zealand's largest private wealth advisory businesses.</p> <p>FundSource notes that the difference in total FUM (net: \$789.3m vs gross \$1,187.0m) numbers is due to inter-funding from the diversified funds.</p>
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<p>Who is accountable for managing the Fund, and how long has the investment team worked together?</p>	<p>Andrew South (Director of Australasian Equities) has been the portfolio manager for the Altum Fund and the Australian Equity Fund since 2014. Previously South was the Chief Investment Officer at Brook Asset Management with overall responsibility for portfolio construction, stock selection and asset allocation for all of Brook's funds. South has over 25 years of experience in financial markets.</p> <p>South is supported by James Ring (Director of International Equities); who also has over 23 years' experience in financial markets, Roy Cross (Senior Investment Analyst) and Stefan Stevanovic (Senior Investment Analyst) who have 13 and 10 years of financial market experience respectively.</p> <p>QuayStreet was established in 2014 but the majority of the team worked together for almost 10 years at Brook Asset Management prior to joining QuayStreet.</p>	<p>South has been the Fund's Portfolio Manager (PM) since the Fund's inception in September 2014. Importantly, FundSource highlights that the Manager has taken a team approach to all 10 of its funds. FundSource consider the full team approach as being important for this Fund due to the Manager's flexibility in choosing asset classes and the weights they may represent in the Fund.</p> <p>While an additional resource was added in late 2016 the number of funds managed by a team of five is higher than most New Zealand managers. FundSource does acknowledge that the three diversified funds are constructed from combining the asset allocation decisions and investing in to the single sector funds, such as this Fund, simplifying the process and resource requirements.</p> <p>Operations, client services and compliance functions are all separated from the investment management functions. This ensures appropriate attention is being given to the operational aspects of investing, and assist in keeping the investment personnel focused.</p>																						
<p>What objective is the Manager trying to achieve?</p>	<p>The investment objective is to provide investors with a level of return above the Reserve Bank of New Zealand Official Cash Rate (OCR) regardless of share market returns and above the performance benchmark. The benchmark is the NZ OCR + 6%.</p>	<p>The Manager has a single objective, to provide a level of return above its performance benchmark, predominantly by investing in Australasian equities.</p> <p>FundSource highlights the manager does not provide any guidance on the quantum of excess return and outperformance an investor should expect, above the performance benchmark.</p>																						

		<p>The Fund's historical performance remains relatively short, however the Fund's volatility compared to its performance reference benchmark, NZ OCR+6%, is clearly apparent. FundSource notes this is expected given the Fund primarily invests in Australasian equities. Compared to peer funds in the FE Analytics NZMI Equity Australasia sector, the Fund has had varied performance since inception. However, the Manager invests for the medium to long term, and is not driven by short term market dynamics.</p> <p>The Fund's performance is available on the Managers website and is expressed on a before fees and tax basis. FundSource notes that the Funds benchmark does not consider fees and tax in its reporting either, which is not consistent with an investor's experience. The inclusion of a table detailing returns after fees and tax is viewed positively, as it approximates an investor's experience. Further historical performance data is available on the Disclose website.</p>
<p>What does the Manager invest your money into?</p>	<p>The Fund predominantly makes concentrated investments in shares (10-25 securities) where the manager has a high level of conviction in the investment case. The Fund may also invest in fixed interest instruments, term deposits and cash. The Fund may utilise derivative instruments such as but not limited to futures, options, total return swaps and forward FX contracts in order to gain specific market exposures efficiently or for hedging/risk mitigation purposes but not for purposes of leveraging returns. The Fund also has ability to take short positions in securities where the total short position will not exceed 20%. The Fund's minimum and maximum limits across the different asset classes are provided below:</p> <p>Australasian Equities: 0% - 100% International Equities: 0% - 100% Listed Property: 0% - 100% Unlisted Property: 0% - 0% NZ Fixed Interest: 0% - 100% International Fixed Interest: 0% - 100% Cash: 0% - 100%</p> <p>Total Growth Assets: 0% - 100% Total Defensive Assets: 0% - 100%</p> <p>Maximum Gross Equity Exposure: 0% - 140% (i.e. 20% max total short equity exposure)</p>	<p>The Fund predominantly invests in mid to large cap Australasian listed companies, with no specific style bias, however there are no restrictions preventing the Manager from investing in micro-cap companies. The Manager has the flexibility to invest in most asset classes; equities, bonds and listed property, which can result in a portfolio that has meaningful exposure to any one asset class, sector, and or company.</p> <p>The Manager believes that market inefficiencies do exist and can be representative of short term investment thinking, an over reliance on broker research, lack of understanding of the company's business model and specific events such as index changes.</p> <p>The Manager has a long term investment perspective, which is supported by the Funds low turnover. The investment team look to garner a deep understanding of a potential investment to assist in determining the intrinsic value of companies.</p> <p>The Fund is suitable for investors who want an actively managed, benchmark unaware, predominantly equity fund, where the Manager has a great deal of flexibility. The Fund still looks to maximise investors potential returns by focusing on sustainable business models that are trading at attractive valuations, despite the levers available.</p>
<p>What are the inherent risks imbedded in the Fund?</p>	<p>The Altum Fund invests across different asset classes and across different regions, some of the principal risks of investing are:</p> <ul style="list-style-type: none"> - Market risk (performance of financial markets) 	<p>The Manager is aware of the broad range of risks, as documented in the Product Disclosure Statement (PDS).</p> <p>FundSource notes that the Manager subjects all investment ideas to a peer review process, rigorously debating all</p>

	<ul style="list-style-type: none"> - Specific investment risk (individual security performance) - Asset allocation risk (asset class performance) - Currency & Country risk (changes in currency valuation or country specific risks) - Interest rate risk (changes in interest rates) - Counterparty risk (counterparties do not fulfil their obligations) - Liquidity risk (trade execution) 	<p>aspects of a current or potential investment. FundSource would prefer that the Manager implemented a formal investment committee approach, to provide consistency in the structure of the debate around companies.</p>
<p>Why do they believe the future prices of the Fund's investments will vary?</p>	<p>The Investment Team focus on both quantitative and qualitative factors when making investment decisions. Some of these are as follows:</p> <ul style="list-style-type: none"> - Attractive valuation on a risk adjusted basis - Strong business model that provides sustainable cash flows and an attractive product/service offering - Solid position and power in its sector relative to competitors, potential new entrants and it's key stakeholders - Good outlook for the sector the company operates in and low level of threats/risks for that sector (i.e. political, technological etc.) - High quality of management, strong corporate governance and impact on the society and environment <p>The Investment Team will also assess broad based economic factors when making asset allocation decisions such as relative points of economic cycles in countries we invest in, broad asset class valuations, market consensus changes, geopolitical risks and economic outlook(s).</p>	<p>FundSource notes that the Manager's primary driver of performance is its security selection; by identifying sustainable companies at attractive prices. The Manager attributes 30% to the industry factors, 30% to governance factors and 40% to valuation factors. Notably governance factors take in to consideration Environment, Social and Governance (ESG) policies, which is gaining critical scale globally. This does not imply that the companies the Manager invests in are signatories to the UNPRI, or the fund is considered an ESG fund. FundSource believes the process underpins all the Manager's funds and is viewed positively.</p> <p>Importantly, company factors are not the sole driving force behind security selection, with the Manager considering current economic conditions in determining the funds asset allocation to a sector. FundSource highlights that the Fund is a concentrated fund, which may lead to significant sector overweight or underweight positions.</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>QuayStreet's underlying investment philosophy is that an actively managed and concentrated selection of high quality investments can provide better returns than market benchmarks. We maintain market inefficiencies exist which from time to time offer attractive investment opportunities. These inefficiencies are often caused by factors such as short term momentum, changes in investor behavior and general market dynamics and over reliance on consensus expectations.</p> <p>Financial markets can experience extended or extreme periods of negative returns and QuayStreet as an active manager has the resources and ability to implement capital protection strategies or reduce overall market exposure. While being a boutique manager QuayStreet is unique in that it manages its investments across a wide array of asset classes and regions.</p>	<p>The Manager is providing investors with an opportunity to gain exposure, predominantly, in listed Australasian companies, focusing on those companies that have sustainable revenue streams. Of the 35 funds in the FE Analytics NZMI Diversified Growth sector, two funds are not traditional strategic asset allocation based funds, the QuayStreet Altum fund is one of those two funds.</p> <p>While the Fund sits in the FE NZMI Diversified Growth sector, the Manager can implement decisions quickly, and the potential to materially change the asset allocation. FundSource notes that to date the manager has implemented an allocation that is dominated by cash and Australasian equities, listed property has ranged from 0%-3%. Investors should expect the fund to retain a relatively high cash allocation, with the cash ranging between 15% - 42%, since inception. The Manager can use its cash allocation to provide some protection against extreme downside movements.</p> <p>With an inception date of September 2014, the Funds volatility has been in line with the FE Analytics sector peers. been higher than its peer funds in the FE Analytics</p>

		<p>NZMI Equity Australasia sector, FundSource notes this is expected with an asset allocation dominated by cash and Australasian equities. The performance history of the Fund is available on the Manager's website.</p> <p>The Disclose website outlines the Fund's performance since inception, on a net of fees and tax basis. FundSource notes that the reference performance benchmark, on the Disclose website, is gross of fees and taxes.</p>
<p>How does the Manager decide to buy or sell investments?</p>	<p>The Investment Team spends significant amount of time analysing individual securities from a qualitative and quantitative perspective and how these securities sit within the portfolio from an investment return objective and total risk context. Therefore, purchasing or selling securities is based on a multitude of factors. Some of the primary ones we consider are as follows:</p> <ul style="list-style-type: none"> - Valuation (current price vs intrinsic value, sustainability of earnings and growth, market expectations etc.) - Quality of business (competitiveness, bargaining power, threats etc.) - Fundamental changes (management, deteriorating operations, inefficient allocation of capital) - Risks (liquidity, tracking error, specific security risk, currency, market risk, asset class risk etc.) 	<p>All companies invested have traversed the Manager's process, including a rigorous peer review process. The Manager's qualitative process is implemented after initial quantitative filtering has taken place. The Manager does not have any specific guidelines used to underpin its quantitative filtering, which may lead to each analyst using their own process to narrow down the universe, prior to formal qualitative reviews being undertaken. The Manager does not have a target number of companies it completes qualitative research on for this Fund.</p> <p>FundSource notes that the Manager's approach is less structured than most FE Analytics peer funds. FundSource notes the performance benchmark does not consider fees and tax.</p>
<p>Has the CIO/ PM personally invested in the Fund? If so, paying the same fees as other investors?</p>	<p>The majority of the QuayStreet Investment Team have a significant proportion of their individual investments allocated across a wide range of QuayStreet Funds. The Investment Team all pay the same fee as other unit holders and there are no financial incentives or discounts provided to any staff to invest in QuayStreet Funds.</p>	<p>FundSource believes that 'eating your own pudding' should be an aspect potential investors consider, when deciding to invest in any financial product.</p> <p>Investing in funds alongside investors at the same fees, aligns the interests of investment personnel with those of the investors.</p> <p>FundSource acknowledges that, due to the number of funds and inter-funding of diversified funds in to sector funds, it is unlikely the investment team invest in all of QuayStreet's funds.</p>
<p>How much latitude does the Manager have to deviate from the weightings of the Benchmark portfolio?</p>	<p>The Fund has the following asset class targets and ranges:</p> <p>Australasian Equity - Target: 100%; Min-Max Range: 0% - 100%</p> <p>International Equity - Target: 0%; Min-Max Range: 0% - 100%</p> <p>Listed Property - Target: 0%; Min-Max Range: 0% - 100%</p> <p>Unlisted Property - Target: 0%; Min-Max Range: 0% - 0%</p> <p>NZ Fixed Interest - Target: 0%; Min-Max Range: 0% - 100%</p>	<p>FundSource highlights the Manager has few specified constraints, producing what could be perceived as being a very flexible mandate. FundSource considers the Manager's scope for this fund is typically focused on a decision between cash and equities, with the ability to materially change the asset mix.</p> <p>FundSource notes the Fund can invest up to 100% in most asset classes, altering the return drivers and risk characteristics of the fund. FundSource notes that while the Manager is unlikely to exploit this, it does leave a gate open for the manager to deviate materially from the Fund's benchmark.</p>

	<p>International Fixed Interest - Target: 0%; Min-Max Range: 0% - 100%</p> <p>Cash - Target: 0%; Min-Max Range: 0% - 100%</p> <p>Growth Assets - Target: 100%; Min-Max Range: 0% - 100%</p> <p>Defensive Assets - Target: 0%; Min-Max Range: 0% - 100%</p>	<p>The Fund's hedging is actively managed and is therefore based on the Manager's views of the NZD versus AUD.</p>
<p>On what basis does the Manager believe the fees they charge are justified?</p>	<p>The Altum Fund fee is 1.28% p.a. (incl. GST) with a performance fee of 15% of the excess return above the benchmark (OCR + 6%) and high water mark. The fee of 1.28% is a total fee which includes full active management, custody, trustee and registry fees.</p>	<p>FundSource believes the Manager is transparent from a fees perspective, noting the administration and underlying manager fees are combined and disclosed in the Product Disclosure Statement (PDS) available here, and via the Disclose website.</p> <p>The Managers basic fee of 1.12% is in line with the average peer fee of funds in the FE Analytics NZMI Equity Australasia sector. However, with a performance fee, the total fee could increase significantly. Refer to the Disclose website. Notably there are only three funds of the 35 FE Analytics sector funds that charge a performance fee, all of which have flexible investment mandates.</p> <p>FundSource notes, investors that invest through third party distributors may be charged discretionary switching fees of up to 1% and should seek full fee disclosure from their advisers before deciding to invest. Investors that invest directly with QuayStreet are not charged any entry or switching fees.</p>
<p>How would you describe the quality of your organisational and investment governance processes?</p>	<p>QuayStreet Asset Management is 100% owned by Craigs Investment Partners (CIP), New Zealand's largest financial advisory network with more than \$12b of funds under management. QuayStreet operates and makes investment decisions independently but utilises CIP's extensive compliance, legal, accounting, marketing and operational resources. This ensures there is external oversight from a compliance, regulatory and continuing business perspective. The QuayStreet Board consists of four directors who are also directors of a number of subsidiary and associate companies of CIP. The Fund's key service providers are separate commercial entities, custodian (Citigroup), Trustee (New Zealand Guardian Trust) and Registry (MMC).</p>	<p>As a wholly owned subsidiary of Craigs Investment Partners (CIP), the Directors of QuayStreet hold a mix of executive and non-executive positions at CIP. None of the investment team hold director roles at either QuayStreet or CIP, providing distinct separation of duties from business operations and investment management and reflects the structure typically adopted by larger institutions.</p> <p>FundSource views the outsourcing of non-investment functions to CIP and external service providers favourably. Overall this provides a solid framework for strong governance and removes administration function from the investment team. FundSource highlights that the Funds administrator and custodian functions are considered to be material relationships and the Manager should review these key functions annually at a minimum.</p> <p>FundSource would prefer to see the Manager implement a formal investment committee structure, including non-executive members, to assist in the oversight of investment frameworks and asset allocation policies. This is based on the higher number of funds for the size of the investment team. Further to this the use of a dedicated trader would be seen as</p>

		<p>industry best practice, separating the investment decision from the buying and selling of securities.</p>
<p>Is there alignment of interests through; ownership of the Manager, and remuneration of the investment team?</p>	<p>The Investment Team is strongly aligned to generate strong returns for its unit holders rather than primarily focusing on growing funds under management for the business as a whole. The team together has significant investments and savings across a wide range of QuayStreet funds. One of the primary determinants of profit share for a member of the Investment Team is the Fund's respective performance against its benchmark and comparable peers on a risk adjusted basis.</p>	<p>FundSource observes that to preserve capital and generate a long-term positive return for investors, the Manager must remain operational. The Manager has significant FUM and the potential to grow that significantly through an aligned advice service. FundSource notes that the Manager has not relied on institutional investment to underpin its range of funds.</p> <p>The Manager has not undergone significant structural change of its investment team since 2014, which is viewed positively, however, FundSource notes that additional resources would allow the existing investment team to focus on specific products as opposed to being spread across a large product suite.</p> <p>FundSource believes that the Manager is aligned to investor experiences, by way of investment, and to a lesser degree by the variable component of compensation. FundSource believes that the investment team can acquire equity in CIP.</p>

Conclusion and Rating

The Fund provides an investor with exposure to an absolute return portfolio of quality growing, predominantly mid to large cap Australasian listed companies. Being benchmark unaware, FundSource highlights that the Manager can incorporate significant weights ranging from 0% to 100% for most asset classes. While the Manager is afforded significant flexibility, FundSource does not expect the Manager will utilise the full ranges available, unless extenuating circumstances prevail.

FundSource notes that the Fund has one of the lower funds under management and capacity is not considered an issue. The Manager's total FUM across all of its retail and KiwiSaver funds, including the inter-funding of diversified funds into its sector funds, mitigates product specific risks based on a funds FUM.

The Manager, in its current guise, has a relatively short track record, but FundSource notes that the Manager was born out of Craigs IP internal investment capabilities in 2014. Several investment team members have worked together at a previous employer.

FundSource's conviction in the Manager is underpinned by the repeatable nature of the

investment process, applied across the funds suite and the team's tenacity in remaining together, despite a change of employer.

FundSource believes the number of funds managed, versus the team size is higher than typically seen in the New Zealand market and FUM has grown. The Manager has recently made a new appointment after a careful and selective recruitment process with a focus on investment expertise and cultural fit. The Manager continues to look at growing the team as appropriate, opting for quality over quantity and alignment with the firm's long term growth ambitions.

FundSource notes that the basic fee is in line with the FE Analytics NZMI Equity Australasia sector peer funds. This is one of 17 funds in the FE sector to charge a performance fee.

FundSource recommends that investors carefully consider if the Managers flexibility, 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%	3.50 / 5
Investment Philosophy & Process	20%	3.40 / 5
People	25%	3.33 / 5
Portfolio Construction & Implementation	15%	3.67 / 5
Risk Management	15%	3.20 / 5
Investment Fees	10%	3.29 / 5
Overall Average Score.		3.40 / 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

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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.

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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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