Smarter Money Long-Short Credit Fund

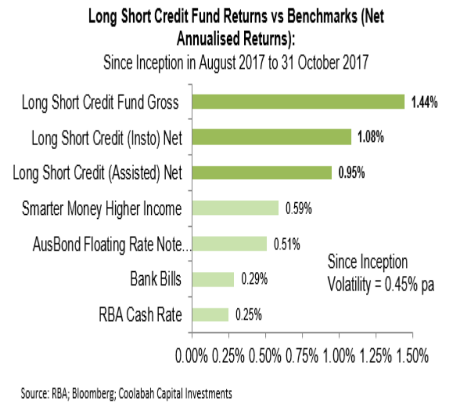
Date: 27 November 2017

Investment Rating Report

Investment Rating: **VERY STRONG**
Product Complexity: **ORANGE – More Complex Product**

Fund Details
Investment Manager: Smarter Money Investments
Portfolio Manager: Coolabah Capital
Inception: 31 August 2017
Fund Category: Australian Unit Trust
Wholesale/Retail: Retail
Fund Type: Absolute return, long-short Australian fixed interest
Management Fee: Investment management fee of 1.25% p.a. plus 0.25% admin fee
Performance Fee: 20.5% for excess over RBA Cash rate
Responsible Manager: OneVue RE Services ABN 94 101 103 011
Investment Objective The Fund aims to generate absolute returns of 4% to 6% over the RBA Cash rate after fees.

Performance



This Fund has very limited past performance.

Review Summary

Founded in 2011, Smarter Money Investments Pty Ltd (SMI) is a Sydney based boutique fixed interest investment manager. SMI outsources all funds management responsibilities to its 50% shareholder Coolabah Capital Investments (CCI), which collectively manages over $2 billion.

The Smarter Money Long-Short Credit Fund is an absolute return fixed-income strategy targeting relatively high single digit returns through actively exploiting mispricings in credit markets. The sub-investment manager, CCI, generates alpha returns by taking a “long” and/or “short” positions in relation to assets which it considers are trading below or above fair value, using leverage to magnify the fund’s alpha, and actively managing the portfolio allocation between cash and credit.

The Fund aims to generate absolute returns using strategies that have low to no correlation with equities, fixed-rate bonds and property markets. The objective is to invest in relatively low risk and liquid investments, primarily senior and subordinated debt securities, hybrids and derivatives issued by Australian entities domestically and overseas, with the majority of the portfolio in investment-grade quality debt securities and hybrids. The Fund can invest in sub-investment grade or high yield securities.

The targeted return for this Fund is 4% to 6% p.a. above the RBA cash rate, which currently translates to 5.5% to 7.5% p.a. after all fees. The official objective is to achieve these returns with less than 5%.volatility (targeted <3%) over rolling 3 year periods.

Investment Rating & Product Complexity Indicator

A **VERY STRONG rating** indicates a very strong conviction that the fund can deliver a risk adjusted return in line with manager’s objective. The rating has been influenced by the early stage of the Smarter Money Long-Short Credit Fund. That is, there is a short (less than one year) performance history.

Designation as a **More Complex Financial Product** indicates that the fund generates returns through a variety of non-standard investment strategies. Products of this type are often known as Hedge Funds. The strategies used include the use of leverage, the ability to go both long and short, investment in sub-investment grade securities and the use of over-the-counter credit derivatives. This type of fund is typically used to diversify portfolio risk or to provide superior returns to the underlying market.

Fund Details

Fund name	**Smarter Money Long-Short Credit Fund**
Dominant strategy	An absolute return fixed income strategy focused on exploiting long and short mispricing in credit markets.
Fund type	Hedge Fund/Alternative Asset: Long/Short Australian fixed interest
Investment Manager	Smarter Money Investments Pty Ltd
Sub-Investment Manager	Coolabah Capital Investments Pty Ltd
KEY FEATURES	**DESCRIPTION**
Fund inception	31 August 2017
Domicile	Sydney, Australia
Legal form	Registered Open-ended Australian Unit Trust
Codes	Direct: APIR: SLT2562AU, ARSN: 617 838 543, ISIN: AU60SLT25623, MSTAR 41597 Platform assisted: SLT2562AU
Geographic mandate	Global credit with a focus on Australian issuers
Open	Yes
Management and Admin Fee	1.25% p.a investment management fee plus 0.25% p.a. admin fee
Performance fee	20.5% (excl GST) pa of the amount by which the fund's return on its investments (before fees and taxation) exceeds the performance hurdle. Calculated semi-annually.
Hurdle rate	RBA Cash Rate.
High Water Mark	Cumulative return of the Fund since inception, inc. distributions and before performance fees.
Differential Fees	The Trustee may negotiate and agree to a variation/reduction in fees with certain investors, eg. wholesale clients.
Distributions	Quarterly: 31 March, 30 June, 30 September, 31 December
Reinvestment	Reinvestment is default, but unitholder can choose to receive distributions.
FUM	A$60 million
Minimum subscription	A$1,000
Entry fee	No
Exit fee	0.10% exit spread paid to unitholders in the trust
Fund term	Open ended
Reporting	Online 24/7, monthly reports, quarterly/annual distribution and tax statements.
Redemptions	Daily
PRIMARY CONTACT	
Name and title	Theo Hatsis, Smarter Money Investments
e-mail address	theo.hatsis@smitrust.com.au
Telephone number	+61 419 019 954
Website	http://www.smitrust.com.au and www.coolabahcapital.com

Investment Profile

HISTORY/BACKGROUND

OneVue RE Services is the Responsible Entity (RE) of the Smarter Money Long-Short Credit Fund. OneVue has appointed Smarter Money Investments Pty Ltd (SMI), a Sydney based cash and fixed interest manager, as the Investment Manager. SMI in turn outsources all funds management responsibility to Coolabah Capital Investments Pty Ltd (CCI) via a sub-investment management agreement embedded in SMI's shareholder's agreement. CCI runs more than $2 billion in Australian active cash and credit strategies for a primarily institutional investor base.

SMI was established in 2011 to offer investors fixed income products characterised by a low volatility risk profile. SMI is 50% owned by CCI and 50% owned by its retail distribution partner Yellow Brick Road Holdings Ltd (YBR), an ASX listed company. CCI is responsible for all funds management activities while YBR is responsible for funding the costs of SMI's retail distribution requirements. CCI is owned 75% by the Fund's portfolio management team and 25% by AMB Holdings - a privately held family office/investment company. CCI manages three funds for SMI and another five institutional mandates.

The Smarter Money Long-Short Credit Fund is the third fund to be launched by SMI/CCI. The initial offer was the Smarter Money Fund which was launched in February 2012. This was followed by the launch of the Smarter Money High Income Strategy Fund in September 2014.

OBJECTIVE

The Smarter Money Long-Short Credit Fund is an absolute return fixed-income strategy targeting relatively high single digit returns through actively exploiting mispricings in credit markets. CCI aims to create alpha by taking a "long" and/or "short" position in relation to assets which it considers are trading below or above fair value and by using leverage up to a limit of 3x.

The Fund's objective is to generate absolute returns using strategies that have low to no correlation with equities, fixed-rate bonds and property markets. The objective is to invest in relatively low risk and liquid investments, primarily senior and subordinated debt securities, hybrids and derivatives issued by Australian entities domestically and overseas, with the majority of the portfolio in investment-grade quality debt securities and hybrids. The Fund can also invest in sub-investment grade securities.

The targeted return for this Fund is 4% to 6% p.a. above the RBA cash rate, which currently translates to 5.5% to 7.5% p.a. after all fees. The RBA says the "neutral" cash rate on a through-the-cycle basis is 3.5%. This implies that the Fund's long-term return target is 7.5% to 9.5% after fees. The official objective is to achieve these returns with less than 5% p.a. volatility over rolling 3 year periods. The investment team believes that actual realised volatility will be lower at less than 3% p.a.

The Fund aims to deliver strong quarterly income.

FUNDS UNDER MANAGEMENT

The Smarter Money Long Short Credit Fund was launched in September 2017 with internal seed capital of ~ $15m and has since grown to ~$60m. As at November 2017, Smarter Money manages approximately $1.1 billion, of which about $700 million is on behalf of institutional investors. CCI, the investment manager for Smarter Money, also manages approximately $1 billion on a mandated basis for institutional investors.

CCI has invested ~$70m-$80m of its own capital (including shareholders and the investment team) into its strategies, which provides for strong alignment of interests.

INVESTMENT UNIVERSE

The Fund's sub-investment manager, CCI, believes that the ~$1.9 trillion Australian cash credit/fixed-income sector, which encompasses Australian-issued government and semi-government bonds, Australian-issued corporate and financial bonds, and the cash securities market, to be its primary circle of competence and does not normally seek to artificially expand returns through actively seeking conventional beta, including:

- Exposure to credit beta;

- Exposure to illiquidity beta; and
- Exposure to long-term interest rate duration risk beta.

The Fund can invest in:

Physical assets, primarily denominated in AUD	Derivatives
• cash, TDs and cash equivalents	• interest rate derivatives
• senior and subordinated debt securities	• credit derivatives such as credit default swaps
• hybrid securities issued in Australian and overseas	• foreign exchange derivatives
• asset-backed securities (ABS)	• equity derivatives
• residential mortgage-backed securities (RMBS)	• related swaps and repurchase agreements
• sub-investment grade securities	• other derivatives

The derivatives above are typically used to hedge risk, with the exception of credit default swaps which can be outright positions and repurchase agreements which can be used to provide leverage.

Internal limits and portfolio targets, which are not part of the PDS and can be subject to change, including the following:

Investments	
Cash	0% to 100%
Senior investment grade securities	No limit
Subordinated debt	Up to 120% of invested capital
RMBS	Up to 99% of invested capital
Hybrids	Up to 45% of invested capital (target <30%)
Unrated and/or sub-investment grade debt securities	Up to 30% of invested capital (target <20%)
Foreign denominated debt issued by non-Australian companies	Up to 30% of invested capital (target 0%)
Portfolio	
Leverage	Target of 1.5x to 2.5x, with a cap at 3x
Target Risk	Less than 5% pa or one third of equities volatility
Target Credit Rating	Investment Grade (IG) on av. across portfolio, target weight for IG assets > 75%
Target Liquidity	Only assets that can be sold in t+5 days
Target Spread Duration (gross assets)	< 3.5 yrs
Target Modified Duration (gross assets)	< 0.5 yrs

Investment Philosophy

CCI's philosophy is to focus on the delivery of risk adjusted excess returns (alpha) within the Australian cash and fixed interest sectors, using active management. CCI defines active management as "seeking to identify assets that are cheap relative to rigorous quantitative assessments of fair value and which have a high likelihood of converging back to fair value and thus furnishing capital gains". Further, they believe that the alpha generated should be independent of interest rate duration risk, credit risk and liquidity risk.

This philosophy differentiates CCI from other fixed interest managers using a "buy and hold" strategy, managers seeking to add alpha through long term duration strategies, managers looking to outperform through investment in sub-investment grade credit risk, and managers that drive returns via illiquidity risk (eg, direct loans).

CCI's philosophy of active management of fixed interest securities to create alpha is based on research and experience in the

Australian fixed interest market. In particular:

- The focus on cash and fixed interest markets is motivated by CCI analysis showing that for investors targeting returns of 3% to 4% above CPI, the typical allocation to equities and property over the last 30 years has been sub-optimal. CCI believes that by increasing the allocation to cash and fixed interest markets, overall portfolio risk can be reduced without compromising the CPI plus 3% to 4% return objectives.
- Most Australian investment-grade fixed-income is traded over-the-counter with no central exchange or mandated price discovery/disclosure (Austraclear does not require bond settlement prices to be publicly disclosed). This leads to highly opaque/inefficient asset pricing.
- The inefficiency is compounded by predominance of (low management fee) passive fixed interest portfolio management, for example high use of index funds and extensive buy and hold strategies. This leads to an inherent yield focus and neglect of total returns.
- Fixed interest portfolio management teams are typically small (1-3 analysts for $10bn+ funds) compared to other asset-classes like equities. This leads to underinvestment in asset valuation analysis.
- Generating alpha through interest rate duration strategies presents a high likelihood of capital loss given the inherently high efficiency of the interest rate derivatives markets, which are extremely transparent and contested by many participants globally. This drives the credit alpha/low volatility philosophy.
- CCI believes that dynamic portfolio weighting between cash and credit using a bottom-up and top-down valuation framework can add considerable value and reduce volatility risk. Again, this is very much an active strategy as opposed to typical buy-and-hold fixed interest management.

Investment Strategy

CCI differentiates itself from common fixed interest strategies such as index management and buy-and-hold by being active across the whole portfolio, aiming to achieve alpha through actively managing cash, credit and by changing the allocation between credit and cash. CCI does not aim to add alpha through long term interest rate or credit spread duration risk, or through illiquidity risk premia.

The investment strategy for the Smarter Money Long-Short Credit Fund builds on, and is completely consistent with, CCI's tested Active Cash and Higher Income strategies. Historically, CCI's Active Cash and Higher Income portfolios have outperformed all key benchmarks on both an absolute and risk-adjusted basis. In the Smarter Money Long-Short Credit Fund, the active management is enhanced with an extended investment universe, an ability to go long and short, and leverage at a portfolio level. To illustrate, the following table shows the alpha strategies, risk and target returns for these funds:

<table>
<tr><th>Common strategies across all Funds</th><th>Fund</th><th>Target Return</th><th>Volatility Limit</th><th>Additional strategies</th></tr>
<tr><td rowspan="3">Active Cash
• securing best ADI deposit rates
• diversification of providers
• short term duration macro calls
Active Credit
• Bottom-up & top down quant valuation and credit rating analysis
• Market making - price discovery
Active Asset Allocation
• Will switch between cash and credit, depending on relative value.</td><td>Active Cash</td><td>RBA cash + 1% to 2%</td><td><1%</td><td>Invests in Australian cash and IG credit only. No Tier 1 hybrids permitted. Credit duration has averaged 1.7 years with an average portfolio weight to cash of 44%</td></tr>
<tr><td>Higher Income</td><td>RBA cash + 1.5% to 3%</td><td><2%</td><td>Invests in Australian cash, IG credit and hybrids. Credit duration has averaged 2.9 years with an average portfolio weight to cash of 15%</td></tr>
<tr><td>Long-Short Credit Fund</td><td>RBA Cash + 4% to 6%</td><td><5%</td><td>This Fund has an extended universe, higher allowable weightings and can:
• go long and short securities and derivatives
• leverage the portfolio up to 3x invested capital.</td></tr>
</table>

CCI does not target using leverage to simply enhance carry or yield: it is focussed on multiplying the capital appreciation, or alpha, extracted from the asset mispricings it identifies through its quantitative and qualitative valuation process

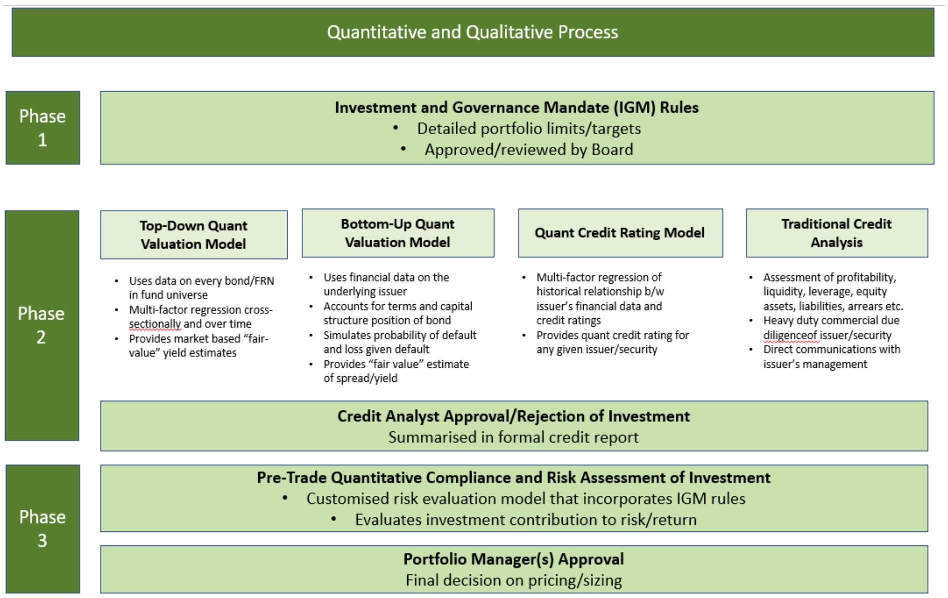
Investment Process

CCI's investment process is focused on the valuation and pricing of the individual bonds in its universe on both a top-down relative basis after adjusting for the bond's specific risks and using bottom-up models that focus on the issuer and bond's financial characteristics. This follows from their objective of adding "valuation" alpha rather than taking on interest rate duration risk or excess credit risk. If a security is mispriced, this means it is paying too much interest given its risks. Once this interest normalises down to CCI's estimate of fair value, the bond's clean price with appreciate, delivering a gain on top of its yield. The rigour and resources that CCI have brought to this process has enabled them to be active in price discovery and opportunistic, buy-side market-making in the Australian market.

The investment process for this fund is both multi-dimensional and rigorous. It consists of 3 key phases:

1. The Investment & Governance Mandate (IGM) determines if an asset can be acquired by the Fund or if an existing asset can be retained in the Fund.
2. Potential investments are subject to both traditional credit analysis (formalised in a report) and a range of quantitative valuation and credit assessment processes.
3. The investment undergoes compliance and risk testing and the Portfolio Managers accept/reject and, where appropriate, finalise the pricing/sizing of the investment.

The process is under constant surveillance and is being enhanced on a continuous basis. In addition, the CCI team is very active in seeking to understand issuers and their clients/customers/regulators. This primary due diligence provides many qualitative insights into the issuer, its industry sector and macro influences.



BOTTOM UP VALUATION

CCI undertakes rigorous bottom-up quantitative asset valuations to price assets based on (a) the issuer's financial characteristics, (b) the asset's capital structure position, and (c) statistical estimates of the probability of default, loss given default, and hence expected loss in light of (a) and (b). These bottom-up models include, among others: several different state-of-the-art "Merton" methods utilising option pricing technology (used by the RBA as a tool for monitoring real-time credit risk), and parametric and non-parametric expected loss models, including techniques that harness decades of rating agency data on defaults and recovery rates.

RATINGS ANALYSIS

CCI calculates its own ratings for credit securities. As an example, CCI estimates default probabilities for the major banks over a future three-year horizon, recalculated daily. They have mapped these default probabilities onto implied credit ratings based on global historical defaults within different Standard & Poor's ratings since 1920.

TOP DOWN VALUATION

CCI has also developed top-down, regression-based valuation models that assume current market prices are correct and prices assets based on their individual characteristics, including the credit rating, maturity, liquidity, capital structure position, industry sector, and the terms of the security in question. These top-down statistical valuation models have very high explanatory power (adjusted R-squares over 85%-90%) and are used to identify day-to-day anomalies in secondary asset pricing, and to inform CCI about the correct valuations of new primary issues.

In total, CCI has developed around 20 proprietary quantitative models, a core subset which are used in conjunction with traditional fundamental credit analysis.

Risk Management

The fund's Responsible Entity is OneVue RE Services Limited (OneVue). OneVue has the primary legal responsibility for monitoring compliance by the Investment Manager with the Fund's PDS and IGM. Compliance with the Investment Mandate is also achieved through monitoring by the portfolio managers and CCI's separate Investment Committee and Risk & Compliance Committee. These are both chaired by experienced super fund director Melda Donnelly with independent members including former super fund director Robert Henricks and compliance expert Alex Wise.

The Responsibility Entity has a compliance committee and a dedicated Compliance Manager. The Responsible Entity has appointed FundBPO, a division of MainstreamBPO Pty Ltd, as Administrator for the Fund. FundBPO provides a number of services to the Fund including processing investment applications, unit registry, distributions and redemptions, anti-money laundering monitoring, investor reporting, custody and investor services.

Detailed compliance procedures are in place that include notification of significant events or breaches to the compliance committee and the Board, notification requirements, compliance reviews and audit requirements.

The Fund's assets are independently valued on a daily basis by the Fund Administrator. Unit prices at which investors can buy or sell units are also calculated on a daily basis by FundBPO. FundBPO uses the industry standard administration system, HiPortfolio as the fund accounting system which provides trade and investment cycle functionality.

The Fund's assets are held on behalf of the Fund's investors by Fund BPO. FundBPO utilizes the services of sub-custodians including JP Morgan. Certain assets may also be held in safe custody at the Responsible Entity or Equity Trustees Ltd as its delegate.

As at the date of the report SMI's insurance cover is under the policy by Chubb Insurance Company of Australia and includes: Professional Indemnity (up to $5 million):

- Directors & Officers,
- Crime (up to $5 million).
- The combined maximum limit is ($5 million).

Investment Team

CCI's investment team is very large and well-resourced compared to many of its peers, reflecting the highly active and quantitatively complex nature of CCI's investment strategies.

The CCI team is managed by Christopher Joye, who is both Chief Investment officer and Senior Portfolio Manager. It includes a number of investment professionals supported by experienced credit analysts and operational staff. Already well resourced, the team has expanded to meet the needs of the growing business. The team now has four portfolio managers, two of whom are also quant analysts, a third quant analyst, and another three full time credit analysts. The team is further supported by another two part time researchers.

SENIOR PORTFOLIO MANAGERS

Christopher Joye is a leading financial economist and funds management professional and has led the portfolio management team since inception. He worked for Goldman Sachs in mergers and acquisitions; the RBA in special projects and he established the quant research group Rismark, which also managed asset-backed securities. He has served as a director of The Menzies Research Centre, which is a think-tank. He publishes extensively on investment issues, and has advised several Australian governments on economic policy. He received 1st Class Honours and the University Medal in both economics and finance from Sydney University, and was awarded a scholarship to undertaken post-graduate studies at Cambridge University.

Darren Harvey has spent more than two decades working in the fixed-income markets, including 10 years at Deutsche Bank in Sydney as a Director of Fixed Income and Head of Option Trading, specialising in interest rate solutions; and in London as a Director in Deutsche Bank's proprietary investment team, focusing on fixed income strategies.

JUNIOR PORTFOLIO MANAGERS & QUANT ANALYSTS

Ashley Kabel joined CCI in 2017 as a portfolio manager and quant analyst. Ashley was Director of Quantitative Strategies at The Cambridge Strategy based in London between 2012 and 2016. Cambridge is an award-winning FX Hedge Fund. Before this, between 2005 and 2012, Ashley was an investment analyst with portfolio management responsibilities covering FX, equities and fixed income. At Invesco he helped develop, analyse and manage multiple quant strategies including direct execution of fixed income portfolios. Ashley graduated with honours degrees in law and engineering from Melbourne University.

Dr Stephen Parker joined CCI in 2016 as a portfolio manager and quant analyst. Dr Parker was previously a futures trader at Star Beta focussing on Australian and US government bonds and the formulation of quantitative trading strategies and risk management models for these markets. In 2013 Dr Parker completed a PhD in Astrophysics from the University of New South Wales that involved developing automated reduction, analysis and simulation routines relating to the mass distribution of very cold brown dwarf stars' host clusters.

Kai Lin joined CCI in 2017 as a quant analyst. Kai was previously a Data Scientist at CBA where he built machine learning models to project customer propensities. Prior to CBA Kai interned as signal processing researcher at Cochlear. Kai graduated from UNSW with 1st Class Honours and the University Medal in his Bachelor of Engineering (Electrical) program where his thesis researched pose estimation and trajectory matching.

CREDIT ANALYSTS

The portfolio management team is supported by three full time credit analysts:

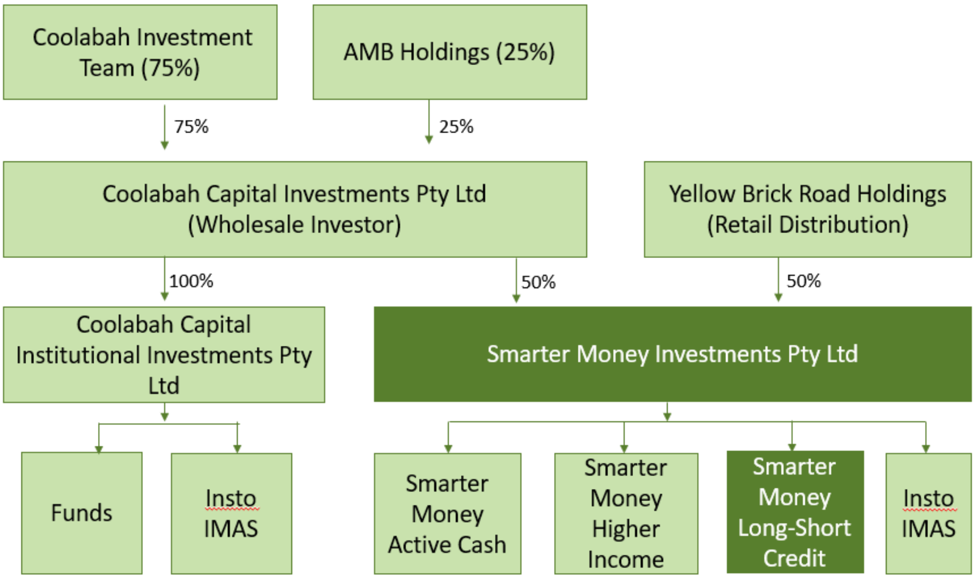
(1) Ed Teh, a senior credit analyst with over 15 years' experience in local and international fixed income, bond insurance and corporate lending,
(2) Andrew McLachlan, a senior credit analyst who has over 15 years' experience in buy side fixed income credit analysis, risk pricing and processes; and,
(3) Jason Lindeman with over 20 years' experience in credit analysis, credit trading and portfolio management with banks and hedge funds in London and Sydney.

There is also the support from two part-time researchers, Dr Phil Bayley and Steve Adamek. The portfolio management team monitors day-to-day compliance with the Funds' Investment & Governance Mandate using the institutional-grade Bloomberg Asset & Investment Manager (AIM) system.

Business Management

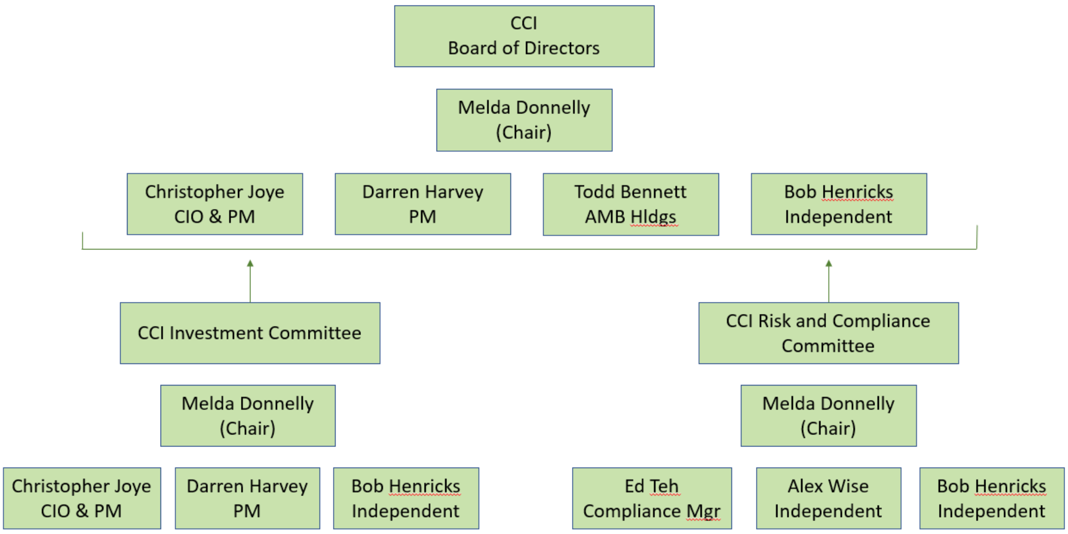
Corporate Structure

Smarter Money Investments Pty Ltd (SMI) is jointly owned by Coolabah Capital Investments Pty Ltd (CCI), the Fund sub-manager, and Yellow Brick Road Holdings, SMI's retail distributor. CCI, in turn, is 75% owned by members of the investment team and 25% owned by AMB Holdings Pty Ltd, a private investment company, representing a family office.



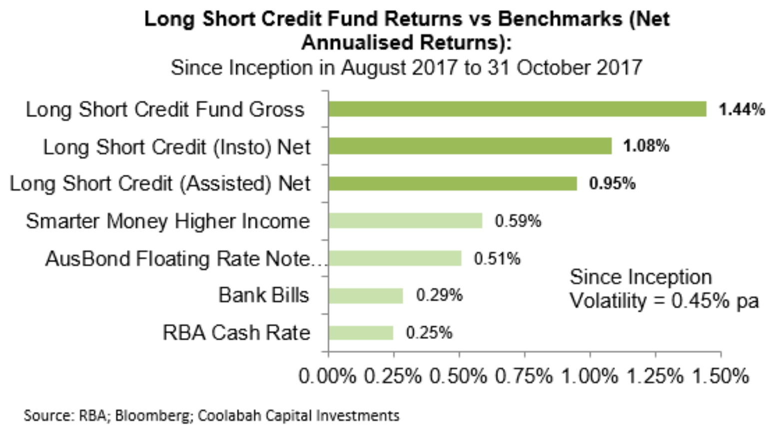
Coolabah Capital Investments (CCI) Structure

The Board of Directors is chaired by Melda Donnelly, who is extremely experienced, having been previously CEO of QIC, Managing Director of ANZ Funds Management, a Director of Unisuper and VFMC, and a current member of the HESTA investment committee. Bob Henricks, the former chair of the $7 billion super fund, Energy Super, is also an independent director. Alex Wise, an experienced compliance and risk expert, sits on the Risk & Compliance Committee.



Performance

The Smarter Money Long-Short Credit Fund was launched in August of this year (2017). The performance data is therefore very limited, and no long-term return or risk analytics are available.



While this performance is a restriction, some insight can be obtained from looking at Smarter Money's two other Funds, given the commonality of process, team and philosophy.

Portfolio Snapshot

Portfolio: 31 October 2017 (Note: All portfolio statistics other than running yield reported on gross levered value)			
Portfolio Weight Cash Securities	6.3%	Portfolio Weight Hybrids	9.9%
Portfolio Weight Floating Rate Securities	93.7%	Portfolio Weight Sub-Investment Grade	9.9%
Av. Portfolio Credit Rating	A+	Portfolio Weight ABS/RMBS	7.0%
No. Floating-Rate Notes/Bonds/Hybrids	47	Credit Spread duration	3.3 years
Total Number of ADIs	11	Annual Volatility (since inception)	0.45%
Av. Running Yield (Net Equity) Before Fees	4.1%	Gross Sharpe Ratio (since inception)	10.4 times
Modified Interest Rate Duration	0.14 years	Leverage Multiple	2.21x

Source: Coolabah Capital

Transparency & Reporting

The Smarter Money website provides Fund details, documentation, performance, technical papers and, to researchers, detailed company structure and business management.

CCI provides

- monthly 3-page summary performance reports via email or in the public section of website
- monthly Excel portfolio composition files for insto clients (via email or in password protected section of website)
- monthly Excel detailed historical performance file for insto clients (available in password protected section of website

Compliance/Operational Risk

In 2017 CCI transitioned to the Bloomberg Asset and Investment Manager (AIM) system, which is an "industrial scale" fixed-income order management, portfolio management, compliance, middle-office and back office asset management system used by over 700 institutions globally. This system represents a significant ongoing cost but it allows CCI to manage upwards of 20 portfolios using global mult-asset strategies. CCI's Bloomberg AIM system enables the following analytics:

- Live portfolio revaluations and portfolio weights intra-day
- Provides dashboard view of individual portfolio exposures by security type, issuer and sector
- Pre-trade investment compliance across a large number of mandate rules
- Pre- and post-trade portfolio analytics including modified duration, spread duration, credit rating distributions

AIM provides real-time position management and portfolio analysis, enabling portfolio managers to measure a portfolio versus a benchmark and allowing traders and risk managers to view aggregate risk metrics. CCI's core quantitative valuation models directly interface with Bloomberg and are autmatically updated daily.

CCI's internal middle office, including a dedicated financial controller, uses Visual Basic to automate settlement processing. CCI's retail funds' accounting, unit registry, tax and general fund administration and back-office services are outsourced to FundBPO, which has circa $130bn in fund administration assets. FundBPO uses the HiPort system for unit pricing and portfolio valuations.

CCI outsources all Responsible Entity services to OneVue RE Services Limited, which has over $7bn in trust assets and its own independent compliance systems, and custody to BNP Paribas and FundBPO.

CCI uses the Complispace enterprise-wide risk management, compliance and governance system. CompliSpace services over 600 clients in Australia including numerous large institutional fund managers. They have 69 staff across Australia with offices in Sydney, Melbourne and Perth and staff in Adelaide and Canberra.

Third Party & Service Providers

Fund administrator	FundBPO Pty Ltd
AFSL Licensee	OneVue RE Services Limited ACN 101 103 011, AFSL 223271
Trustee services	OneVue RE Ltd
Brokers	Several ASX brokers
Legal advisor	Norton Rose
Accounting, fee & distribution calculation	Fund Administrator
Taxation advisor	Fund Administrator
Auditor	EY Australia
Insurance provider	London Australia Underwriting (CCI)
Fund research	Data sources: Bloomberg, FT Interactive, Yieldbroker & S&P Capital IQ
IT network provider	GreenByte IT Services
Portfolio software	Bloomberg

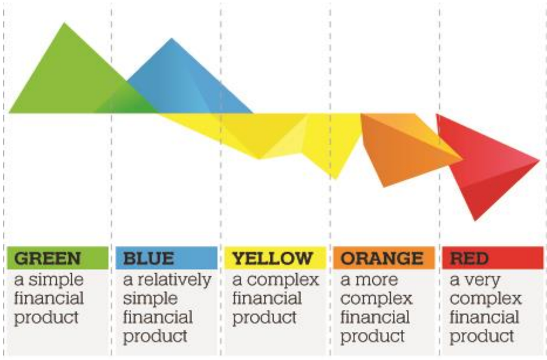
Investment Rating Scale

The Australia Ratings Analytics investment rating is an opinion on how well we believe a fund will perform against a range of risks.

Rating	Definition
Superior	Indicates the highest level of confidence that the fund can deliver a risk adjusted return in line with the investment objectives of the fund.
Very Strong	Indicates a very strong conviction that the fund can deliver a risk adjusted return in line with the investment objective of the fund.
Strong	Indicates a strong conviction that the fund can deliver a risk adjusted return in line with the investment objective of the fund.
Competent	Indicates that the fund may deliver a return in line with the funds relevant benchmark.
Weak	Indicates a view that the fund is unlikely to deliver a return in line with the investment objective of the fund and/or meet the returns of its benchmark.

Product Complexity Indicator

A Product Complexity Indicator (PCI) highlights the complexity of an investment by its terms and conditions' structure and transparency that may affect the investor's return.



Credit Rating & Product Complexity Methodology

Australia Ratings Analytics' methodology for its investment rating and research can be downloaded from its website.

Contact Details

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