

AUSTRALIAN

RESEARCH

INDEPENDENT INVESTMENT RESEARCH

WAM Global Limited (Expected ASX code: WGB)

Pre-IPO Report

May 2018

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- 3) Our research does not provide a recommendation, in that, we do not provide a "Buy, Sell or Hold" on any stocks. This is left to the Adviser who knows their client and the individual portfolio of the client.
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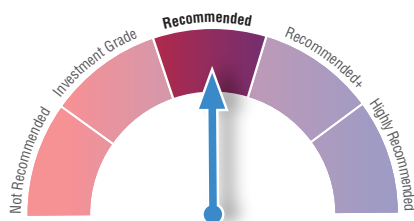
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Contents

1. Product Summary.....	1
2. Investor Suitability	1
3. Recommendation.....	1
4. SWOT.....	2
5. Structure	3
6. Management & Corporate Governance	5
7. Investment Process.....	6
8. Performance Analytics	7
Appendix A – Ratings Process	10
Appendix B – Managed Investments Coverage	11

Note: This report is based on information provided by Wilson Asset Management.

Rating



Key Investment Information

Expected ASX Code:	WGB
Expected offer open	2 May 2018
Expected offer close	8 June 2018
Shares expected to commence trading	22 June 2018
Offer price per share	\$2.20
NTA/share per share at listing	\$2.20
Min/Max capital raise (not including oversubscriptions)	\$16.5m/\$330m
Min/Max shares issued (not including oversubscriptions)	7.5m/150.0m
Oversubscription	Up to \$220m
Fees:	
Management Fee	1.25%
Performance Fee	20.0%
Performance Hurdle	MSCI World Index Net, AUD

Key Exposure

Underlying Exposure	The company will invest in a portfolio of global securities with a mid and small cap bias. The company may hold up to 100% cash.
FX Exposure	Given the investment universe, the company will have direct currency exposure. The portfolio will typically be unhedged, however, the Manager may hedge the currency exposure if it is believed it will be beneficial to Australian dollar returns.

The investment opinion in this report is current as at the date of publication. Investors and advisers should be aware that over time the circumstances of the issuer and/or product may change which may affect our investment opinion.

1. PRODUCT SUMMARY

WAM Global Limited (expected ASX code: WGB) is a newly created investment company that is seeking to list on the ASX. The company is seeking to raise between \$16.5m and \$330m through the issues of 7.5m to 150.0m shares at \$2.20 per share. The company has the ability to raise an additional \$220m in oversubscriptions. The company will provide exposure to an actively managed, benchmark unaware portfolio of global securities with the objective of generating superior risk-adjusted returns to the market over the medium-to-long term with a focus on capital preservation. The portfolio will be managed by Wilson Asset Management (International) Pty Ltd (the Manager), which along with MAM Pty Limited forms Wilson Asset Management. The Manager is 100% owned by entities associated with Geoff Wilson, Chairman of the company. The portfolio will be managed using a combination of the Manager's proprietary market-driven and research-driven investment approaches, which are used to manage the portfolios of six other LICs, including WAA, WAM, WAX, WLE, WMI and CYA. The Manager has the ability to short stocks, however, we expect the portfolio to have a long bias with minimal short exposure at any given time. The Manager will be paid an annual management fee of 1.25% of the gross value of the portfolio and will be eligible for a 20% performance fee of the outperformance of the MSCI World Index Net, AUD (benchmark index) subject to a high water mark. The company will be paying the costs associated with the offer, however, the Manager has agreed to repay the offer costs in thirty equal monthly instalments. This will result in the NTA being the same as the offer price of \$2.20 at the date of listing.

2. INVESTOR SUITABILITY

An investment in the company is suitable for those investors seeking exposure to an actively managed portfolio of global securities. The portfolio is expected to have a small and mid cap bias and is therefore suitable for investors that are looking for a diversified exposure to the large and mega cap securities that tend to be of focus for many international funds. The company will seek to pay a stream of fully franked dividends. The company has not indicated how frequently they will be seeking to pay dividends, however we would expect an annual dividend at least to be paid. The dividend will be dependent on the level of profit reserves and franking credits available. We note that global securities tend to have a lower dividend yield than Australian securities. The company structure allows the dividend stream to be managed, unlike a trust structure. The currency exposure of the portfolio will typically be unhedged, therefore investors should be comfortable with the impact that currency movements may have on the portfolio.

3. RECOMMENDATION

Independent Investment Research (IIR) has assigned WAM Global Limited (expected ASX code: WGB) a **Recommended** rating. The company is newly established and is yet to be listed, therefore has no performance history. This will be the first global mandate managed by the Manager. The Manager will be applying its proprietary investment process used to generate alpha in the Australian market to the global market. The Lead Portfolio Manager, Catriona Burns, has recently re-joined the Manager after beginning her career in funds management with the Manager over 14 years ago. Mrs. Burns has experience investing in global securities, working as a Portfolio Manager with Hunter Hall Investment Management for five years. Unfortunately we do not have access to the performance history of Mrs. Burns portfolio contribution, however, given Mrs. Burns assisted with the development of the Wilson Asset Management investment process we believe Mrs. Burns has a good grasp of the process and will be able to effectively apply the process to the global market. A positive regarding the offer is the NTA of the company will be the same as the offer price at the date of listing given the Manager will repay the offer costs over thirty equal monthly instalments. A drawback of the company is a lack of a majority independent board.

4. SWOT

STRENGTHS

- ◆ Alignment of interest with shareholders is strong with the Non-Independent Chairman, Geoff Wilson, investing \$5.5m in the company at the time of the IPO.
- ◆ The NTA will be the same as the offer price of \$2.20 per share at the date of listing, as a result of the Manager repaying the offer costs. The Manager will repay the costs associated with the offer in thirty equal monthly instalments with the amount appearing as a receivable on the balance sheet.
- ◆ The performance fee is subject to a high water mark which means previous losses are required to be recouped before the Manager is eligible for a performance fee. Further to this, we view the benchmark as appropriate.
- ◆ The Manager has a focus on capital preservation. While the portfolio is yet to be listed and has no performance history, the investment process that will be used has achieved the goal of capital preservation over the long-term through investment in the Australian market for the WAM portfolio in addition to outperforming the market.
- ◆ Up to \$165m of the subscription amount will be available for priority allocation to shareholders of companies managed by Wilson Asset Management (WAA, WAM, WAX, WLE, WMI and CYA). Wilson Asset Management has had a high rate of success with raising capital for new funds through its shareholder network. We expect the same to occur with this offer.
- ◆ The closed-end nature of the company structure means that the Manager has a closed pool of funds to invest and therefore does not have to manage the impact of redemptions.

WEAKNESSES

- ◆ The annual management fee paid to the Manager is at the high end and the performance fee is the highest of the peer group.
- ◆ The Portfolio Manager, Catriona Burns, has recently re-joined the Manager to take on the responsibility of managing the portfolio. Mrs. Burns assisted with developing the investment process of the Manager and therefore has a thorough understanding of the process. As such, we believe Mrs. Burns will be able to successfully apply the investment process of the company, however, we do not have any visibility with respect to her stock picking performance. We note that the Chief Investment Officer, Chris Stott, and the Chairman and Portfolio Manager for the Manager, Geoff Wilson, will dedicate a portion of their time to the portfolio.

OPPORTUNITIES

- ◆ An investment in the company provides the opportunity to gain access to the proprietary investment process developed by the Manager and used in the Australian market over the last 20 years.
- ◆ The portfolio is expected to have a small and mid cap bias and therefore provides an opportunity to diversify from large and mega cap companies that global portfolios typically include.

THREATS

- ◆ The company is newly created and has no performance history. While we believe the Manager will be able to achieve its investment objectives, there is a risk that the Manager may not meet expectations.
- ◆ The portfolio will have direct exposure to currency movements given the global investment universe. The portfolio will typically be unhedged, therefore currency movements will have an impact on the portfolio value, either positively or negatively.
- ◆ The company may trade at a discount to pre-tax NTA for a prolonged period of time which may result in shareholders not being able to exit the company at portfolio value. We note, that a strength of Wilson Asset Management is their shareholder communication and engagement and the portfolios for which they are responsible for tend to trade at a narrow discount or premiums.

5. STRUCTURE

PRODUCT OVERVIEW

WAM Global Limited (ASX: WGB) is a newly created investment company that is seeking to list on the ASX. The company is seeking to raise \$16.5m to \$330m with the ability to raise up to \$220m in oversubscriptions. The company will be issuing shares at \$2.20. The company will pay the costs associated with the offer, however the Manager will repay the offer costs in thirty equal monthly instalments. This will be accounted for as a receivable on the balance sheet and means there is no impairment to the NTA. As such, the NTA at the date of listing will be the same as the offer price at \$2.20 per share.

Wilson Asset Management (International) Pty Ltd (the Manager) has been appointed as the Manager of the portfolio. The Manager is 100% owned by entities associated with Geoff Wilson, Chairman of the company. The Manager is currently responsible for the management of six other LIC portfolios, including WAA, WAM, WAX, WLE, WMI and CYA. This will be the first global mandate managed by the Manager.

The Manager will invest the capital raised in a portfolio of global securities with a small and mid cap bias. The portfolio is expected to comprise an average of 40 to 80 securities. Securities will be selected using a combination of the Manager's proprietary research-driven and market-driven investment process. The Manager has a focus on capital preservation and has the ability to hold up to 100% cash in the event the Manager cannot identify any attractive investment opportunities.

The Manager has a benchmark unaware process with no sector or geographical limitations. Given the investment style of the Manager we expect little to no exposure to the materials and biotech sectors. Given the company is newly established and the capital is yet to be invested there is no portfolio. However, given the composition of the benchmark index (MSCI World Index Net, AUD) we expect the portfolio to be largely invested in developed markets. The Manager has expressed that there will likely be some exposure to Australian securities, however, the portfolio is expected to be a global portfolio with limited amounts of exposure to Australia.

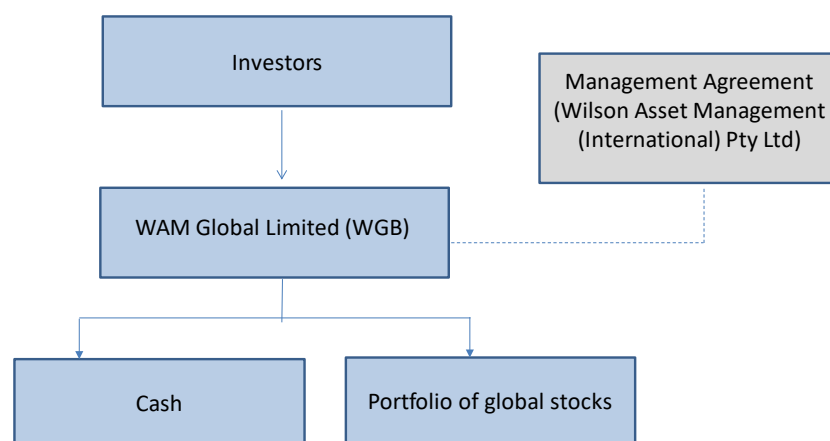
The Manager has the ability to short up to 50% of the portfolio. While the Manager is able to do this according to the mandate, given the Manager's investment style we do not expect short positions to be a significant portion of the portfolio at any given time.

The portfolio will have direct foreign currency exposure given the investment universe. The Manager will typically not hedge the currency exposure of the portfolio and therefore currency movements will impact the portfolio value. However, the Manager may look to hedge the currency exposure in part or in full in the event the Manager views it to be beneficial to the Australian dollar returns.

The company seeks to pay a stream of fully franked dividends, providing the company has sufficient profit reserves and franking credits and it is within prudent business practices. The company has not stipulated the intended frequency of dividend payments, however we would expect at least an annual dividend to be paid.

The Manager will be paid an annual management fee of 1.25% of the gross value of the portfolio and will be eligible for a 20% performance fee for the outperformance of the MSCI World Index Net, AUD (benchmark index), subject to a high water mark.

INVESTMENT STRUCTURE



Product Leverage	
Used:	The Manager does not intend to use leverage to gain additional exposure to securities, however the Manager may use derivatives for the purposes of currency hedging or to provide portfolio protection. The effective exposure via derivatives may not exceed 100% of the portfolio value. The Manager may also short stocks with the Manager able to short up to 50% of the portfolio value. Shorting stocks can create leverage in the portfolio.
Cost (incl. Fees):	na
Capital Protection	
na	
Tax	
Disclaimer:	<i>Tax consequences depend on individual circumstances. Investors must seek their own taxation advice. The following comments show Independent Investment Research's expectation of tax for ordinary Australian taxpayers, but cannot be considered tax advice.</i>
Capital gains:	A capital gains tax (CGT) event will likely occur in the event the investor sells the shares on market for a higher price than it was purchased for. Investors will likely be eligible for the CGT discount if the shares are held for more than 12 months.
Dividends:	Dividends will likely be on income account in the year earned.
Legal Structure	
Wrapper:	Listed Investment Company
Investment Manager.:	Wilson Asset Management (International) Pty Ltd
Investor Leverage	
Available:	No
Risks	
<i>The below is not a full list of all risks associated with the company but highlights what IIR considers to be the more significant risks associated with the company. A detailed risk assessment can be obtained from the Prospectus.</i>	
Discount Risk:	As with all LICs, the company may trade at a discount to pre-tax NTA for various reasons. While this can provide new investors with an opportunity to add to the capital return of the investment, in the event the company trades at a discount for a prolonged period of time, investors may not be able to realise their investment at the portfolio value.
Performance Risk:	The company is newly established and has no performance history. The performance of the portfolio will be dependent on the stock picking skills of the Manager and the ability of the Manager to successfully apply the investment processes of the Manager.
Dilution Risk:	The company may issue new shares which may dilute the position of existing shareholders.
Foreign Currency Risk:	Given the investment universe, the portfolio will have direct exposure to movements in foreign currency. Typically, the portfolio will be unhedged and therefore impacted by movements in the relevant currencies. The Manager has the ability to hedge the currency exposure in the event the Manager believes it will be beneficial to the portfolio value.
Short Selling Risk:	Short selling involves a greater level of risk than investing long with short positions theoretically having an unlimited risk of loss.

6. MANAGEMENT & CORPORATE GOVERNANCE

BOARD OF DIRECTORS

The company has appointed four directors to the board, two of which are independent and two of which IIR classifies as executive, given their association with the Manager. The two independent board members bring varied experience that will add value to the governance of the company.

Board of Directors		
Name	Position	Experience
Geoff Wilson AO	Non-Independent Chairman	Mr. Wilson has over 37 years experience in investment markets, holding a variety of senior investment roles in Australia, UK and the USA. Mr. Wilson founded Wilson Asset Management in 1997, a funds management business that has \$3 billion FUM. Mr. Wilson's qualifications include a Bachelor of Science, GMQ, FFINSIA and is a Fellow of the Australian Institute of Company Directors.
Gabrielle Trainor AO	Independent Director	Ms. Trainor has over 25 years experience on boards across both the public and private sectors ranging from infrastructure and urban development to sports, arts, culture and indigenous advancement and welfare. Ms. Trainor is currently the Chair of the National Film and Sound Archive and Barnardos Australia, a Commissioner of the AFL and the Australian Sports Commission, and a director on the boards of Infrastructure Australia, OnePath Life Insurance, OnePath General Insurance, the ACT City Renewal Authority and the Major Transport Infrastructure Board. Ms. Trainor holds a Bachelor of Law, Master of Arts and is a Fellow of the Australian Institute of Company Directors.
Kate Thorley	Non-Independent Director	Ms. Thorley has over 13 years experience in funds management and more than 18 years of financial accounting and corporate governance experience. Ms. Thorley is the CEO of Wilson Asset Management (International) Pty Ltd. Ms. Thorley's qualifications include CA, Bachelor of Commerce, Graduate Diploma of Applied Finance, Graduate Diploma of Applied Corporate Governance and is a member of the Australian Institute of Company Directors.
Caesar Bryan	Independent Director	Mr. Bryan has over 35 years investment experience. Mr. Bryan started his career at Samuel Montagu Company before joining Gabelli Funds in 1994 as an equity portfolio manager. Gabelli Funds is a global asset management company with over \$30b assets under management. Mr. Bryan is a graduate of the University of Southampton, England and is a member of the English Bar.

INVESTMENT MANAGER

Wilson Asset Management (International) Pty Limited has been appointed as the Manager of the portfolio. In conjunction with MAM Pty Limited, the two companies form Wilson Asset Management. The Manager is 100% owned by entities associated with Geoff Wilson, the Chairman of the company. Wilson Asset Management has ~\$3 billion FUM.

The Manager is currently responsible for the portfolios of six other ASX-listed LICs. These include WAA, WAM, WAX, WMI, WLE and CYA. The newest member of the team, Catriona Burns, is the Lead Portfolio Manager for the company's portfolio, who will be supported by Nick Healy, with the Manager seeking to hire a third analyst. Chris Stott, the Chief Investment Officer, and the Chairman and Portfolio Manager at the Manager will also be dedicating a portion of their time to the portfolio. While these investment team members will be responsible for the company's portfolio, we note that the investment team has a collaborative approach across all portfolios with information regarding company research shared across the whole investment team.

Mrs. Burns has recently re-joined the Manager to take on the management responsibilities of the company's portfolio. Mrs. Burns has over 14 years' investment experience, commencing her career at the Manager in 2003 before relocating to the UK, where she worked as a Portfolio Manager with Hunter Hall Investment Management, investing in global securities. In 2012, Mrs. Burns returned to Australia, joining Airlie Funds Management before taking on the role of Lead Portfolio Manager at Wilson Asset Management. Mrs. Burns assisted with the development of the investment process during her initial time at the Manager, as such we believe Mrs. Burns has a good understanding of the process and will be able to successfully apply the investment process of the Manager. While Mrs. Burns has experience in investing in global securities, we unfortunately do not have any visibility as to the track record of her investment performance.

The Investment Management Agreement (IMA) is for an initial five year term with an automatic five year extension unless the Manager is terminated. The company has applied to the ASX for a waiver to extend the initial term of the IMA to ten years.

Investment Team			
Name	Position	Years Experience	Years at Investment Manager
Chris Stott	Chief Investment Officer	14+	12
Catriona Burns	Lead Portfolio Manager	14+	>1*
Nick Healy	Equity Analyst	3	>1

*We note Mrs. Burns worked for three years with the Manager from 2003.

7. INVESTMENT PROCESS

Investment Objective

The company seeks to: (1) provide capital growth over the medium-to-long term; (2) deliver a stream of fully franked dividends; and (3) preserve capital.

The company seeks to achieve this through the investment in a portfolio of global securities and by following some broad principles including: (i) focusing on companies that are trading below the Manager's valuation of the company and are subject to a catalyst that the Manager believes is not yet priced into the stock; (ii) index unaware investing; and (iii) using cash to preserve capital in the event attractive investment opportunities cannot be identified.

Investment Process

The Manager has a proprietary stock selection process that it uses across all of its portfolios. The Manager will employ a combination of its Research-driven approach and the Market-driven approach. The investment process is detailed below.

1) Research-Driven Approach

- ◆ The Research-Driven Approach will be used to select medium-to-long term investments for the portfolio.
- ◆ Stocks are subject to fundamental research which includes meeting with management, industry and competitive advantage analysis. Free cashflow and return on equity are a focus to determine the quality of companies.
- ◆ Companies are rated based on the Investment Manager's assessment of quality of management, earnings growth potential, valuation and industry position.
- ◆ The Manager will only invest in a security identified as attractive through its research process if a catalyst can be identified, that in the Manager's view has not yet been factored into the share price.

2) Market-Driven Approach

- ◆ The Market-Driven Approach is used to identify short-term trading opportunities.
- ◆ The investment approach seeks to take advantage of short-term relative arbitrage opportunities and mispricings in the market. Opportunities include:
 - Placements, IPOs and rights issues;
 - Investments based on market themes and trends;
 - Taking advantage of financial transactions, including mergers and acquisitions, schemes of arrangements, corporate spin-offs and corporate restructures;
 - Arbitrage opportunities in the hybrid market;
 - Acquiring positions in LICs that are trading at a discount to NTA.

Portfolio Construction

- ◆ The average portfolio weighting of investments is expected to be 1%-5%, however positions may be larger or smaller than this with no limitations on the size of the investment. The Investment Manager will review positions regularly.
- ◆ The Manager does not intend to use debt to leverage the portfolio.
- ◆ The Investment Manager may take short positions with up to 50% of the portfolio able to be invested in short positions, however we expect the short exposure of the portfolio to be minimal at any given time given the investment universe.
- ◆ Investments will be made on a case by case basis with the portfolio to be benchmark unaware. Catalysts for those investments identified as attractive will determine whether an investment is included in the portfolio.

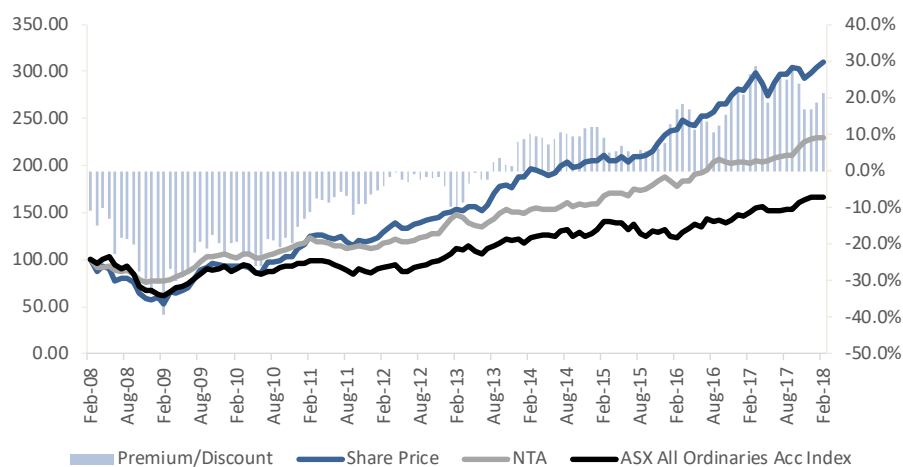
8. PERFORMANCE ANALYTICS

The company is newly established and is yet to be listed and as such has no performance history. While the company has no performance history, the Manager will be employing a combination of the proprietary research-driven and market-driven investment approach used by the Manager to manage other mandates for which it is responsible. We have provided the performance of the WAM portfolio, the longest running LIC managed by the Manager. This provides an insight into the ability of the Manager to achieve its objectives using the stock selection processes. We note that this is the first global mandate to be managed by the Manager.

Historical Performance of WAM

- ◆ The Manager uses a combination of the two stock selection processes that will be used to manage WGB portfolio to construct the WAM portfolio. WAM is an all cap portfolio with a focus on small caps.
- ◆ WAM has been trading for nearly 20 years, being listed in 1999. Over the ten years to 28 February 2018, the portfolio (pre-tax NTA after tax on realised gains, plus dividends) has outperformed the benchmark index (ASX All Ordinaries Accumulation Index), returning 8.7%p.a compared to 5.2%p.a for the benchmark index.
- ◆ The portfolio performance has been overshadowed by the share price return over the ten year period, with the share price (plus dividends) returning 12.0% p.a. The share price performance has been boosted by the company moving from trading at a discount to pre-tax NTA to a significant premium, as shown in the below chart.

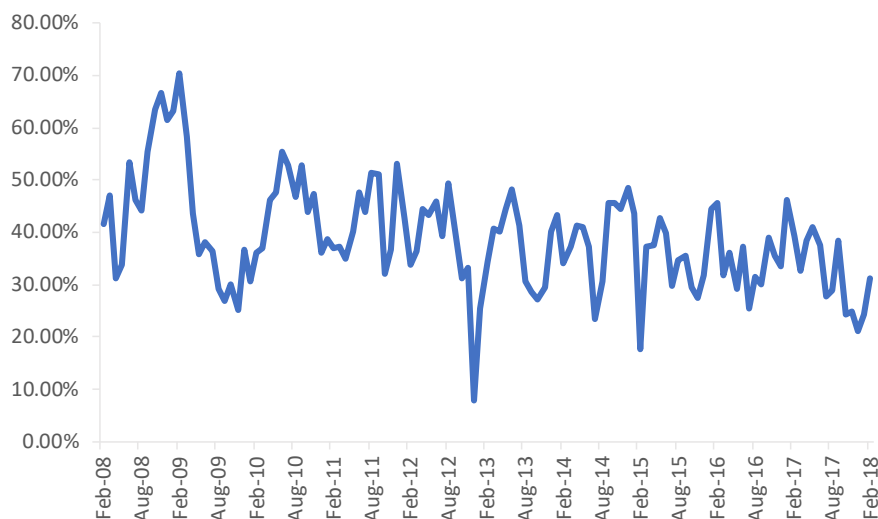
WAM Performance (28 February 2008 to 28 February 2018)



- ◆ The Manager will hold cash in the event attractive investment opportunities cannot be identified. Over the ten years to 28 February 2018, WAM's portfolio has had an average cash weighting of 39%. As shown in the below chart, the cash weighting has varied significantly over the period.

- ◆ The Manager has a focus on capital preservation. Through its use of cash, the Manager has achieved this in the WAM portfolio with a downside market capture ratio over the ten year period of 30.4, meaning the portfolio has fallen 30.4% as much as the benchmark index over the period. The portfolio has captured only 60.6% of the upside. We note this is expected given the high levels of cash held.

WAM Historical Cash Exposure (28 February 2008 to 28 February 2018)



PEER COMPARISON

- ◆ The below table provides a comparison of some of the key features of peer group.
- ◆ The annual management fee paid to the Manager for WGB of 1.25% on the high side and the performance fee of 20% is the highest of the peer group.
- ◆ The performance hurdle for the payment of the performance fee for WGB is an appropriate index and in line with the majority of the peer group. There are only two LICs that do not have a global index as the performance hurdle, TGG which does not pay a performance fee, and VG1, which has the high water mark as the performance hurdle.
- ◆ Of the 13 companies/trusts listed below, 6 have the ability to short stocks as part of their mandate. We note that some of these companies/trusts will be more active with their short exposure than others. While WGB has the ability to short up to 50% of the portfolio, we expect short positions to remain a small part of the portfolio at any given time.
- ◆ The WGB portfolio is expected to have a small and mid cap focus and is unlikely to have exposure to the large and mega cap stocks that many companies/trusts will have in their portfolios.
- ◆ While the market cap information is not provided below, if the maximum subscription amount of \$330m was raised, WGB would be the sixth largest LIC by market cap as at 20 April 2018.

Peer Comparison						
LIC Name	ASX Code	Listing Date	Exposure	Management Fee (% p.a)	Performance Fee (%)	Performance Fee Hurdle
MFF Capital Investments	MFF	December 2006	Long only	0.42	0.1%*	Total shareholder return exceeds 10% p.a.
Platinum Capital	PMC	June 1994	Long/Short	1.10	15.0	MSCI ACWI Net, AUD
PM Capital Global Opportunities Fund	PGF	December 2013	Long/Short	1.00	15.0	MSCI World Net Total Return Index, AUD
Templeton Global Growth Fund	TGG	May 1987	Long only	1.00	na	na
Ellerston Global Investments	EGI	October 2014	Long only	0.75	15.0	MSCI World Index (Local)
Antipodes Global Investment Company	APL	October 2016	Long/Short	1.10	15.0	MSCI ACWI Net, AUD
Fat Prophets Global Contrarian Fund	FPC	March 2017	Long/Short	1.25	10.0	MSCI ACWI ex Australia, AUD
Morphic Ethical Equities Fund	MEC	May 2017	Long only	1.25	15.0	MSCI All Countries Total Return Daily Index, AUD
Contango Global Growth	CQG	June 2017	Long only	1.25	10.0	MSCI ACWI ex Australia, AUD
VG1 Partners Global Investments	VG1	September 2017	Long/Short	1.50	15.0	High Water Mark
Pengana International Equities	PIA	March 2004	Long only	1.20	15.0	MSCI World Total Return Index, AUD
Magellan Global Trust	MGG	October 2017	Long only	1.35	10.0	MSCI World Net Total Return Index, AUD & RBA Cash Rate.
WAM Global Limited	WGB**	June 2017	Long/Short	1.25%	20.0%	MSCI World Index Net, AUD

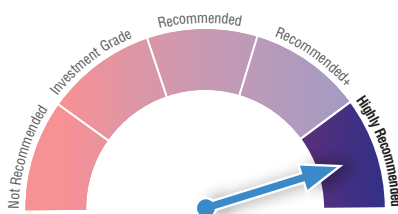
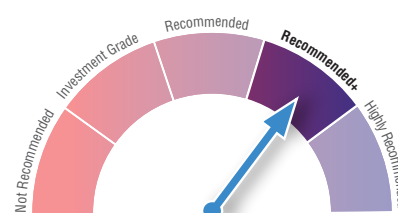
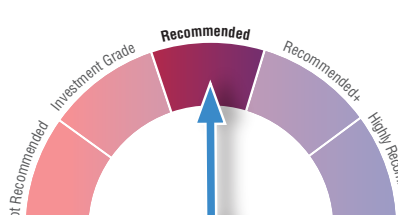
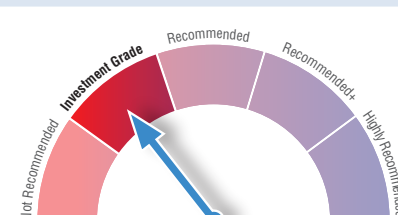
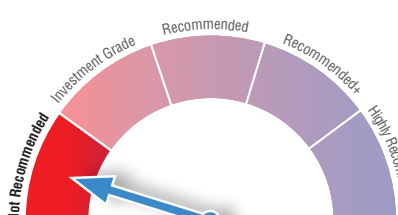
*Fixed performance fee of \$1m will be paid if performance hurdle is met.

**Expected ASX code.

APPENDIX A – RATINGS PROCESS

INDEPENDENT INVESTMENT RESEARCH PTY LTD “IIR” RATING SYSTEM.

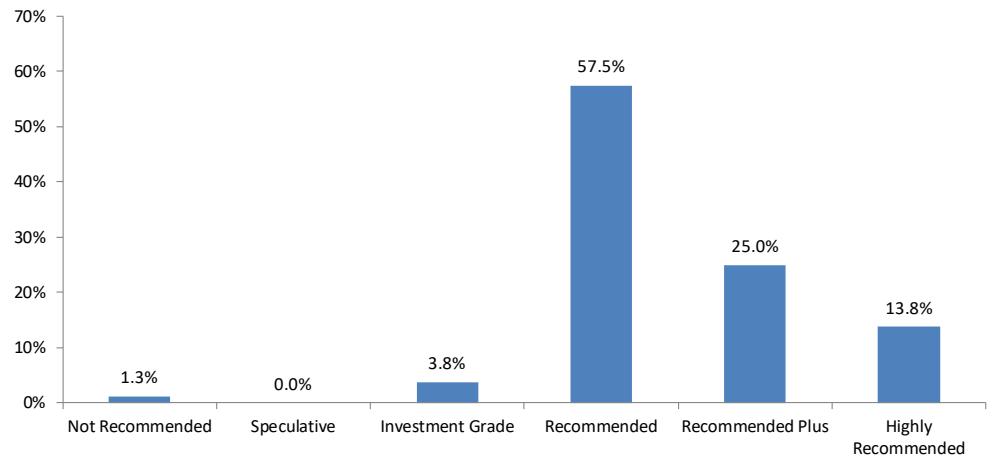
IIR has developed a framework for rating investment product offerings in Australia. Our review process gives consideration to a broad number of qualitative and quantitative factors. Essentially, the evaluation process includes the following key factors: product management and underlying portfolio construction; investment management, product structure, risk management, experience and performance; fees, risks and likely outcomes.

LMI Ratings	SCORE
<p>Highly Recommended</p> 	<p>83 and above</p> <p>This is the highest rating provided by IIR, indicating this is a best of breed product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved exceptionally high scores in a number of categories. The product provides a highly attractive risk/return trade-off. The Fund is likely effectively to apply industry best practice to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors.</p>
<p>Recommended +</p> 	<p>79–83</p> <p>This rating indicates that IIR believes this is a superior grade product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved high scores in a number of categories. In addition, the product rates highly on one or two attributes in our key criteria. It has an above-average risk/return trade-off and should be able consistently to generate above average risk-adjusted returns in line with stated investment objectives. The Fund should be in a position effectively to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors. This should result in returns that reflect the expected level of risk.</p>
<p>Recommended</p> 	<p>70–79</p> <p>This rating indicates that IIR believes this is an above-average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an above-average risk/return trade-off and should be able to consistently generate above-average risk adjusted returns in line with stated investment objectives.</p>
<p>Investment Grade</p> 	<p>60-70</p> <p>This rating indicates that IIR believes this is an average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an average risk/return trade-off and should be able to consistently generate average risk adjusted returns in line with stated investment objectives.</p>
<p>Not Recommended</p> 	<p><60</p> <p>This rating indicates that IIR believes that despite the product’s merits and attributes, it has failed to meet the minimum aggregate requirements of our review process across a number of key evaluation parameters. While this is a product below the minimum rating to be considered Investment Grade, this does not mean the product is without merit. Funds in this category are considered to be susceptible to high risks that are not reflected by the projected return. Performance volatility, particularly on the down-side, is likely.</p>

APPENDIX B – MANAGED INVESTMENTS COVERAGE

The below graphic details the spread of ratings for managed investments rated by Independent Investment Research (IIR). The managed investments represented below include listed and unlisted managed funds, fund of funds, exchange traded funds and model portfolios.

Spread of Managed Investment Ratings



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