Cuffelinks
Connecting investors with ideas

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This Week's Top Articles

Superannuation and our growing wealth

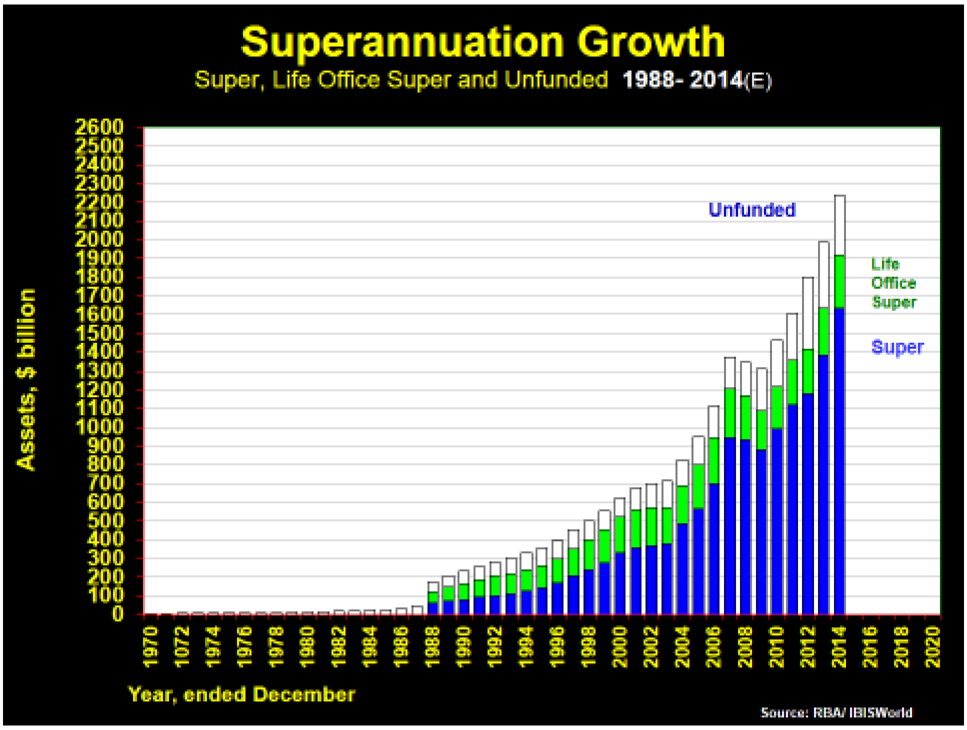
Phil Ruthven

Universal superannuation became an embedded component of the savings and wealth accumulation of workers some 21 years ago; a coming-of-age in 2014, so to speak. Only retired, non-working and some self-employed households missed out on the compulsory saving as part of employee's remuneration, although voluntary contributions were to rise as well.

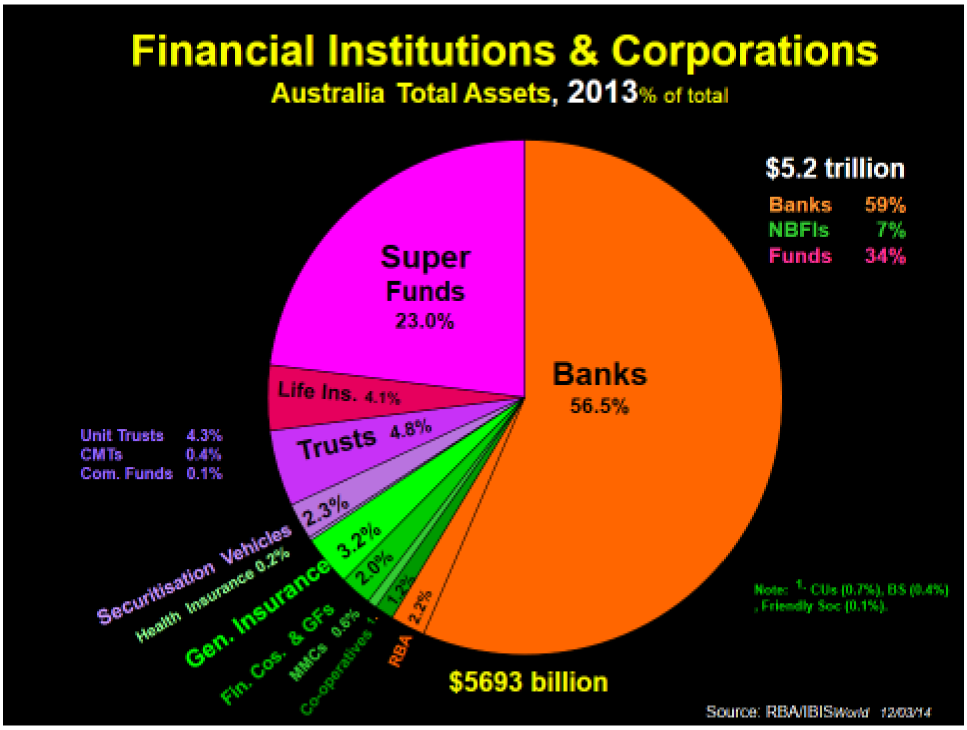
Of course, Life Offices had been offering retirement benefit packages for a long time in the form of *industrial* (weekly payments), *ordinary* (monthly payments) and *superannuation* type policies, of which only the last mentioned is of any significance today.

And government employee retirement benefits had also been around for many decades, usually unfunded, with retirement benefits paid out of current government receipts from taxes and Government Business Enterprises surpluses. That unfunded legacy is with us today, but addressed to some extent by the Howard/Costello Government while it was in office via the Future Fund.

The first chart shows the spectacular growth of superannuation assets, only temporarily reversing for two years during the onset of the GFC.



Assets will pass $2.2 trillion this year, from less than $100 billion 30 years ago. They will account for nearly 30% of the total assets of all financial institutions by the end of 2014, with banks diluted from an 80% lion's-share of all assets up to 1940, to around 55% today. Still dominant. The second exhibit provides perspective in this regard.



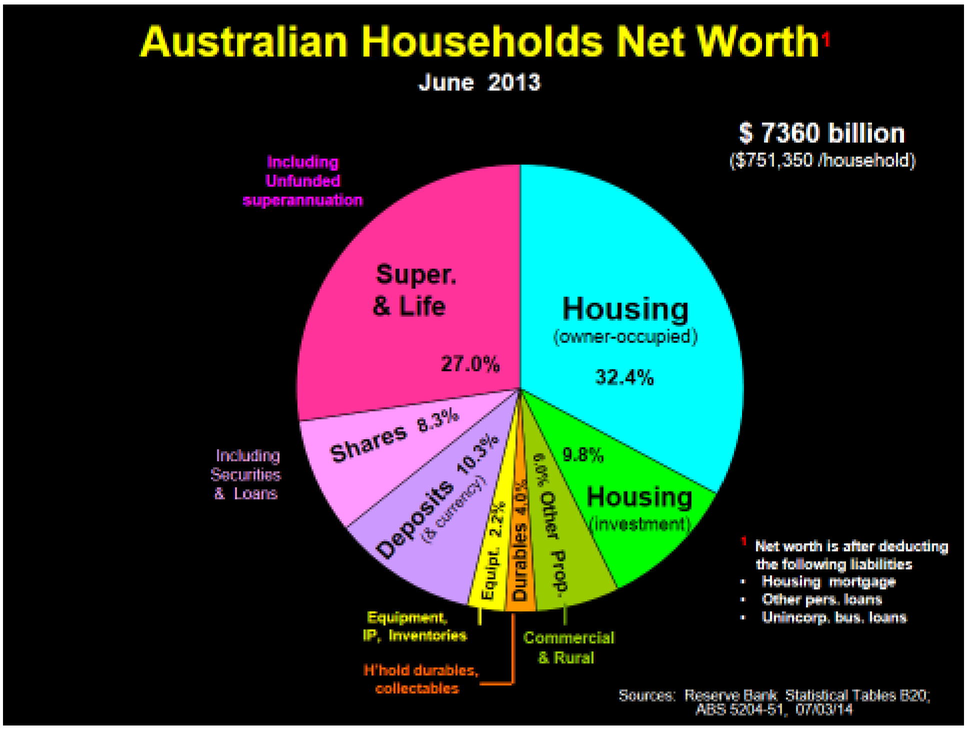
At the end of 2013, approaching half the superannuation assets were in local shares (where they control nearly 60% of the ASX by capitalisation), 17% in overseas assets (including shares), 14% in bonds and other securities, 13% in cash and deposits, and the balance in property and other assets.

Clearly, superannuation has become an important part of household net worth as the third exhibit highlights.

At 27% of average household net worth of $751,000 in mid-2013, it is well ahead of investment property (16%) and is likely to overtake the value of owner-occupied housing (32%) soon.

Indeed, financial assets in total – including super, shares and deposits – are poised to overtake all hard assets (property, equipment and durables) within a few years. Some 25 years ago, financial assets represented 35% of net worth (including 11.4% in super). By the end of this year, the ratio will be over 50% with 24% in super.

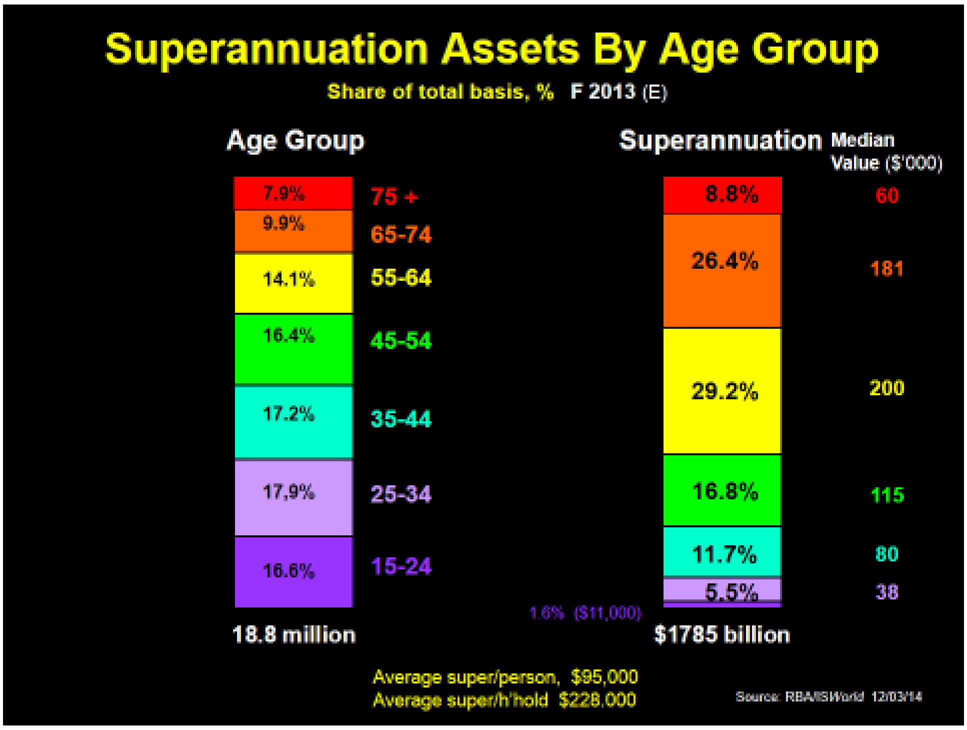
This is a very positive development, as hard assets only yield a modest rental return plus capital gain, and never match the returns from active assets, notably shares.



So how much super does one need to have to be able to retire independent of the pension and with dignity? Twice as much as the average home, meaning that a home should no longer be regarded as the biggest investment of one's life, as was the claim for much of the post-WWII years (although with a wide diversity of property values, every person's position is unique).

Average household income for the 9 million+ households of the nation will be just over $150,000 by the end of 2014: yes, surprising as that figure is. It is suggested that retiring on a one-third share of average household income is a desirable goal. In turn, this would suggest a nest egg of around $830,000 taking out 6% each year and leaving enough to grow the capital in line with inflation.

Currently average super sits at around $100,000 per person or $240,000 per household in 2014, but this includes young people and households as well as retired ones. So a look at the differences across age groups is helpful in seeing how close we are to 'dignified retirement' at present, as the final exhibit shows.



It suggests that recent retirees (aged 65-74) have a median value of super of $181,000 per person, or around $360,000 per household, or 40-45% of the 'dignified retirement' level. The even-older households are generally pensioners, with less than $75,000 per household in super (much of it via Life Offices).

Being averages, a minority of these age groups live comfortably, but most - perhaps over two-thirds - would be living a more abstemious lifestyle.

The younger Baby Boomers are currently the best-off in super, with over $400,000 per household and the capacity to improve on that level with a continuing working life for a decade or more. Their average could edge up towards 55-60% of the desirable level if they work long enough. Again, some retirees in this age bracket will easily reach a comfort zone. Generally, only a third or so of Baby Boomers (49-71 years) will retire with their wished-for comfort and dignity.

So, it is not all that salubrious, reminding us that we have a long way to go. It will take at least two generations (of an average of 20 years each) from 1993 to achieve the desired level of comfort for retirees. The Net Generation (12-32 years old) and the youngest of the Gen Xers (33-48 years old) are the first of the retirees likely to be comfortable. In theory, provided they have super and assuming no interim catastrophes and set-backs. But we are on the way, and leading the world.

Phil Ruthven AM is Chairman of IBISWorld.

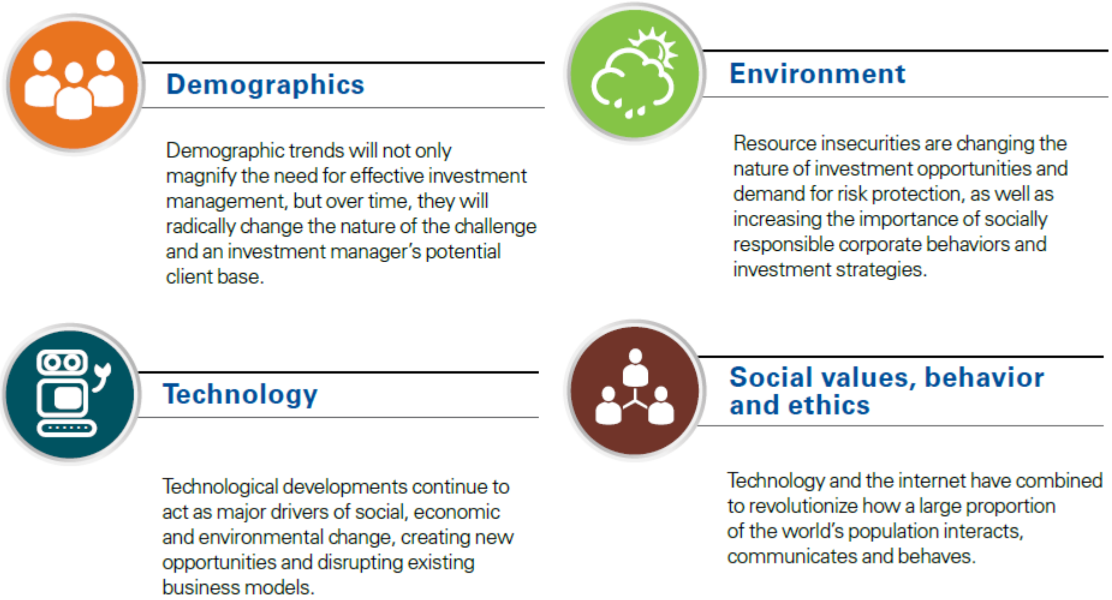
How megatrends are reshaping investment management

Jacinta Munro and John Teer

What will the investment management industry look like in 2030? Nobody can predict the future with certainty, but it will be very different to today. Specifically, what the investors of the future will look like, how their needs, requirements and behaviours will evolve and what this could mean for investment managers. As you read this paper, we ask you to consider which trends will impact you most.

The world is changing rapidly, driven by a number of deep-rooted forces we call megatrends. We have been tracking these trends and considering the potential implications for the industry.

Seismic shifts in demographics, technology, the environment, social values and behaviours are set to re-draw the corporate landscape. Investment management will not escape this overhaul.



However, there is a significant prize up for grabs. Not only is the industry likely to be considerably larger in 15 years' time, but it will have a more important role to play in clients' lives and society in general.

Clients will be more diverse

The clients of tomorrow are likely to be very different from the clients of today. The demographic drivers are clear. There will be more older people living for longer. By 2030, 13% of the global population will be over 65, compared to 8% today. But other trends such as the changing role of women, growth of the middle class, increasing mobility and growing economic influence of the developing world will help to make gender, culture and religion more important drivers of change.

Individuals will need to take greater responsibility for their retirement planning. No one else will do it for them given the decline of state provision in many counties and continued pressure on the traditional annuity models. An increasing number of people will simply run out of money in retirement. This presents an opportunity for the industry to capture clients earlier and build a cradle-to-grave relationship, rather than only focus on attracting clients when they have assets to invest. The net result is likely to be a much broader, younger, more diverse, multi-generational and multi-cultural client base.

However, each client segment will have different requirements, needs and expectations. Herein lies the challenge for an industry which to date has largely served a relatively narrow demographic.

Expectations will be different

We believe future generations will be more engaged in managing their savings and planning their retirements. Investors will seek greater certainty and personalised solutions which can transition across life-stages. The growing relevance of online communities and social networks is creating a new 'trust paradigm', with people increasingly looking to 'people like me' rather than professionals for advice.

Being able to provide timely, relevant, engaging and personalised information and education about the choices available to an investor will become as important – if not more so – than the underlying product.

The increasing capability of personal technologies will drive demand and expectations for all this to be delivered seamlessly through a multiplicity of devices at any given point in time. The incredibly rapid rate at which new technology is adopted is a feature of the modern age and the pace of development will only increase. Some 75% of the world now has access to a mobile phone and by 2030, 50% of the world will have access to the internet. This will drive huge change in behaviours.

Institutional investors will be calling for greater information, education, flexibility, solutions and certainty. We are already seeing an increase in institutional demand for tailored and multi-faceted delivery and reporting.

What does this mean for industry?

We believe that a new investment management value chain will emerge. The days of the 'product-push' model and being able to attract flows solely on the premise of delivering a decent return are in our view numbered. Traditional products will increasingly become components of more flexible solutions. We will see a greater demand for outcome certainty, and investment niches will become more mainstream.

We also believe that investment managers can play a much broader, deeper role in clients' lives and the industry value chain. This will mean understanding clients far better than today and creating a new value proposition based around education, outcomes (not just returns), flexibility and personalised solutions. Investment return will continue to be important but we believe that the pendulum will swing from manufacturing to distribution.

Investment managers can play a more important role in the value chain. This could be through a greater role in asset allocation, development of a broader range of solutions, helping intermediaries better understand and educate end-investors or taking a lead in aggregating an investor's total financial position.

The technology platform and supporting infrastructure must also provide the ability to capture, harvest and leverage data. The industry has struggled to take advantage of the client information available to it, to deliver and use its insights into its clients.

The new business models will demand people have new skill sets while technology could continue to replace many traditional roles. The industry will need to adjust to acquire talent from different pools and employ a more diverse multi-generational staff.

The potential for more disruption

There are emerging models leveraging a combination of technology, data and social networks to bring fresh propositions to market which play to the evolving megatrends. One of the key challenges many new entrants have is creating a brand and building an appropriate profile and distribution footprint. A trusted brand which resonates and appeals to a more diverse client demographic and a new generation of investors with widely different values and behaviours will be increasingly crucial to build scale. This provides opportunities for non-traditional new entrants.

It may seem a little clichéd but could the likes of Amazon, Google and Apple be the next powerhouses in investment management? Instinctively they have the attributes and capabilities: Brand ubiquity which is increasingly trusted by younger generations; propositions that engage and are relevant; business models which put them at the centre of extensive networks designed to understand needs, anticipate requirements, aggregate information, make clients lives easier, solve problems and change behaviours; enviable distribution footprints and huge client bases spread across all demographic groupings.

This is combined with an ability to capture and leverage data to really understand clients and an infrastructure which can deliver personalized and tailored services.

We can also see an opportunity for even more radical propositions to shake up the industry, particularly in response to challenges such as the pension time-bomb. With investors likely to increasingly value outcomes and certainty over returns and look for opportunities to lock-down value earlier, the focus could shift to products and services rather than cash savings.

Retirement planning should be about securing lifestyle expectations rather than simply cash accumulation. On that basis, options to secure holidays, cars and healthcare during retirement may be as attractive as putting aside cash. We believe such a paradigm shift could be feasible.

Conclusion

We are not attempting to predict the future. We are simply looking to better understand how megatrends could impact the industry. The spectrum of outcomes is broad and there is certainly no 'one-size-fits all' response.

Some firms may decide that remaining true to models that have served them well for decades is actually the right strategy. Maybe they'll be right – but this has to be a conscious decision, not the result of inactivity or apathy.

However, we firmly believe that the megatrends will drive fundamental changes in what investors of the future need, want and expect. In our view, simply appreciating that this shift is taking place and pursuing a strategy of incremental change will for many not be sufficient.

We have set out what we regard as the top ten questions to help you consider how you and your business may need to respond:

1. What will your clients of the future look like?
2. How will the industry value chain be impacted and what role do you want to play?
3. How will your proposition and service model need to change to meet evolving client needs?
4. What are the implications for your brand and market profile?
5. What opportunities are available to extend or reshape your existing geographical footprint to take advantage of emerging market developments?
6. How well positioned is your operating model to support the propositions required and satisfy investors' increasing demand for information, education, personalization and immediacy of access across a range of media?
7. How are you capturing and leveraging internal and external data to help you better engage with clients and remain relevant?
8. How are you ensuring that a risk focus is embedded within your organization to meet the increasing scrutiny demanded by regulators and investors alike but in such a way that it does not stifle innovation?
9. What people skills and capabilities will you require in the future?
10. Where do you see the key risk of market discontinuity coming from?

Jacinta Munro is Partner, Wealth Advisory and John Teer is National Leader, Wealth Management at KPMG.

This is a summarised version of the original KPMG International Report. For both the Full Report and the Executive Summary, see kpmg.com/investinginthefuture.

Hedge funds seizing ships – what next?

David Bell

Sometimes truth is stranger than fiction, and my many years involved in the hedge fund industry vouch for this. Indeed some of my university students think I am inventing the stories I tell them in class, but I promise them I am not that creative. Here is one of my favourites.

This story details the battle between an activist hedge fund, Elliott Associates, and the Argentinean government, regarding some sovereign debt it defaulted on in 2002.

Elliott Associates is a large and well-known hedge fund which has been operating since 1977. Today it manages over US$20 billion in assets. The fund runs a multi-strategy approach where money is allocated to many different investment strategies, including an emerging market distressed sovereign debt strategy. The strategy purchases the sovereign debt of nations in financial distress at a low (distressed) price in anticipation of some sort of recovery. A restructure could take the form of a refinancing of the debt into a new arrangement (for instance longer maturity or reduced coupons), an offer of payout, or indeed a full financial recovery.

Argentina experienced a painful recession in the late 1990s which pushed the government towards running increasingly unsustainable fiscal deficits. By 2001, investor confidence evaporated and yields on Argentinean bonds blew out to 50% above US Treasury yields! No offshore counterparties would lend to the Argentinean government and at the start of 2002 they defaulted on nearly US$100 billion of sovereign debt. At this point Elliott Associates stepped in as a purchaser of bonds trading at distressed prices (rumoured to be 6 cents in the dollar).

Argentina attempted to restructure its sovereign debt by offering defaulted creditors a new bond that included a 70% haircut (effectively investors would receive $30 principal at maturity instead of $100). In two offers made in 2005 and 2010, the government managed to get at least 92% of bondholders on board. Elliott Associates resisted and ran a campaign along multiple avenues to seek a higher payout.

The paths of action have included court challenges, offers to negotiate, possession of security, and emotive use of media. The case is still ongoing – yes that is correct: Elliott Associates and Argentina have been at legal loggerheads now for 12 years.

From a legal perspective Elliott Associates, through its subsidiary NML Capital Ltd (I will continue with Elliott Associates so as not to confuse) have won court decisions in their favour. Argentina appealed through all levels of the US system but lost. However while rulings have been in favour of Elliott Associates, a key issue is enforceability – there appears limited mechanisms to enforce a foreign sovereign to adhere to a US court ruling.

Argentina's tactics have been two-fold. First they have attempted to take the case beyond the US courts and into international jurisdiction. This represents unchartered waters as the US is the foreign currency in which the majority of emerging sovereign nations issue their debt (beyond issuing local bonds in their own currency). Second, Argentina argues that it is prevented from offering better terms to a single creditor without opening itself up to similar claims from other creditors who refused the two previous restructuring offers. This could also lead to flow on claims from those that did accept the two restructuring offers. If this were to occur then Argentina argues that they would be forced to default on all their debt and be plunged back into economic recession.

Events took an amazing turn when in early October 2012 Elliott Associates took the unprecedented step of seizing ARA Libertad, a training ship owned by the Argentine navy. It was docked in Ghana and apparently the ship was accompanied by 200 naval officers. You can imagine the online banter about how a group of 'nerdy' hedge fund managers could seize such a vessel.

ARA Libertad (Photo: Wikimedia Commons)

Elliott Associates is apparently prepared to ‘bail’ the ship back to Argentina at a high price to offset any entitlements. The Argentinean government has made claims of bully tactics, and describes Elliott Associates as ‘vultures’.

There are more questions than lessons to be learnt from this case study. Important market questions include whether this case sows the seeds for foreign issuers to look beyond the US as the currency of sovereign debt denomination, and the possible weakening of the US's stronghold on financial markets. And structural questions such as, when stretched to its limits by highly intelligent people, can the operations of the world's financial system handle all the challenges thrown at it? And finally social questions such as is a 12 year battle really an efficient allocation of resources and talent?

David Bell is Chief Investment Officer at AUSCOAL Super. He runs the Hedge Funds elective for Macquarie University's Master of Applied Finance Program.

The will power of binding death benefit nominations

Monica Rule

There have been many articles in the media on disputes between SMSF trustees who are members of the same family. Judging by the outcomes, my recommendation is to put formal arrangements in place if you want your wishes to be respected in the event of your death.

Contrary to popular belief, superannuation assets do not automatically form part of a person's estate pursuant to a will. If you want your superannuation to be distributed as part of your estate, you will need to check the wording of the Trust Deed and create a binding death benefit nomination (BDBN).

The way superannuation savings will be paid from an SMSF, in the event of death, is based on the SMSF's Trust Deed. As well as stating how your benefits can be received by you while you're alive, it should spell out how they will be distributed when you die.

The complication with SMSFs is that under superannuation law, it is not compulsory for an SMSF to have a BDBN. Without it, the surviving members in your SMSF determine who your benefit will be paid to. This may not be a problem if there is only you and your spouse and both want each other as beneficiaries. But what if you want some or all of your superannuation to go to your children?

As the BDBN is not compulsory, there are no restrictions on what it can contain. Normally a BDBN needs to be witnessed by two individuals who are not beneficiaries to the estate. It also needs to be updated every three years for it to remain valid, but even here there are exceptions. The SMSF Trust Deed can spell out under what terms a BDBN will be accepted. For example, it can offer a BDBN that does not have to be updated on a regular basis (a non-lapsing binding nomination) or does not need to be witnessed by two people. A non-lapsing nomination remains valid until the member changes it or revokes it. Please talk to a lawyer on what you should put in your Trust Deed as well as in a BDBN.

The two court decisions described below show how disputes were resolved both with and without a BDBN.

Ioppolo & Hesford v Conti [2013] WASC 389

Mr and Mrs Conti were trustees of their SMSF but were estranged. Mrs Conti made a will stating her superannuation entitlements were to go to her four children and expressly stated she did not want any of it to go to her estranged husband. She did not have a BDBN. The terms of their Trust Deed were that in the absence of a BDBN, the surviving trustee could use their discretion to pay the benefit. Mr Conti paid Mrs Conti's benefit to himself. Mrs Conti's children took action against their father. The court ruled in Mr Conti's favour as he acted within the requirements of the trust deed. Mrs Conti's will carried no weight in the court's decision.

Wooster v Morris [2013] VSC 934

Mr Morris and his second wife were trustees of their SMSF. Mr Morris made a BDBN in March 2008 in favour of his daughters from his first marriage. Mr Morris died in February 2010. Mrs Morris decided that the BDBN was not binding and paid herself all of Mr Morris' superannuation entitlement. The daughters took action against her. The court found in favour of the daughters, but because Mrs Morris controlled the SMSF, it took many years for Mr Morris' daughters to claim their benefit and their court costs. Unfortunately Mrs Morris died and her estate filed for bankruptcy which consequently left the daughters with a large shortfall in their entitlements.

In conclusion, the correct wording in both an SMSF's Trust Deed and a BDBN are critical to ensure that your wishes are carried out in timely manner.

Monica Rule is the author of The Self Managed Super Handbook. Monica is running an SMSF seminar in Sydney on 7 November 2014, with special guests Noel Whittaker, Graham Hand and Chris Cuffe. For more details visit www.monicarule.com.au

Building more relevant Australian share portfolios

Jeff Rogers

The Australian equity portfolio management industry is highly competitive. However, the portfolios it delivers can be under-diversified by security and sector, and key product offerings appear undifferentiated to all but the keenest observers. With the exception of some funds focussed on companies outside the largest 100 companies, most managers' portfolios mirror the capitalisation-weighted S&P/ASX 200 index.

Is this a problem? After all, over the last two decades the returns from professionally-managed Australian share portfolios have been attractive. To the extent that there is a problem, it is fair to say a good deal of responsibility rests with clients and intermediaries rather than investment managers. In this industry products and services respond rapidly to well-articulated and consistent demand but the incentives clients set for managers is a key impediment to innovation.

Clients and their advisers define equity mandates in terms of the S&P/ASX 200 benchmark portfolio, and assess performance relative to the benchmark over short periods. Sometimes management contracts incorporate performance fees which specifically reference these benchmark returns. It is therefore entirely sensible for a manager to reflect their investment insights through a portfolio of securities whose weights are anchored to the security and sector weights of the benchmark.

The resulting portfolios become under-diversified because the benchmark itself is under-diversified. While the index incorporates around 200 securities, its eight largest names represent over half the benchmark capitalisation while two of the ten industry sectors – Financials and Materials - represent over 60% of its capitalisation. A manager who is not attracted to these particular segments of the market, but operates under a benchmark-focussed mandate, can feel constrained in terms of how aggressively they can represent these views in their portfolio. Where the manager would prefer to express a favourable view of these market segments, there is a risk that the portfolio becomes dangerously concentrated.

How might clients reframe mandates to better leverage managers' investment insights? The starting point is to understand how an investor defines investment success. Is the benchmark index really so important to achieving the client's goals? Here we consider ways to deliver superior benchmark-relative portfolios as well as identifying some increasingly important alternative goals.

Benchmark-relative approaches and expensive indexing

Super funds and large wealth managers typically conform to the institutional approach of delivering benchmark-focussed Australian equity portfolios to their members and clients. They believe, perhaps implicitly, that their own performance will be assessed relative to the benchmark index or relative to their benchmark-focussed peer group.

These portfolios are often created by allocating broad market mandates to several equity managers, each selected for their capacity to deliver returns in excess of the S&P/ASX 200 index. Given the concentrated nature of the benchmark this approach can be an inefficient and expensive way to capture and deliver the managers' collective insight.

The source of the inefficiency is most apparent in the super funds' overall exposure to the larger companies in the market. Rather than directly reflecting a manager's optimism about a stock's return prospects, the aggregate exposure to a large-cap company ends up reflecting the managers' outlook for these stocks plus their different attitudes to benchmark-relative risk management.

In practice, super fund managers can end up trading between themselves in these larger names which is inefficient from a transaction cost, tax and management fee perspective. This is most evident in cases where a position taken by one manager largely offsets the position of another. This inefficiency leads to the somewhat unfair description of multi-manager portfolios as 'expensive indexing'.

One simple approach to address this is to specify mandates that require managers to operate in market segments where their insights are likely to be most effective. For instance, the 20 largest companies are extensively researched by analysts yet coverage of mid-cap and small-cap names is more limited. A skilful manager who takes a position in these less researched stocks could earn a higher reward for risk.

A super fund that mandates most of its Australian equity managers to replicate the benchmark for the market's top 20 stocks, while focussing on stock selection for the remainder of the universe, obtains several benefits:

- Transaction costs, tax leakage and management costs will be reduced in this portfolio design.
- While the level of return above benchmark may be modestly reduced, relative to the approach based on broad market benchmarks, the profile of the excess returns delivered should be far more stable.
- Super funds that are genuinely concerned about benchmark concentration in Australian shares have the opportunity to adjust their overall share portfolio without disrupting their underlying managers preferred positioning.

Some SMSFs might be more attracted to managed funds where exposure to larger Australian companies has been excluded. These SMSFs might believe they are as well-placed as the professionals to build a portfolio of large cap stocks while acknowledging they lack the capability to research smaller companies.

Goal-based strategies

There are a growing number of investors who care more about the achievement of their own specific goals rather than sweating on a manager's short-term performance relative to a benchmark. For these investors the benchmark index merely presents an opportune set of securities rather than a neutral portfolio or a performance hurdle.

Their focus is on the design and management of a portfolio of securities with suitable fundamental and technical characteristics to support their desired outcome. When compared to benchmark-focussed approaches, these tailored portfolios typically have higher exposures to mid- and small-cap stocks and less to the large-caps.

Three differentiated investment outcomes appear to resonate with clients:

1. the delivery of a sustainable income stream (Australian equity income strategies)
2. resilient growth in wealth (resilient equity strategies)
3. high, long-term compound growth in wealth (long-term, long only strategies).

The critical distinction between these goal-based strategies and the benchmark-focussed approach is that managers are responsible for the total risk and return characteristics of their portfolios rather than just excess return and tracking error to benchmark.

Summary

The vast majority of managed funds and mandates in Australian equities deliver broad market portfolios. The future is likely to be different with clients becoming more involved in specifying the segments in which their managers operate and the outcomes they require.

Jeff Rogers is Chief Investment Officer at ipac portfolio management, AMP Capital.

Fund Performance Snapshot

Perpetual Wholesale Industrial Share Fund

Cuffelinks is starting a new performance reporting service on the most popular managed funds in Australia, with a unique difference. The fund performance information is not coming from the fund manager. It is independently generated using return-based analytics developed by Markov Processes International (MPI) (represented in Australia by Trading Technology Australia (TTA)) using Morningstar Inc data, and will include:

- the sector exposures (such as financials, consumer, telecom, etc.) of the fund and how they change over time
- the total performance (absolute and relative) of the fund, attributed either to style, stock selection or market timing.

The fund manager has no input to our selection or comments, so this is not a product promotion. We welcome requests from readers to report on particular funds.

We are commencing with the Perpetual Wholesale Industrial Share Fund, which started in December 1996, giving it an impressive 18 year history.

Any investor, individual or institutional, benefits from further understanding of what they are investing in. A return history, statement of strategy and top 10 holdings provided by a fund manager goes some way to describing a fund, but the more insight into the exposures and risk the better.

How to understand the report

The Sector Exposure shows the weighting of the portfolio to particular industry sectors.

The Sector Attribution separates the Total Annualised Return over five years of 12.67% into Style (11.37%) and Stock Selection (1.30%). The Stock Selection component is the excess return of the Fund over the Style.

The Excess Performance of 3.60% is the amount the Fund outperformed the ASX300 index, divided into Timing of 2.00% and Excess Selection of 1.60%. The Excess Selection is the Selection component of the difference between the Fund and the benchmark.

The Style Analysis section does the same calculations based on Style (eg growth or value) rather than Sector.

For a more comprehensive explanation with worked examples provided by TTA and MPI, see the Fund Snapshot section of our Education Centre (on the Cuffelinks' main menu). All quoted returns are per annum.

Fund reports and data for the Performance Snapshot provided exclusively to Cuffelinks by:

MORNINGSTAR®

mpi MARKOV PROCESSES INTERNATIONAL

TRADING TECHNOLOGY AUSTRALIA

Perpetual Wholesale Industrial

Performance Snapshot

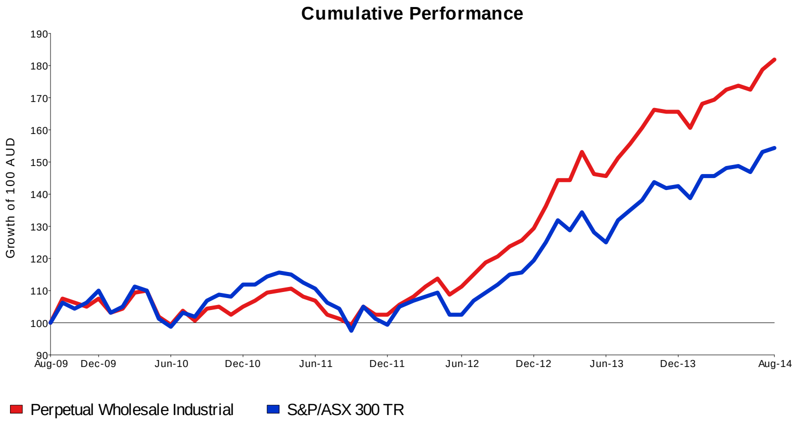
As of August 29, 2014

Performance Summary

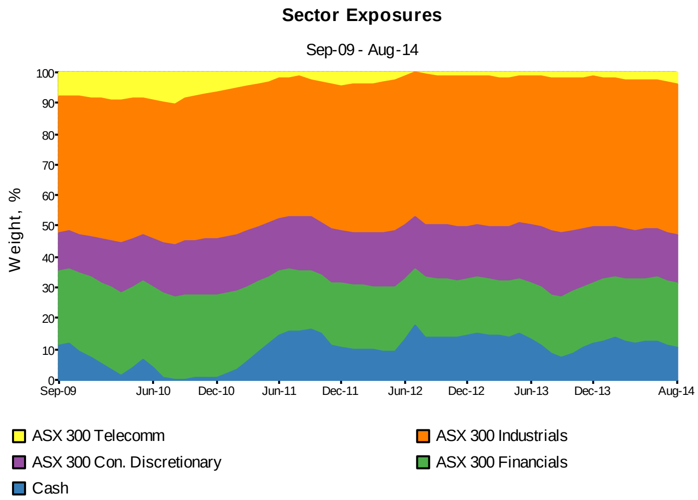
-Fund has displayed strong performance, outperforming the Australian Stock market significantly over the past five years.

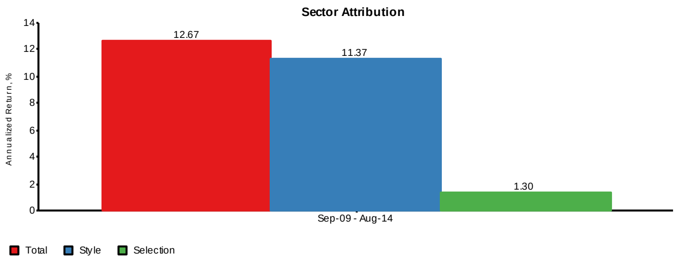
-Sector Attribution shows that fund behaves as if it is a combination of three main sectors; Industrials, Financials and Consumer Discretionary.

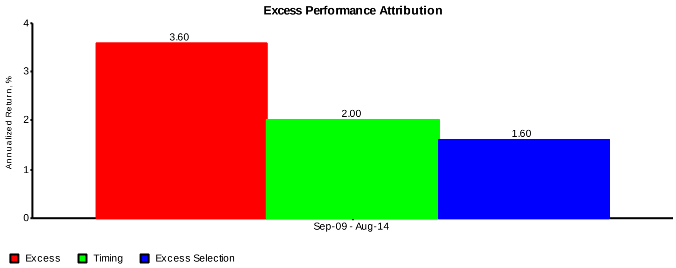
- The fund behaves in between large and mid size, with a bias towards value.



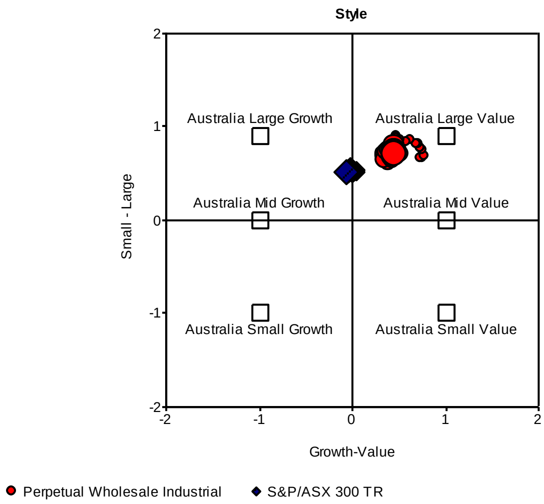
Sector Analysis

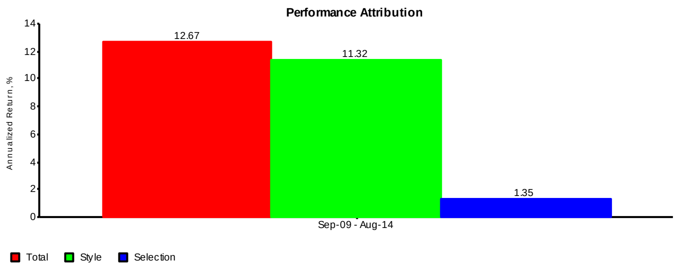


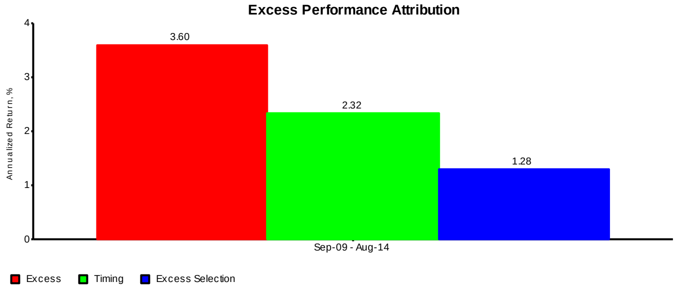




Style Analysis







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