AUSTRALIAN
RESEARCH
INDEPENDENT INVESTMENT RESEARCH

Flinders Emerging Companies Trust

October 2015

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INVESTMENT RESEARCH

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2) Our analyst has independence from the firm's management, as in, management/ sales team cannot influence the research in any way;
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.
4) Our research process for valuation is usually more conservative than what is adopted in Broking firms in general sense. Our firm has a conservative bias on assumptions provided by management as compared to Broking firms.
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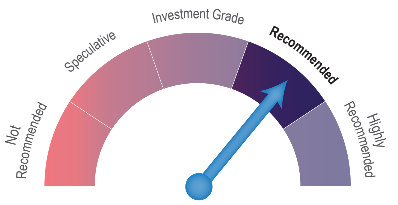
NOTE: : This report is based on information provided by the Issuer as at October 2015

Rating



Key Investment Information

Name of Fund	Flinders Emerging Companies Trust
Investment Manager	Flinders Investment Partners
Benchmark	S&P/ASX Small Ords Accum Index
Inception Date	21 August 2015
Objective	Outperform the Benchmark by 5% p.a. (before fees) over rolling 3-year period.
Performance Target	Generate higher returns with lower risk than the Benchmark
Tracking Error	5 – 10%
MER	1.20%
Performance Fee	20% of excess net performance over the Benchmark
Hurdle	Yes

Fees Commentary

Overall fee levels are on the high side, although not significantly so for a high conviction small caps equities fund. The MER is approximately mid-point but this is offset by a performance fee that is on the higher side at 20%. The performance fee is well structured, based on an appropriate benchmark and inclusive of a high water mark, and the weighting to the performance fee relative to the MER contributes to a performance based culture.

Key Exposures (as at 15 August 2015)

Financials	22.2%
Con Disc.	21.7%
Industrials	12.1%
Materials	11.1%
Health Care	10.9%
IT	9.3%
Telcoms	4.8%
Cash	3.5%
Con Staples	1.9%
Energy	1.7%

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.

OFFER OVERVIEW

The Flinders Emerging Companies Trust (the Fund) is an Australian equities small market capitalisation mandate managed according to a fundamentally based, long-only, high conviction investment strategy. The Fund was launched in July 2015. It consists of a concentrated portfolio of around 40 to 45 smaller market cap holdings (defined as ex ASX 100 companies). Research is at the core of the Manager's investment process. The investment process is well established, rigorous, disciplined, proven over a full market cycle and clearly articulated by the Team. The small team ensures consistency of process and, in this regard, we believe the track record of alpha generation that the PMs have, on the whole, recorded in the past with similar mandates using a similar investment methodology is repeatable. The investment team consists of three dedicated members. It is a small team, but this is commonly the case for a small caps mandate. The fact that all three members have had close working relationships at various times in the past suggests a strong team rapport and augurs well for future stability. The level of investment management experience is high, with key members demonstrating a solid to strong track-record of performance across a full market cycle. With the support and backing of a financially strong Euroz (co-owner), the business sustainability risks that may otherwise apply to a start-up fund are greatly mitigated.

INVESTMENT VIEW

Australian investors tend to be materially overweight large cap stocks, to the degree of introducing unwanted portfolio risks. For such investors, the Fund may serve as an effective diversifier. Furthermore, we would agree with the Manager in that there are large market inefficiencies in the small cap market segment, being poorly covered from a research perspective. A good small caps manager can take advantage of those inefficiencies and research gaps by applying a disciplined research and investment process. We believe there is inherently a greater opportunity to generate alpha in the small caps sector than the mid and large cap sectors. We would also note that recently there has been a significant move into safe, higher yielding large market cap companies as risk aversion has increased. This has become a crowded trade which has the potential to unwind quickly. In such a scenario, we believe the Fund may be in a good position to outperform on a relative basis. However, investors should be comfortable with the higher degree of volatility in the small caps sector. The sector is high beta, tending to underperform in a risk-off market environment, and vice versa. We have a solid degree of conviction in the fund manager based on past performance but the fact is that this is a new fund, a new investment team under a new ownership structure – past performance is not as indicative of future potential performance as otherwise may be the case.

RECOMMENDATION

IIR has a high degree of conviction in the investment's team to to generate alpha over the medium term and over a full economic cycle. The team is experienced, capable and has a collegiate, flat culture where there is a high degree of co-ownership and accountability of investment decisions. The investment process is eminently sensible for a small caps mandate, with a very strong emphasis on company visits and speaking with management. The investment process is well established and proven over a full market cycle and clearly articulated by the manager. The small team, and its research process templates, ensures consistency of process and, in this regard, we believe the track record of alpha generation is repeatable. The Manager's partnership ownership and ultimately remuneration structure is excellent in terms of aligning interests, creating a performance based investment led culture and aiding retention. Pleasingly, the Manager applies appropriate capacity limits on each of its funds, acting in the best interests of investors. The overall fee level is on the high side, on account of the 20% performance fee, but nevertheless well structured. Overall, IRR rates the Flinders Emerging Companies Trust RECOMMENDED.

SWOT ANALYSIS

STRENGTH

- An experienced and capable investment team in which the team members have had a long association with each other. This augurs well for team cohesion and stability. The culture is collegiate, flat and democratic with a high degree of interaction and co-ownership of investment decisions.
- The investment team is applying the methodologies they helped establish in previous funds management roles. As such, the investment process is well established and proven over a full market cycle. It is also an eminently sensible small caps investment process, with a strong emphasis on company visits.
- We expect the Prodigy Investment Partners / Euroz business model will create an investment led culture given the investment team will be distanced from some of the peripheral activities associated with investment management, enabling them to concentrate on portfolio management.
- The ownership and ultimately the remuneration structure creates a strong alignment of interest, a performance based culture, and clearly significantly reduces key person risk. The Manager also applies capacity limits which is in the best interests of investors.

WEAKNESS

- The Fund lacks a performance track record. While the managers have solid to strong track-records in small cap mandates that utilised similar methodologies, those track-records were not solely attributable to any particular team member. We have a high conviction in the team but it remains to be seen whether they can generate alpha.
- All ownership parties clearly have a very strong commitment to the Fund. However, the relationship is new and it remains to be seen how cohesive and harmonious it will be. If, for example, the Fund's performance disappoints both in terms of returns and FUM growth, there may be a greater risk of discord and top-down interference.
- Overall fees are on the high side due to a 20% performance fee (MER is competitive), although the overall fee structure is a positive with a emphasis on performance.

OPPORTUNITIES

- There are large market inefficiencies in the small cap market segment, being poorly covered from a research perspective. The Manager seeks to take advantage of those inefficiencies and research gaps by applying a disciplined research and investment process. We believe there is inherently a greater opportunity to generate alpha in the small caps sector than the mid and large cap sectors.
- Exposure to an manager whose members have, on the whole, generated alpha across a full market cycle in similar mandates. This has been based on a solid and repeatable investment process with team members that exhibit a strong investment ethos.
- More recently there has been a significant move into safe, higher yielding companies as risk aversion has increased. This has become a crowded trade which has the potential to unwind quickly. In such a scenario, we believe the Fund may be in a good position to outperform on a relative basis.

THREATS

- If it turns out that funds under management are not sufficiently diverse there may be an undue reliance upon any one source of inflows. In the event of a redemption request, this may impact the stability of the manager's revenue streams.
- Equity market correlations have increased in recent years. In short, the ability for even a high conviction manager to generate alpha has generally diminished. We believe the factors that have driven this are generally in reverse but nevertheless remains an alpha generation performance risk.
- Both an opportunity and a threat, the Fund may underperform during a risk-off market environment, and vice versa.

PRODUCT OVERVIEW

The Fund is managed according to a fundamentally based, long-only, high conviction nvestment strategy. It consists of a concentrated portfolio of around 45 smaller market cap holdings (defined as ex ASX 100 companies) with position sizes of up to +5% around benchmark weight. The manager will generally always be near fully invested with cash levels expected to be 3% to 5%. Turnover in the Fund is dictated by valuation control.

Research is at the core of the Manager's investment process. There is a strong focus on company visits with the team scheduling a significant number of manager meetings over the course of a year. The investment process is based on proprietary research and analysis which, in turn, is based on an extensive company visit program, industry and market analysis, and financial analysis.

The investment team consists of three dedicated members. It is a small team, but this is common for a small caps mandate. The level of investment management experience is high, with key members demonstrating a track-record of outperformance across a full economic / market cycle in previously managed Australian equities investment mandates.

A capacity limit has been established at inception so that the manager's ability to generate performance for its clients is protected. The capacity limited for the fund is based on 0.5% of the investable universe, or approximately $700M at current levels. This is important, as it allows the manager to maintain the fund's opportunity set, which includes micro caps.

The Fund charges a 1.2% MER plus a 20% performance fee on excess net performance over the Benchmark with a high watermark. As well as a high watermark for the payment performance fee, where the gross absolute performance of the fund is negative in any performance fee period, the performance fee is not paid but rolled over into the next period. This places the performance fee at risk for the manager and incentivises the manager to continue to outperform in order to maintain a accrued performance fee which is positive.

MANAGEMENT GROUP PROFILE

Flinders Investment Partners was established in July 2015. Flinders represents a 50/50 partnership between the three founding team members (see below) and Prodigy Investment Partners (previously Westoz Investment Management). In turn, Prodigy is an 80/20 funds management joint venture between ASX-listed Euroz Limited and former CEO of MLC, Steve Tucker (see organisational chart below).

Euroz is a Perth based, ASX-listed financial services provider, providing research, dealing, corporate finance, and funds management services. Euroz's aim, via Prodigy, is to build a multi boutique funds management business by launching a series of separate boutiques providing managed funds based on very specific investment strategies. From a strategic perspective, Prodigy will not only provide an additional source of revenues but one that diversifies Euroz's business model both geographically and away from the cyclical nature of securities revenues.

Under the business model, Euroz/Prodigy will provide the underlying business infrastructure and processes and, if required, financial support, thereby enabling the fund managers to fully focus on managing money. It is our understanding that the Manager has a multi-year service agreement with Euroz, significantly mitigating the business sustainability risks that start-up managed funds often face.

Flinders Investment Partners represents the first of these new boutique fund management partnerships. The intention is that the separate managed funds will all be based on specific, specialised investment strategies and each strategy will differ from the other. That is, Flinders will be the only Australian equities small caps mandate and, in that regard we would expect it to have the undivided support of the parent.

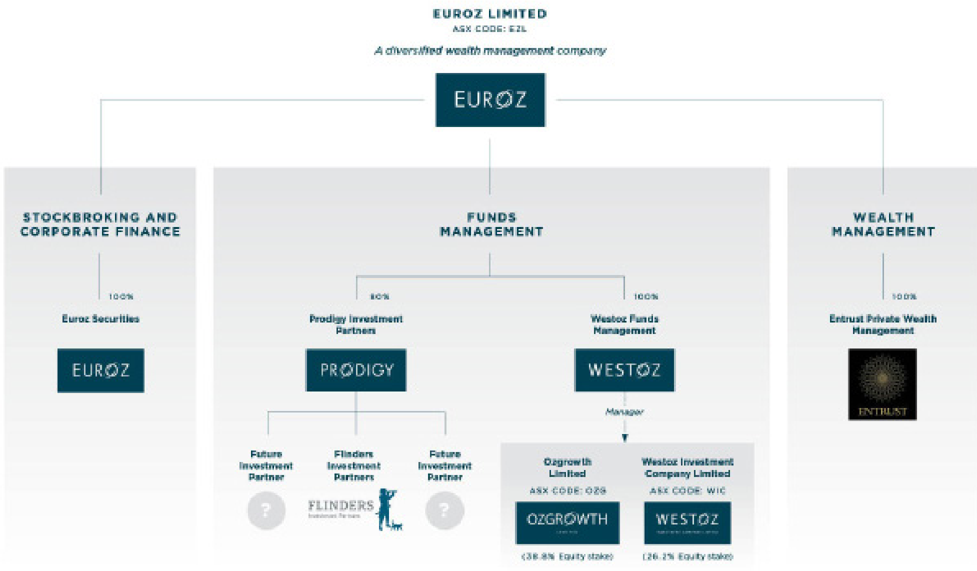
Euroz is the ultimate financial backer of Flinders and will provide sufficient working capital to support Flinders until it hits a break-even level of FUM. We do not foresee any financial or business stability issues that may adversely impact the Fund. Euroz is a financially strong entity with a 15-year track record of generating profits and paying dividends. It has a market capitalisation of around $155 million and cash and investments on its balance sheet of $109 million, as at 30 June 2015.

We see the interests of Euroz and the fund manager as closely aligned. As a 50/50 JV both parties have a clear vested interest in the success of the Fund. Furthermore, Prodigy and, hence Flinders, is targeted as a strategic business for the parent, being part of a longer-term plan to diversify the business model by reducing the overall exposure to the relatively cyclical securities sector as well as geographically diversifying away from the West Australian market (Flinders will provide an east coast exposure).

It is our sense that under the Prodigy Investment Partners boutique model there will be limited top-down interference where the fund managers will be free to invest - within agreed portfolio construction criteria - where and how they choose. We understand there is an existing partnership agreement between the two parties that goes beyond the one to three years that may be considered the early phase evolution of a fund.

Flinders Investment Partners itself is based on a partnership model in which income is generally distributed to all partners in the year earned. It’s a structure that creates a strong alignment of interest between investors and fund manager, especially when a significant component of income can come from a performance fee. We note that all three team members have directly invested in the fund. The partnership model is also one that facilitates generational change and can better ensure that all members of an investment team, rather than largely just the founding members, have a strong alignment of interest with investors. In short, it can be a better structure to attract and retain talent over the longer term.

Organisational Structure



INVESTMENT TEAM

The investment team consists of three dedicated members. It is a small team but we do not view the team as stretched relative to the demands of the investment process. Broadly speaking, we would describe team culture as flat, collegiate, democratic and benefits from the fact that it is not dominated by any one individual. The fact that all three members have had close working relationships at various times in the past suggests a strong team rapport and augurs well for future stability. The level of investment management experience is high, with key members demonstrating a track-record of outperformance across a full economic / market cycle in previously managed Australian equities investment mandates.

Andrew Mouchacca, Partner and Portfolio Manager, began his investment management career in 1999 at Contango Asset Management and where he worked with Richard and Naheed (see below). During his 16 years at Contango, Andrew rose through the ranks. In his earlier years there, he was responsible for quantitative analytics in which there was a focus on portfolio risk monitoring and running quantitative screens to generate stock ideas. These processes are relevant to Flinders’ investment process.

By 2004 Andrew moved into a portfolio management role at Contango. Over the next ten years he served as an equities analyst then portfolio manager (2009 to 2014) of the small caps and micro caps mandates and covered a broad range of sectors. While Portfolio

Manager of the Contango Small Companies Fund to March 2014, the fund materially outperformed the benchmark by around 8% p.a. over the five year period.

Richard Macdougall, Partner and Portfolio Manager, is a seasoned investment manager, having commenced his career in 1985. Before establishing Flinders, Richard was partner and Portfolio Manager with the Australian equities boutique Perennial Growth (2005 to 2015). Prior to this, Richard was a founding executive of Contango Asset Management, where he spent five years (1999 to 2004), and a director of Salomon Smith Barney.

Richard has a broad and strong knowledge of the Australian equities market, having covered the majority of sectors during his equities research and funds management career. He has been a portfolio manager of both large and small caps mandates. There is also, to a degree, a continuity of investment methodology from his previous roles at both Perennial and Contango, with both applying a fundamental, high conviction, growth-focused investment approach.

Naheed Rahman, Partner and Deputy Portfolio Manager, is the third member of the team. Naheed began his investment management career in 2006. Prior to Flinders, Naheed worked as an investment analyst at Contango Asset Management for over seven years working closely with Andrew Mouchacca, where he covered several sectors primarily with an emerging companies focus. Naheed was mentored by Andrew during their time at Contango, so is well versed in the Fund's investment methodology.

All three team members will have sector responsibilities but given that both Richard and Andrew in particular have covered a large part of the market the team will be able to effectively compare and discuss stocks by having a common language to recognise the pros and cons of each business model and investment case. This broad sectoral knowledge will also add to the level of interaction between team members in terms of idea generation, peer review and co-ownership of investment decisions and outcomes. All investment decisions will be collaborative and subject to internal review and scrutiny by both Andrew and Richard.

The overall depth of investment management experience across portfolio management, stock analysis and market cycles is strong, especially with Richard and Andrew who have 30 and 16 years' stock analysis and funds management experience respectively.

We view key person risk more a function of being hit by the proverbial rather than team members choosing to leave given, amongst other factors, all three are partners. There is key person risk with both Richard and Andrew but believe the actual risks are greatly mitigated by it being a team of three in which all three are well versed in the investment process and could adequately managed the portfolio while a third member was added.

Key Investment Personnel

Name, Position	Experience
Richard Macdougall, Partner and Portfolio Manager	30
Andrew Mouchacca, Partner and Portfolio Manager	16
Naheed Rahman, Partner and Deputy Portfolio Manager	9

INVESTMENT PROCESS

The investment team believes there are large market inefficiencies in the small cap market segment, being poorly covered from a research perspective. The Manager seeks to take advantage of those inefficiencies and research gaps by applying a disciplined and proprietary research and investment process. It is also a market segment where there is a wide dispersion in individual stock performance. On account of these characteristics, the Manager is very much a stock picker, seeking companies with a strong growth outlook and endeavouring to invest in those companies in the early stages of realising that growth potential.

Research is at the core of the Manager's investment process. There is a strong focus on company visits with the team scheduling a significant number of manager meetings over the course of a year. Companies are modelled and valued, either by way of a DCF methodology or, more commonly given the lack of longer-term visibility, a capitalisation of earnings methodology. The Manager undertakes an ESG assessment of prospective investments, primarily as a tool to assess aspects of longer term risk.

The Team is conscious of downside risk in the small caps sector, both at a stock, industry, and market level. To mitigate this risk, the Team maintains a valuation discipline to make sure they only buy assets when they are attractively valued, in absolute terms with reference to their intrinsic value. At the same time they identify and sell overvalued shares out of the portfolio.

INVESTMENT PROCESS

To identify investment opportunities and attendant risks, the Manager seeks to answer five key questions: where is the growth potential; can management deliver; the financial strength of the company; what are the risks, and; what price should be paid.

In relation to growth potential, the team seeks to assess the speed at which a company can grow and its capacity for growth. There are three ways in which a company can achieve growth; organically, which the team consider the most valuable; by acquisition, which the team considers higher risk, and; cyclical growth, which requires early identification of investment opportunities.

The team then assesses whether management has the capability to realise and maximise the inherent growth potential. This requires a significant degree of work, involving company visits to assess management's ability as well as the strength of things such as internal systems, consistency of financial reporting, and whether management is adhering to the strategy of the Board.

In assessing financial strength, the team's focus is on working capital and capital management in general. Small companies are notoriously poor in their use of working capital, often not using it effectively to maximise growth. The team gains a sense of the manager's use and understanding of capital management, given that capital can swing rapidly from being very cheap to very expensive in the small caps sector.

In relation to risk, as noted above the team is conscious of downside risk in the small caps sector, both at a stock, industry, and market level. To mitigate this risk, the Team maintains a valuation discipline to make sure they only buy assets when they are attractively valued.

There are three key aspects to the Manager's investment process; screening, research, and portfolio construction, as discussed below.

SCREENING THE UNIVERSE

The screening process is a negative test designed to remove stocks. The universe of around 1,000 stocks are screened for financial leverage (net debt / EBITDA (NTM) > 3x and interest coverage ratio (ICR) < 1x), liquidity (daily turnover, taken as an average over last 12months, <$100,000, and market capitalisation (market cap < $50m). This reduces the eligible universe to around 300 stocks.

RESEARCH PROCESS

The research process is led by an intensive company visitation program. The team expect to conduct around 400 to 600 meetings every year. For the 40-45 stocks the Manager is expected to have in the portfolio the team expects to visit each of those companies at least three times a year, whether it be during reporting season or to visit the operations of the particular company. Additionally, given an eligible universe of around 300 stocks, the team will also visit many of these companies

The emphasis of these meetings is to assess the quality of management, their strategy, growth drivers, management's' ability to execute their strategy and the various risks that may relate to the company and industry it operates in.

All three members are involved in company visits. Company visits may be undertaken by one analyst or more than one. The latter is more common with stocks in the portfolio or eligible for inclusion and is important in the assessment process to have a second set of eyes on the investment merits of a company.

Once the analyst has visited a company the analyst will then go through a financial modelling process and produce a research report that presents the key aspects of the investment thesis. The financial modelling process is sufficiently detailed, going down to the divisional level and three years of financial forecasts, but not so detailed that one can fail to see the wood through the trees. Both the modelling and research report are based on a template so as to ensure a consistency of process across all stocks. This then goes to a formal committee that involves all three team members. For a stock to be included in the portfolio there must be unanimous agreement.

PORTFOLIO CONSTRUCTION

The portfolio is expect to consist of 40 – 45 stocks (41 as at 15 August 2015). A stock cannot have an active position in excess of 5% over the Benchmark. Consequently, the manager does not hold underweight positions. The active risk the manager runs is reasonably moderate, with a 5% to 10% tracking error range. The manager cannot hold more than 10% of a company's issued capital and cannot hold more than 10% of a company in the portfolio. Additionally, there is a maximum 10% cash holding.

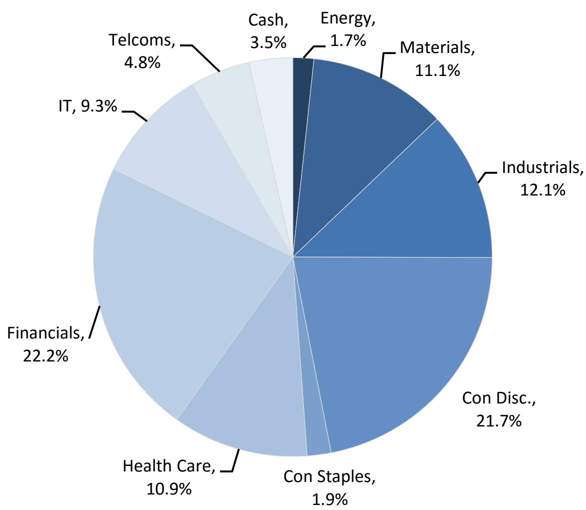
The Fund may also have up to 10% of the portfolio in New Zealand listed companies. The manager looks at a lot of companies in Australia that have close New Zealand peers and the team travel to New Zealand often, so have allowed themselves the opportunity to invest in New Zealand listed companies.

New positions typically start at 1.5% of the portfolio. Currently the average active position is 1.8% and there are only three positions above the 2.5% mark. The portfolio is, therefore quite diversified by company names. Position size makes reference to forecast alpha upside, but it is not strictly dictated by this quantitative ranking. In many regards, the ranking represents more a tool of discussion and idea generation.

Sell decisions are either valuation based or if there has been a significant change in the investment thesis. The manager applies relatively disciplined valuation controls, and is not in the habit of chasing momentum. Once a stock has moved beyond its valuation target, the manager will reassess the stock to see whether there are any fundamental reasons as to why the valuation may be legitimately higher and, if not, the stock is generally sold to zero. The third reason the manager may sell a stock is if it has moved into the S&P/ASX 100, in which case it has up to 12 months to divest the holding.

The composition of the Fund's portfolio as at 15 August 2015, both by sector and Top 10 holdings, is detailed below.

Portfolio Holdings by Sector (as at 15 Aug 2015)



Top 10 Portfolio Holdings (15 August 2015)

Company	Port Weight	Active Weight
Fletcher Building Limited	4.4%	1.6%
BT Investment Management Limited	3.9%	2.1%
McMillan Shakespeare Limited	3.4%	2.7%
Vocus Communications Limited	2.9%	2.1%
IPH Limited	2.9%	2.3%
Village Roadshow Limited	2.8%	2.1%
Pact Group Holdings Ltd	2.8%	2.0%
Steadfast Group Limited	2.8%	2.1%
Estia Health Limited	2.8%	2.0%
Automotive Holdings Group Limited	2.8%	2.0%
Top 10	31.4%	

RISK MANAGEMENT

The risk management philosophy is that the team should take the optimal amount of risk to meet the long term performance objectives and that risk and style factors in each portfolio should be appropriately diversified. Its approach is not to discourage risk taking, but to make sure that risks taken are intentional, considered and not unduly concentrated.

In terms of risk tools, the team utilize the Goldman Sachs PortfolioWise product. This is a statistical factor risk model, which is used to monitor tracking error and beta. The team does not use the risk model specifically for portfolio construction but rather analysis portfolio frequently to ensure that the portfolio is within the guidelines of 5% to 10% tracking error.

In addition, the team calculates the portfolio's fundamental characteristics using the Factset's consensus financial company database. Again, this is not used explicitly in the portfolio construction process but rather to ensure that the portfolio is rich in the characteristics intended, specifically above market earnings growth.

PERFORMANCE ANALYTICS

HISTORIC PERFORMANCE OF PAST MANDATES

The two tables below summarises the performance of the funds that Andrew and Richard were portfolio managing prior to establishing Flinders. We believe these figures provide a legitimate guide to manager skill and the quality of the investment process at Flinders as both Andrew and Richard were lead PMs and the parallels in investment methodology. Having said that, the PMs were not solely responsible for the performance, amongst a range of other factors. That is, these performance track-records are not as indicative of potential future performance than may otherwise be the case.

We simply make the following points:

- Andrew was appointed the portfolio manager of the Contango small companies fund in late 2009. He had responsibility for implementing the investment process, client mandate requirements, stock selection, portfolio construction and the lead on articulating this to clients, asset consultants and potential investors. He held this position until resigning in 2014. Under his portfolio leadership, the Contango Small Caps Fund recorded a very strong and consistent track record of alpha over a full market cycle.
- Richard was the portfolio manager of the Perennial Growth SRI fund. The fund generated alpha but of a very small degree. However, it is important to recognise that although the investible universe are stocks within the S&P/ASX 300, there were a number of exclusions which satisfy the specialised nature of clients investing in this space. Measured against the broader index, the portfolio was excluded from around 25% of the index for much of its existence. These companies were predominantly large capitalisation constituents, which performed strongly at times over the management period, such as high dividend paying stocks including Woolworth, Wesfarmers and outperformers in resources including BHP and the gaming stocks. Richard was able to utilise exposure to small companies to enhance the overall performance of the fund.

Performance Track-record at Contango (before fees)

Period to 31 March 2014	FY to Date	1 Year	2 Years (% p.a)	3 Years (% p.a)	4 Years (% p.a)	Since Incept (% p.a)
Contango Small Co.s Fund	23.4	11.8	3.2	2.6	7.1	6.7
S&P/ASX Small Ords Accum	15.7	-1.5	-3.7	-5.3	-0.9	-1.3
Value Added	7.7	13.2	6.9	7.9	8.0	7.9

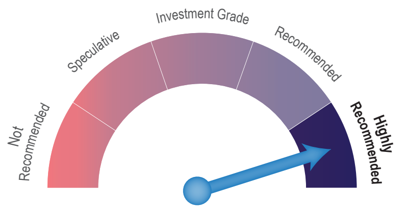
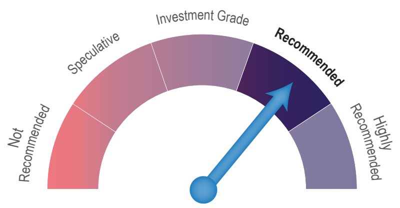
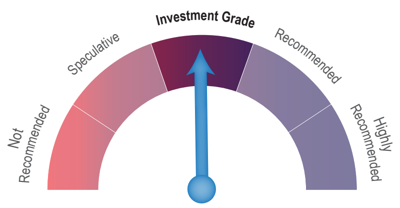
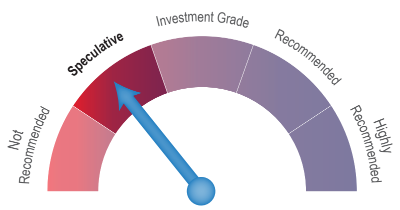
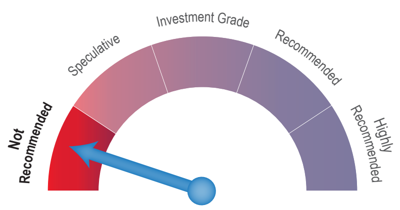
Performance Track-record at Perennial (before fees)

Period to 31 May 2015	1 Year	2 Years (% p.a)	3 Years (% p.a)	5 Years (% p.a)	10 Years (% p.a)
Perrenial Growth SRI Aust Equities Composite	10.1	14.2	17.9	9.3	8.2
S&P/ASX 300 Accum Index	9.9	13.0	17.0	10.1	8.0
Value Added	0.2	1.2	0.9	-0.8	0.2

APPENDIX A – RATINGS PROCESS

INDEPENDENT INVESTMENT RESEARCH PTY LTD "IIR" RATING SYSTEM.

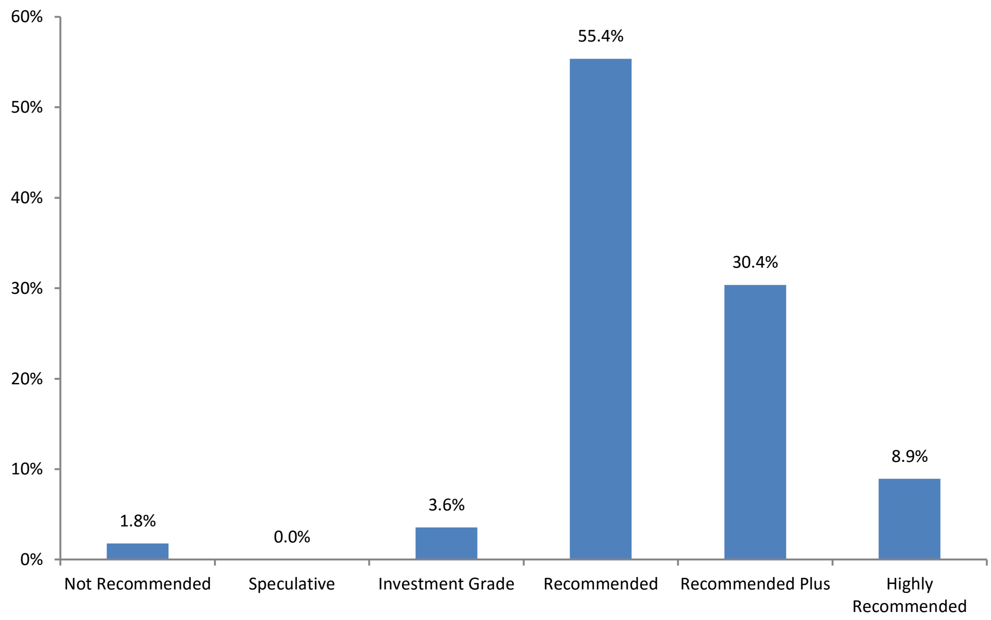
IIR has developed a framework for rating investment product offerings in Australia. Our review process gives consideration to a broad number of qualitative and quantitative factors. Essentially, the evaluation process includes the following key factors: product management and underlying portfolio construction;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

GRAPHS	SCORE
Highly Recommended	**83 and above**
	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.
Recommended	**75-82**
	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 exceptionally 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.
Investment Grade	**60-74**
	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.
Speculative	**40-59**
	This rating indicates that IIR believes this is a suitable product that has met the aggregate requirements of our review process across a number of key evaluation criteria. The product provides some unique diversification opportunities, but may not stand apart from its peers. It has an acceptable risk/return trade-off and should generate risk adjusted returns in line with stated investment objectives. However, concerns over one or more features mean that it may not be suitable for most investors.
Not recommended	**39 and below**
	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.

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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