

Lonsec Research Ratings Definitions

ISSUE DATE: 01-02-2017

The rating system designates financial products under the categories of Highly Recommended, Recommended, Investment Grade, Fund Watch, Redeem and Screened Out. These ratings reflect Lonsec's degree of conviction in the financial products' ability to generate risk adjusted returns in line with relevant objectives.



The **Highly Recommended** rating indicates that Lonsec has very strong conviction the financial product can generate risk adjusted returns in line with relevant objectives. The financial product is considered a preferred entry point to this asset class or strategy.



The **Recommended** rating indicates that Lonsec has strong conviction the financial product can generate risk adjusted returns in line with relevant objectives. The financial product is considered an appropriate entry point to this asset class or strategy.



The **Investment Grade** rating indicates that Lonsec has conviction the financial product can generate risk adjusted returns in line with relevant objectives. However, if applicable, Lonsec believes the financial product has fewer competitive advantages than its peers.



The **Screened Out** rating indicates that Lonsec currently does not have conviction that the financial product can generate risk adjusted returns in line with relevant objectives. The financial product currently has insufficient competitive advantages relative to its review peer group (if applicable).



The **Fund Watch** rating indicates that no new investment into this financial product is recommended. A significant change has occurred with the financial product and a detailed assessment of the change is needed and/or series of rectifying actions required prior to this rating being changed.



The **Redeem** rating indicates the financial product is no longer considered worthy of investment for any time period and investors should immediately redeem units from the financial product, subject to seeking financial advice.

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The binary rating scale of Approved/ Not Approved will be used where any of the following applies:

- The lack of a meaningful peer group (as defined by Lonsec) renders a tiered rating scale less relevant. If a peer group subsequently develops, then Lonsec may adopt a tiered rating scale.
- The product pricing is subject to continual change.
- Lonsec’s review is confined to the product structure and investment returns are dependent on an investor’s selection from an underlying menu, such as range of ASX listed securities.
- The pay-off to investors is defined at the outset and requires investors to have a definitive view.



The **Approved** rating indicates that Lonsec believes the financial product can generate risk adjusted returns in line with relevant objectives. If applicable, the financial product provides an adequate means for investors to gain exposure to the underlying assets.



The **Not Approved** rating indicates that Lonsec believes the financial product cannot generate risk adjusted returns in line with relevant objectives. If applicable, the financial product does not provide an adequate means for investors to gain exposure to the underlying assets.

Funds Withdrawn from Research Process

The following are statuses, not ratings. They articulate the circumstances under which a fund was withdrawn from Lonsec’s researched universe.



The **Discontinued Review** status is applied where a manager that has approached Lonsec and agreed to tender a fund for assessment, subsequently elects to discontinue participating in the Review prior to its completion for any reason, other than the fund being closed or unavailable to retail investors. The Discontinued Review status will be published on the Lonsec website.



The **Ceased Coverage** status is applied to financial products where fund managers withdraw from the Lonsec research process after the research process has been completed.



The **Closed / Wind Up** status is applied to a financial product when the fund manager advises Lonsec that the financial product is being wound up and the capital is to be returned to investors.

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