

# WAM Capital Limited (WAM)

Listed Managed Investments

June 2014 Quarterly Review

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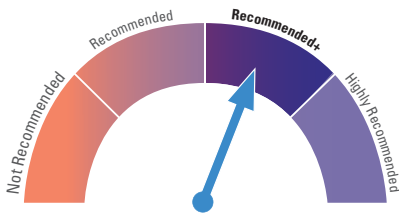
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- 2) Our analyst has independence from the firm's management, as in, management/ sales team cannot influence the research in any way;
- 3) Our research does not provide a recommendation, in that, we do not provide a "Buy, Sell or Hold" on any stocks. This is left to the Adviser who knows their client and the individual portfolio of the client.
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## Rating



## LMI Type

Listed investment company

## Investment Area

Australia

## Investment Assets

Listed companies and other

## Investment Sectors

Diversified

## Key Investment Information

Price (\$) as at 25 August 2014	2.07
Market cap (\$M)	705.1
Shares on issue (M)	340.6
Shares traded (\$M p.a)	178.2
12-month L/H (\$)	1.76/2.09
Listing date	August 1999

## Fees

Management Fee (%)	1.00
Performance incentives (%)	20.0*

\*Outperformance of the All Ords Acc index or the amount of the increase in the value of the portfolio in the event the All Ords Acc index has fallen.

## Pre-tax NTA Performance Analytics (including dividends)

	All Ords Acc	
	1 Yr	3 Yr (p.a.)
Excess Per. (%)	(2.13)	0.44
TE (%)	5.66	8.52

Benchmark returns are purely pre-tax, whereas LIC returns incorporate realised capital gains tax and therefore understate portfolio performance to a degree.

## Dividend Yield

	%
FY12	6.64ff
FY13	7.01ff
FY14	6.44ff

## Major Shareholders

	%
VBS Investments Pty Ltd	1.3
UBS Wealth Management Australia Nominees Pty Ltd	1.3

As at 30 June 2014

## COMPANY OVERVIEW

WAM was listed in August 1999 and is managed by Wilson Asset Management. WAM provides an actively managed portfolio that focuses on investing in a diversified portfolio of growth companies, primarily small-to-mid cap securities.

## INVESTMENT OBJECTIVE

The investment objectives of the fund are to provide a growing stream of fully franked dividends, provide capital growth and preserve capital.

## STYLE AND PROCESS

WAM predominantly invests in a diversified portfolio of growth companies. The manager uses a combination of two approaches to select investments:

- (1) The Research Driven approach, which involves making investment decisions based on extensive research on the security. The manager looks for management strength, earnings growth potential, low earnings multiple, advantageous industry position, generation of free cash flow, appropriate return on equity and a catalyst for share price growth. The manager has over 1,000 meetings with management each year; and
- (2) The Market Driven approach, which involves participating in IPO's, placements and takeover arbitrages aiming to take advantage of short-term arbitrage opportunities and mispricing in the market.

## PORTFOLIO CHARACTERISTICS

WAM's portfolio focuses on small-to-mid cap stocks with the majority of investments being in companies outside the S&P/ASX 100. Given the company focuses on industrial stocks, the portfolio has very little exposure to the resource sector. The manager defaults to cash if acceptable investments cannot be identified. As such, prospective investors need to be aware that the portfolio may have large cash allocations. The cash position at 30 June 2014 was 37.4%.

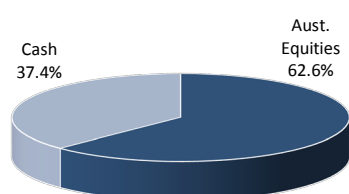
## INDEPENDENT INVESTMENT RESEARCH COMMENTS

WAM predominantly invests in small-to-mid cap stocks. The Manager primarily maintains small positions in securities to minimise risk, however, there are no size restrictions on investments so the manager can take high conviction positions in a stock if they so desire. We note that smaller cap stocks tend to entail a greater level of risk; however, the upside potential can be considerable. The manager has the ability to short sell stocks. We note, this has never been more than 5% of the portfolio. WAM's portfolio (pre-tax NTA plus dividends) underperformed the benchmark index over the 12 months to 30 June 2014 by 2.1%. We note dilution from the exercise of the bonus options contributed to the underperformance. Despite the short-term underperformance we note the portfolio has outperformed over the longer-term with an average rolling annual return of 11.6% over the ten years to 30 June 2014, compared to 10.1% for the benchmark index. The company recorded a FY'14 net profit of \$68.3m, a 54.4% increase on FY'13. The company announced a final dividend of 6.5 cents per share, fully franked, taking the full year dividend to 13 cents per share. This is an 8.3% increase on the FY'13 full year dividend. The company continues to trade at a premium to pre-tax NTA. While the company continues to offer an above market yield, we view the company to be overpriced at premiums such as this.

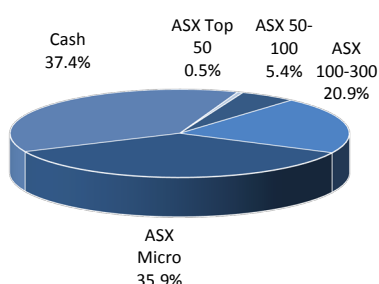
## SECTOR BREAKDOWN

Sector	%
Energy	0.2
Materials	3.1
Industrials	14.4
Consumer Discretionary	23.2
Consumer Staples	3.7
Healthcare	3.7
Financials (ex Property)	36.6
Property	0.0
Information Technology	9.5
Telecommunication Services	4.0
Utilities	1.6

## Asset Weighting



## Size Weighting



## KEY POSITIVE CONTRIBUTORS

- ◆ Iproperty Group Limited
- ◆ Aveo Group
- ◆ Slater & Gordon Limited

## KEY NEGATIVE CONTRIBUTORS

- ◆ Graincorp Limited
- ◆ Transfield Services Limited
- ◆ News Corporation

## BOARD OF DIRECTORS

Geoffrey Wilson	Chairman (Executive)
Matthew Kidman	Director (Non-Executive)
James Chirnside	Director (Non-Executive)
Paul Jensen	Director (Non-Executive)
Lindsay Mann	Director (Non-Executive)
Kate Thorley	Company Secretary

## OTHER DATA

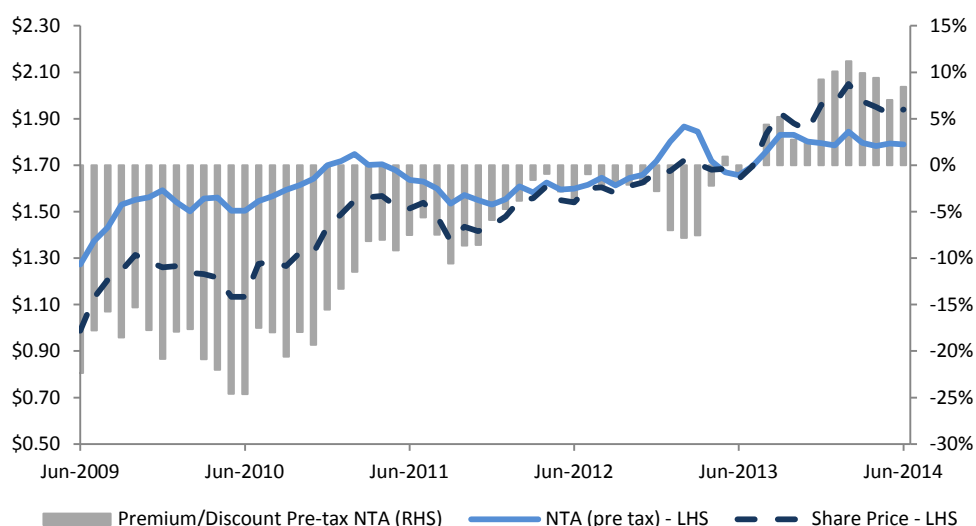
- ◆ **Options** – none on issue.
- ◆ **Dividend policy** – The Board is committed to paying an increasing stream of fully franked dividends to shareholders provided the company has sufficient franking credits. Dividends are paid on a six-monthly basis.
- ◆ **Capital management policy** – The Board manages the Company's capital by regularly reviewing the most efficient manner by which the company employs its capital. At the core of this management is the belief that shareholder value should be preserved. Shareholder value will be preserved through the management of the level of distributions to shareholders, share and options issues as well as the use of share buy-backs. These capital management initiatives will be used when deemed appropriate by the Board.
- ◆ **LIC tax concessions** – None
- ◆ **DRP available** – Yes

## WAM's Portfolio (Top 10) Weighting

Code	Portfolio (%)	All Ords (%)
CBAPA	6.0	na
CYA	3.6	na
MQA	3.1	0.1
SGH	3.0	0.1
WIC	2.7	na
WBPCPB	2.7	na
IPE	2.6	na
HIL	2.5	0.0
CGF	2.5	0.3
FXJ	2.4	0.1
	<b>31.1</b>	<b>0.6</b>

Source all figures: WAM/Independent Investment Research/IRESS.  
All data as at 30 June 2014 unless otherwise specified.

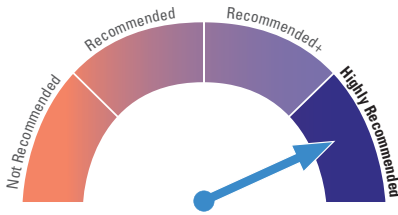

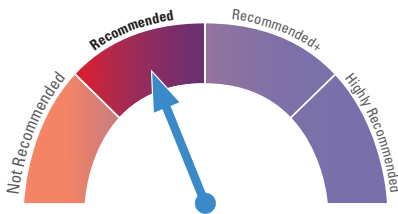
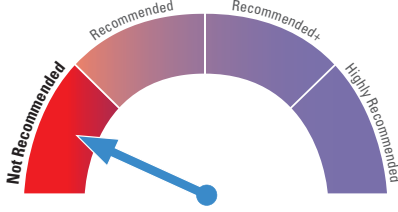
## NTA & Share Price Performance



## APPENDIX A – RATINGS PROCESS

Independent Investment Research Pty Ltd “IIR” rating system.

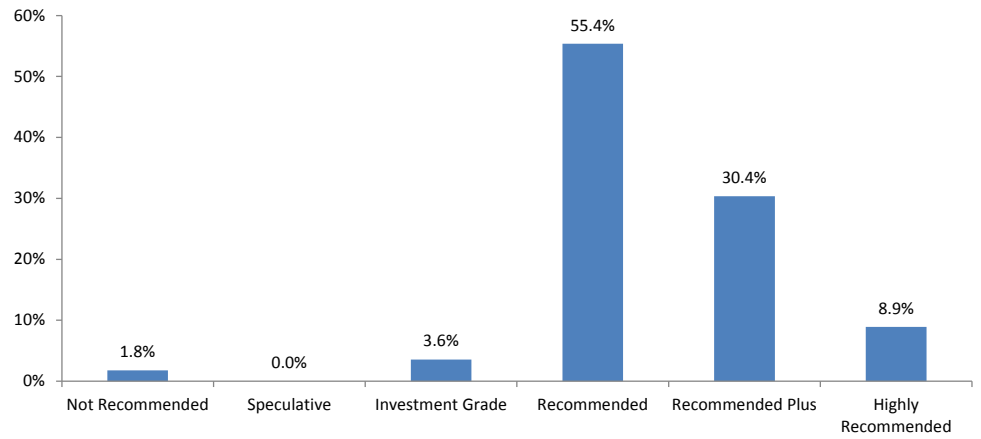
IIR has developed a framework for rating investment product offerings in Australia. Our review process gives consideration to a broad number of qualitative and quantitative factors. Essentially, the evaluation process includes the following key factors: management and underlying portfolio construction;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

LMI Ratings	SCORE
<p><b>Highly Recommended</b></p> 	<p><b>83 and above</b></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><b>Recommended +</b></p> 	<p><b>79–82</b></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><b>Recommended</b></p> 	<p><b>60–78</b></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><b>Not Recommended</b></p> 	<p><b>&lt;60</b></p> <p>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.</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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## Rating



## LMI Type

Listed investment company

## Investment Area

Australia

## Investment Assets

Listed companies and other

## Investment Sectors

Diversified

## Key Investment Information

Price (\$) as at 25 August 2014	1.435
Market cap (\$M)	49.2
Shares on issue (M)	34.3
Shares traded (\$M p.a)	20.2
12-month L/H (\$)	1.15/1.435
Listing date	January 2008

## Fees

Management Fee (%)	1.00
Performance incentives (%)	20.0*

\*20% of the increase in the gross value of the portfolio, subject to a high watermark.

## Pre-tax NTA Performance Analytics (including dividends)

	All Ords Acc	
	1 Yr	3 Yr (p.a.)
Excess Per. (%)	(7.79)	(3.31)
TE (%)	9.49	10.18

Benchmark returns are purely pre-tax, whereas LIC returns incorporate realised capital gains tax and therefore understate portfolio performance to a degree.

## Dividend Yield

	%
FY12	8.21ff
FY13	8.33ff
FY14	7.46ff

## Major Shareholders

	%
Interest Associated with Geoff Wilson	2.9
Mr Victor John Plummer	1.5

As at 30 June 2014

## COMPANY OVERVIEW

WAA is a listed investment company that provides exposure to an active trading style with the aim of achieving a positive return in all market conditions and a low correlation to traditional markets. The company was listed in January 2008 and the portfolio is managed by Wilson Asset Management.

## INVESTMENT OBJECTIVE

The company has an absolute return focus and therefore aims to generate positive returns in both rising and falling markets. The manager seeks to deliver shareholders with a steady stream of fully franked dividends, and preserve the company's capital in both the short-and long-term.

## STYLE AND PROCESS

WAA invests predominantly in ASX-listed securities. Given the objective of the company, the manager has the ability to short sell securities. The manager uses a 'Market Driven' approach to investing, in which it aims to take advantage of short-term relative arbitrage and mispricing in the market. The manager participates in IPO's, rights issues, placements, schemes of arrangement and looks for arbitrage opportunities and discount to asset plays, along with other market events viewed as favourably priced. The manager utilises stop-losses on all trading positions of 10%. The portfolio is actively managed and therefore portfolio turnover is high.

## PORTFOLIO CHARACTERISTICS

The portfolio may hold between 10 and 100 investments and therefore the level of concentration will vary. There are no restrictions regarding the minimum or maximum investment in any individual stock or sector and as such the manager may take large positions in an individual security. The manager may hold up to 100% cash if attractive investment opportunities cannot be identified. The company invests in LICs to take advantage of the discount companies are trading at. The manager seeks to sell LICs once the discount has been eradicated. The company had a large cash holding at 30 June 2014 of 46.5%.

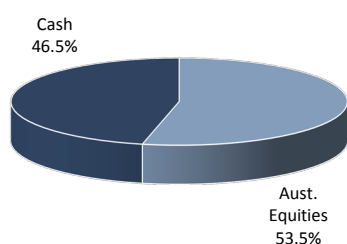
## INDEPENDENT INVESTMENT RESEARCH COMMENTS

The absolute return nature of WAA means that the company does not intend to mimic the returns of the market but generate positive returns despite the direction of the market, as is illustrated by the high tracking error. The company's strategy incorporates the use of short selling to generate returns. No more than 10% of the portfolio has been 'short' since inception. The portfolio may hold high levels of cash, which will contribute to the outperformance of the portfolio when the market generates negative returns, however may result in the manager not participating in market upturns. WAA's portfolio (pre-tax NTA plus dividends) significantly underperformed the market over the 12 months to 30 June 2014, rising 9.9% compared to the All Ords Accumulation index increase of 17.6%. The portfolio has however outperformed the market since being listed in January 2008, with the portfolio generating an average rolling annual return of 9.8%, compared to the All Ords Accumulation index average annual return of 7.7%. While the company has underperformed the market in recent times, it has achieved its objective of generating positive returns over the one, three and five year periods to 30 June 2014. We note, one of the company's objectives is to have a low correlation with the market. Since listing in 2008, the portfolio has had a strong positive correlation (0.71) with the All Ords Accumulation index. This has moderated over time, with a moderate positive correlation with the market (0.45) over the three years to 30 June 2014. The company recorded a net profit increase for FY'14 of 111.5%. The increase was primarily attributable to the increase in the value of investments, with the actual revenue received from investments down 41% on FY'13. At 30 June 2014, the company was trading at a premium to pre-tax NTA of 20.7%. The company continues to offer a strong dividend yield, however we view the company to be overpriced at premiums such as this.

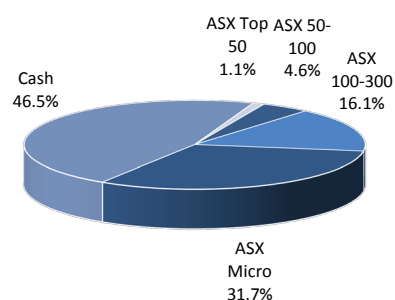
## SECTOR BREAKDOWN

Sector	%
Energy	0.0
Materials	1.4
Industrials	30.0
Consumer Discretionary	7.3
Consumer Staples	6.3
Healthcare	0.9
Financials (ex Property)	52.6
Property	0.0
Information Technology	0.0
Telecommunication Services	1.7
Utilities	0.0

### Asset Weighting



### Size Weighting



## KEY POSITIVE CONTRIBUTORS

- ◆ Aveo Group
- ◆ Hills Limited
- ◆ Macquarie Atlas Roads Group

## KEY NEGATIVE CONTRIBUTORS

- ◆ Graincorp Limited
- ◆ Transfield Services Limited
- ◆ McMillan Shakespeare Limited

## BOARD OF DIRECTORS

Geoffrey Wilson	Chairman (Executive)
Matthew Kidman	Director (Non-Executive)
John Abernethy	Director (Non-Executive)
Chris Stott	Director (Non-Executive)
Kate Thorley	Company Secretary/ Director (Non-Executive)

## OTHER DATA

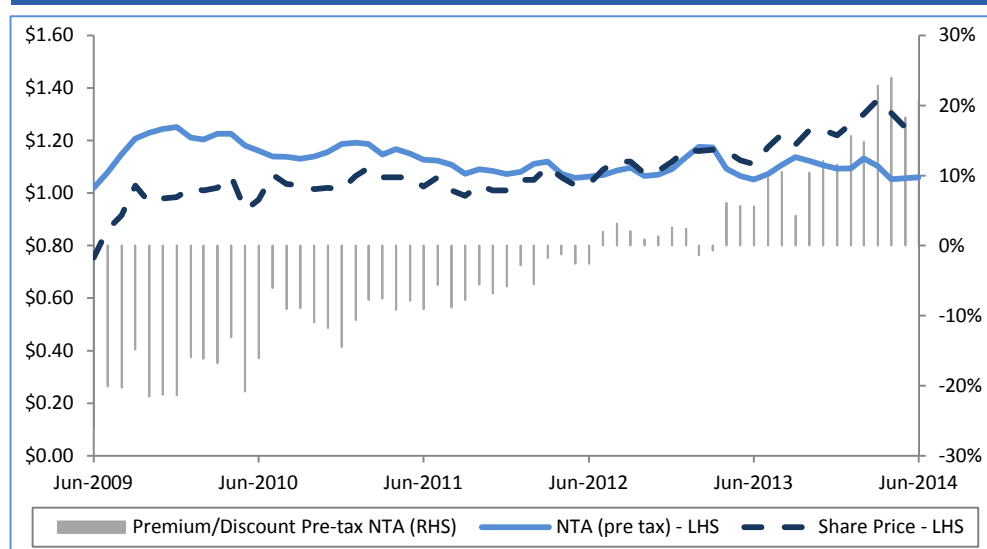
- ◆ **Options** – None on issue.
- ◆ **Dividend policy** – The Board is committed to paying an increasing stream of fully franked dividends to shareholders provided the company has sufficient franking credits. Dividends are paid on a semi-annual basis.
- ◆ **Capital management policy** – The Board manages the Company's capital by regularly reviewing the most efficient manner by which the company employs its capital. At the core of this management is the belief that shareholder value should be preserved. Shareholder value will be preserved through the management of the level of distributions to shareholders, share and options issues as well as the use of share buy-backs. These capital management initiatives will be used when deemed appropriate by the Board.
- ◆ **LIC tax concessions** – None
- ◆ **DRP available** – Yes

## WAA's Portfolio (Top 10) Weighting

Code	Portfolio (%)	All Ords (%)
CBAPA	7.9	na
CYA	7.9	na
MOA	7.2	0.1
WIC	6.4	na
IPE	6.0	na
HIL	5.9	0.0
CGF	5.8	0.3
CYG	4.0	0.0
CCP	4.0	0.0
MYR	3.9	0.1
	<b>59.0</b>	<b>0.5</b>

Source all figures: WAA/Independent Investment Research/IRESS.  
All data as at 30 June 2014 unless otherwise specified.

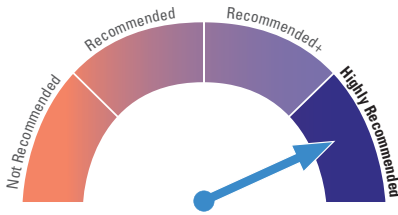

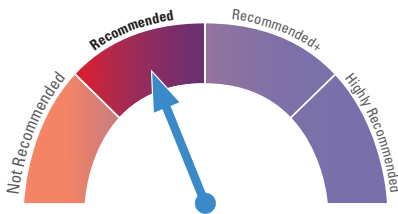
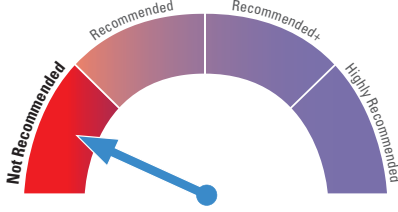
## NTA & Share Price Performance



## 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: management and underlying portfolio construction; investment management, product structure, risk management, experience and performance; fees, risks and likely outcomes.

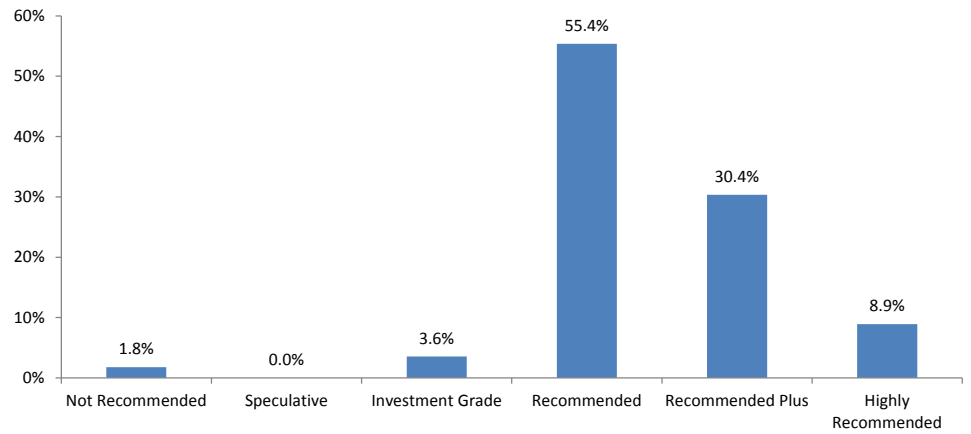
LMI Ratings	SCORE
<p><b>Highly Recommended</b></p> 	<p><b>83 and above</b></p> <p>This is the highest rating provided by IIR, indicating this is a best of breed product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved exceptionally high 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><b>Recommended +</b></p> 	<p><b>79–82</b></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><b>Recommended</b></p> 	<p><b>60–78</b></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><b>Not Recommended</b></p> 	<p><b>&lt;60</b></p> <p>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.</p>

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## 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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AUSTRALIAN  
**RESEARCH**  
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# WAM Research Limited (WAX)

## Listed Managed Investments

June 2014 Quarterly Review

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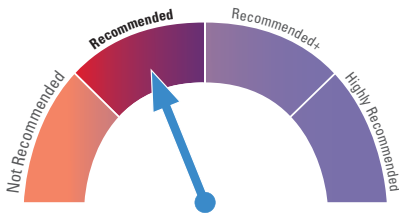
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- 3) Our research does not provide a recommendation, in that, we do not provide a "Buy, Sell or Hold" on any stocks. This is left to the Adviser who knows their client and the individual portfolio of the client.
- 4) Our research process for valuation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



## LMI Type

Listed investment company

## Investment Area

Australia

## Investment Asset

Listed companies and other

## Investment Sectors

Diversified

## Investment Profile

Price (\$) as at 25 August 2014	1.17
Market cap (\$M)	163.8
Shares on issue (M)	140.0
Shares traded (\$M p.a.)	37.8
12-month L/H (\$)	1.01/1.25
Listing date	August 2003

## Fees

Management Fee (%)	1.0
Performance incentives (%)	20.0*

\*Outperformance of the All Ords Acc index or the amount of the increase in the value of the portfolio in the event the All Ords Acc index has fallen.

## Pre-tax NTA Performance Analytics (including dividends)

	All Ords Acc	
	1 Yr	3 Yr (p.a.)
Excess Per. (%)	(1.07)	5.07
TE (%)	6.13	7.09

Benchmark returns are purely pre-tax, whereas LIC returns incorporate realised capital gains tax and therefore understate portfolio performance to a degree.

## Dividend Yield

	%
FY12	8.68ff
FY13	6.96ff
FY14	6.47ff

## Substantial Shareholders

	%
Interests associated with Geoff Wilson	4.1
Victor John Plummer	2.3

As at 30 June 2014

## COMPANY OVERVIEW

WAX is a listed investment company that invests in growth companies which are generally small to medium sized industrial companies. The company was listed in 2003 and the portfolio is managed by Wilson Asset Management.

## INVESTMENT OBJECTIVE

The company aims to provide shareholders a steady stream of fully franked dividends and a high real rate of return, comprising both capital and income.

## STYLE AND PROCESS

WAX's investment philosophy is to invest predominantly in industrial companies with an emphasis on companies that are under researched and are considered undervalued by the Manager. As such the company focuses on small-to-mid cap companies. The manager uses two investment approaches to identify opportunities: (1) The Research Driven approach, where the manager undertakes extensive research to identify attractive opportunities. The manager views contact with company management as critical to this process, with over 1,000 management meetings with management each year.; and (2) The Investment Driven approach, which seeks to identify companies that have a sustainable business model, track record of dividends, history of profits and positive free cash flow, acceptable financial strength and attractive return on equity.

## PORTFOLIO CHARACTERISTICS

WAX aims to maintain a portfolio of between 30 and 60 securities. The manager focuses on small-to-mid cap stocks with most investments outside the top 100. Given the company focuses on industrial stocks, the portfolio has very little, if any, exposure to the resource sector. The largest portfolio allocation is to the Consumer Discretionary sector with 34.8% of the long portfolio allocated to this sector at 30 June 2014. There was a significant amount of churn during FY'14, with the Manager being a net purchaser of investments with the company having a net investment position of -\$16m. The manager will hold cash if attractive investment opportunities cannot be identified. At 30 June 2014, the portfolio had a cash position of 27%.

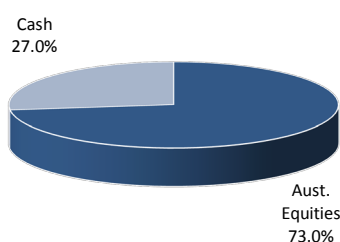
## INDEPENDENT INVESTMENT RESEARCH COMMENTS

WAX predominantly invests in small-to-mid cap industrial stocks. We note that smaller cap stocks tend to entail a greater level of risk; however, the upside potential can be considerable. There are no size restrictions on investments therefore the manager has the ability to take high conviction positions. WAX's portfolio (pre-tax NTA plus dividends) underperformed the benchmark index over the 12 months to 30 June 2014, increasing 16.6% compared to the benchmark index increase of 17.6%. The portfolio has underperformed over the ten years to 30 June 2014. On a rolling annual basis, the portfolio has generated an average rolling annual return of 8.3%, below the average rolling annual benchmark index return of 10.1%. While the portfolio has underperformed, the company offers an above market dividend yield in excess of 6%. This has been a driver for the share price, which has resulted in the company trading at a premium to pre-tax NTA of 4.5% at 30 June 2014. The company reported a 5.2% decline in net profit for FY'14. The company declared a final dividend of 3.75 cents per share, fully franked, taking the full year dividend to 7.5 cents per share. This is a 7.1% increase on the previous year full year dividend.

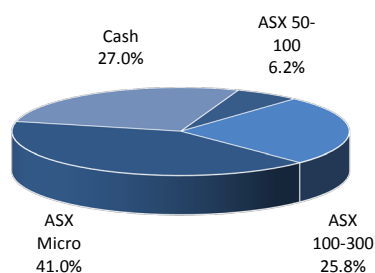
## SECTOR BREAKDOWN (EX CASH)

Sector	%
Energy	0.4
Materials	4.3
Industrials	7.5
Consumer Discretionary	34.8
Consumer Staples	1.8
Healthcare	5.8
Financials (ex Property)	20.2
Property	0.0
Information Technology	16.5
Telecommunication Services	5.8
Utilities	2.8

### Asset Weighting



### Size Weighting



## KEY POSITIVE CONTRIBUTORS

- ◆ Iproperty Group Limited
- ◆ Slater & Gordon Limited
- ◆ Vocus Communications Limited

## KEY NEGATIVE CONTRIBUTORS

- ◆ Graincorp Limited
- ◆ Nextdc Limited
- ◆ Fairfax Media Limited

## BOARD OF DIRECTORS

Geoffrey Wilson	Chairman (Executive)
Matthew Kidman	Director (Non-Executive)
John Abernethy	Director (Non-Executive)
Julian Gosse	Director (Non-Executive)
Chris Stott	Director (Non-Executive) - Appointed 1 August 2014
Kate Thorley	Company Secretary/Director (Non-Executive) -Appointed 1 Aug 2014

## OTHER DATA

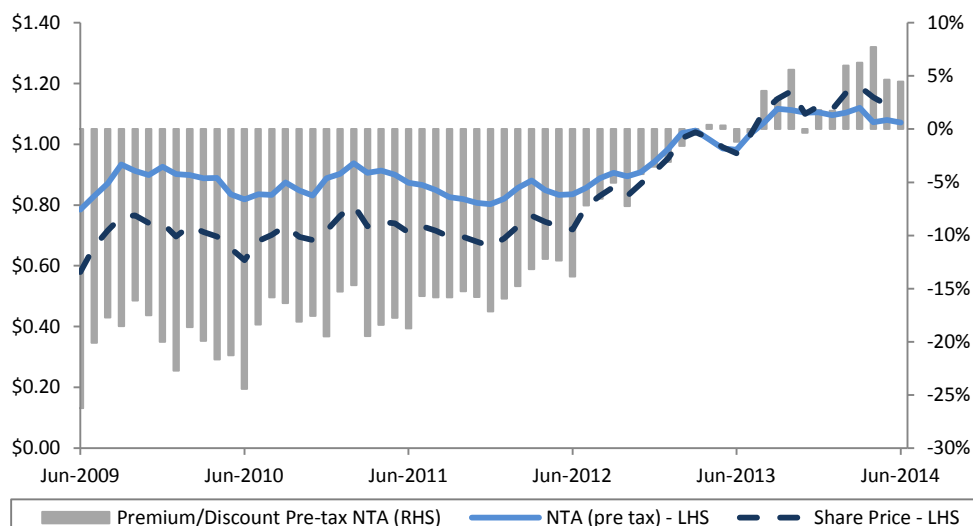
- ◆ **Options** – Bonus shares issued on a one-for two basis in December 2013. Options will have an exercise price of \$1.20 per share and expire on 17 June 2015.
- ◆ **Dividend policy** – The Board is committed to paying an increasing stream of fully franked dividends to shareholders provided the company has sufficient franking credits. Dividends are paid on a six-monthly basis.
- ◆ **Capital management policy** – The Board manages the Company's capital by regularly reviewing the most efficient manner by which the company employs its capital. At the core of this management is the belief that shareholder value should be preserved. Shareholder value will be preserved through the management of the level of distributions to shareholders, share and options issues as well as the use of share buy-backs. These capital management initiatives will be used when deemed appropriate by the Board.
- ◆ **LIC tax concessions** – Has the potential to pay LIC Capital Gains out to investors.
- ◆ **DRP available** – Yes

## WAX's Portfolio (Top 10) Weighting

Code	Portfolio (%)	All Ords (%)
CBAPA	5.2	na
SGH	5.2	0.1
FXJ	4.2	0.1
DLX	4.2	0.1
AHE	4.0	0.1
CSV	3.6	0.0
MTR	3.5	na
TNE	3.4	0.1
IIN	2.9	0.1
SFW	2.9	0.0
	<b>39.1</b>	<b>0.6</b>

Source all figures: WAX/Independent Investment Research/IRESS. All data as at 30 June 2014 unless otherwise specified.

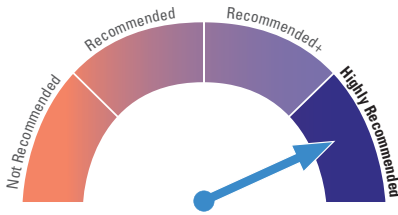

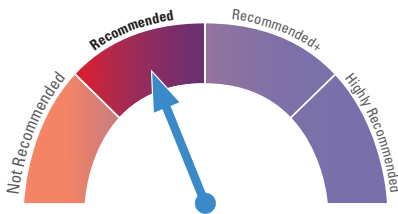
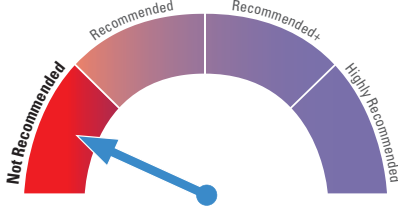
## NTA & Share Price Performance



## 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: management and underlying portfolio construction; investment management, product structure, risk management, experience and performance; fees, risks and likely outcomes.

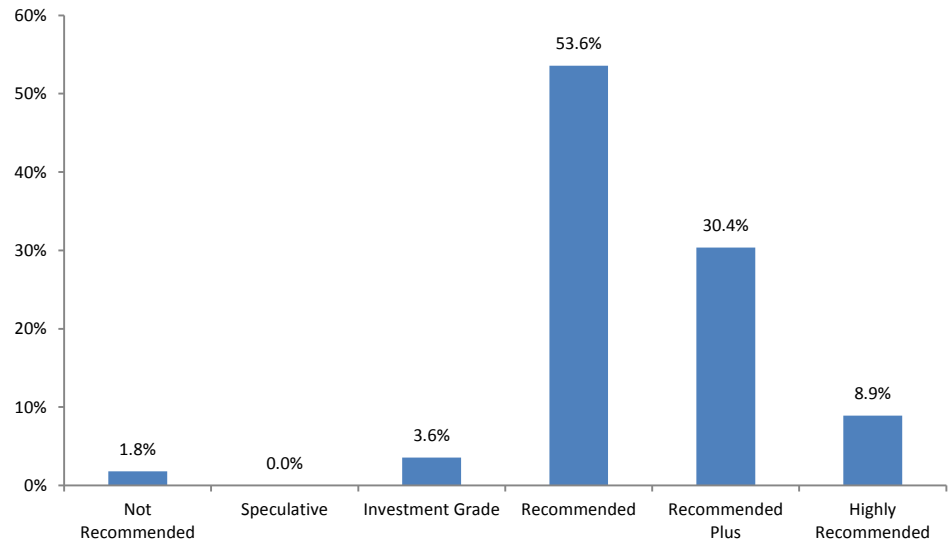
LMI Ratings	SCORE
<p><b>Highly Recommended</b></p> 	<p><b>83 and above</b></p> <p>This is the highest rating provided by IIR, indicating this is a best of breed product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved exceptionally high 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><b>Recommended +</b></p> 	<p><b>79–82</b></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><b>Recommended</b></p> 	<p><b>60–78</b></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><b>Not Recommended</b></p> 	<p><b>&lt;60</b></p> <p>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.</p>

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## 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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