



Merger with Pengana Brings Some Stability to Hunter Hall

It seems there may finally be some resolution to the ownership battle for Hunter Hall International (ASX:HHL) with the firm agreeing to a merger with investment manager, Pengana Capital. HHL directors unanimously recommend the merger, considering it superior to the off-market takeover offers from Washington H. Soul Pattinson (ASX:SOL, WHSP) and Pinnacle Investment Management (ASX:PNI). The offers from WHSP and PNI expired on 27 March and 15 March 2017 respectively. Peter Hall sold his final 24% stake in HHL to WHSP prior to the close of its offer.

The merger with Pengana will be effected by HHL acquiring Pengana through a scrip offer to existing Pengana shareholders. HHL will remain listed and change its name to Pengana Capital Group (PCG). Following the merger, WHSP, which has ownership interests in both Pengana and HHL, will own 40% of the merged entity. Pengana management and directors will own 43% of PCG and the remaining 17% will be held by other shareholders. PCG will have \$3 billion in retail funds under management with capabilities across Australian and international equities including small cap and emerging company specialisation. It will also retain the HHL ethical investment framework and processes. The merged investment team will comprise members of both the HHL and Pengana investment teams, including the highly experienced HHL Interim CIO, James McDonald, who will continue to manage the Hunter Hall Global Value (ASX:HHV) portfolio. James has been a portfolio manager at HHL since 2003 and has had responsibility for the HHV portfolio since 2015.

While the proposed merger with Pengana appears to settle the corporate instability surrounding HHL, it remains subject to a HHL shareholder vote in May. Our rating for HHV, will remain suspended at least until after the 6 April shareholder meeting of HHV shareholders to vote on the board composition. We will also need to undertake a detailed review of the merged Pengana Capital Group, the new investment management team and its investment processes before reinstating our rating.

We make no recommendations as to how HHV shareholders should vote at the 6 April meeting in relation to the proposal to replace the existing Directors. Glass Lewis, a major corporate governance provider, has recommended that HHV shareholders vote against all the resolutions proposed by Wilson Asset Management.

CTN Shareholders Vote for Board Renewal

The proposed resolutions to remove Contango MicroCap (ASX:CTN) Directors David Stevens and Ian Ferres were passed at a meeting of shareholders on 27 March 2017. A third Director, Glenn Fowles, resigned before the resolution to remove him from the Board was put to the meeting. Shareholders voted in favour of the resolutions to elect Mr. Trevor Carroll and Ken Poutakidis to the Board. With Board composition now resolved, we hope that stability returns to CTN. However, we still retain significant concerns about the decision to appoint an additional investment manager. Our rating for CTN will remain suspended until we have had a chance to undertake a detailed review of the LIC.

New Ethical LIC to Provide Competition for Hunter Hall

Investment manager, Morpic Asset Management, is launching a new ethical focused LIC, Morpic Ethical Equities Fund (ASX:MEC) with plans to raise up to \$275m, including oversubscriptions. The LIC will build a portfolio of global securities using an ethical screen to filter out companies that are involved in environmental destruction or other harmful activities. The manager has considerable experience in the ethical space as its founder, Jack Lowenstein was a key player in the growth of Hunter Hall. Co-founder, Chad Slater was also a portfolio manager at Hunter Hall. The timing of the IPO is interesting given the departure of Peter Hall from Hunter Hall and the ongoing action

surrounding Hunter Hall International and its LIC, Hunter Hall Global Value. MEC's offer is currently open and is expected to close on 19 April 2017. We do not cover MEC and make no recommendation as to whether investors should subscribe to the offer.

Wilson Asset Management to Launch MicroCap LIC

Wilson Asset management recently confirmed plans to launch a new microcap LIC in this year. The new LIC will fill a gap in Wilson Asset Management's LIC suite which currently spans the small, mid and large-cap sectors. Wilson Asset Management Chairman, Geoff Wilson, noted that the WAM Capital (ASX:WAM) is now of a size where many of the smaller companies it reviews as part of its investment process are too small for the WAM portfolio and would be more suited to a microcap LIC. The move comes at a time when the largest microcap LIC, Contango MicroCap (ASX:CTN) is undergoing change, with the appointment of an additional fund manager and a shareholder vote to renew the Board.

WAM Research Recommendation Upgraded

Following a detailed review of WAM Research (ASX:WAX) we recently upgraded our recommendation to Highly Recommended, our highest LIC rating. The rating upgrade recognises WAX's highly experienced investment team, well-established investment processes and proven track record. Since inception in 2003, the portfolio has delivered portfolio returns well in excess of the S&P/ASX All Ordinaries Index with lower beta and volatility, WAX has also delivered on its objective to provide a growing stream of fully franked dividends and profit reserve coverage provides a strong buffer to maintain dividends during a market downturn. While management and performance fees are broadly in line with externally managed LIC peers the absence of a high watermark for the performance fee is a negative. We also note that the Board does not have a majority of independent Directors. Although we have a Highly Recommended rating on WAX, potential investors will need to be patient as the shares were trading at a 26% premium to pre-tax NTA at 28 February 2017.

Bailador Continues to Grow Its Portfolio

Bailador Technology Investments (ASX:BTI) continues to grow its investment portfolio with a \$1.0m follow-on investment in Rezdy LLC, a fast growing B2B online distribution and reservation platform for tours, activities and attractions. The investment was part of a \$2.4m capital raising by Rezdy to help fund its US expansion. BTI has actively grown its portfolio in recent months and for the six months to 31 December 2016, with additional investments of \$19.6m across its portfolio, including two new investments. A portfolio revaluation also added \$7.1m to the portfolio value with the total portfolio, including cash of \$21.3m, standing at \$141.5m at the end of February. The portfolio is spread across 10 investments. BTI is unique in the LIC space in that it provides retail investors with the opportunity to invest in a portfolio of high growth, expansion-stage, information technology companies, an opportunity usually only available to larger wholesale investors. Since inception the portfolio has delivered a portfolio return (pre-tax NTA) of 4% pa, with the manager forecasting a material valuation lift and cash realisation in the next 24 months. At the end of February 2017 BTI shares were trading at a 19% discount to pre-tax NTA and 13% discount to post-tax NTA. Our rating for BTI is Recommended Plus.

PRICING & PERFORMANCE UPDATE

Table: LIC Options*

Company	ASX Code	Option Expiry Date	O/standing Options - m	Current Shares - m	Option Price 28-Feb-17 (\$)	Exercise Price (\$)	Share Price 28-Feb-17 (\$)	Pre-tax NTA 28-Feb-17 (\$)
Argo Global Listed Infrastructure	ALI	31-Mar-17	142.9	143.4	n.a.	2.00	1.68	1.95
Platinum Asia Investments	PAI	15-May-17	292.5	293.2	0.002	1.00	0.96	1.01
Future Generation Global Inv. Co.	FGG	15-Sep-17	272.5	277.2	0.009	1.10	1.04	1.13
Monash Absolute Inv. Company	MA1	29-Sep-17	52.5	52.5	0.002	1.00	0.77	0.88
WAM Leaders	WLE	17-Oct-17	334.8	382.1	0.041	1.10	1.14	1.14
Absolute Equity Performance Fund	AEG	16-Nov-17	70.5	92.4	0.015	1.10	1.05	1.01
Contango Income Generator	CIE	30-Mar-18	33.9	81.1	0.005	1.00	0.95	0.99
Ellerston Global Investments	EGI	10-Apr-18	33.6	75.7	0.056	1.00	0.98	1.13
Henry Morgan	HML	31-Aug-18	5.9	29.5	0.560	1.00	1.55	2.04
Antipodes Global Inv. Co.	APL	15-Oct-18	284.8	284.8	0.047	1.10	1.13	1.13
Duxton Water	D2O	31-Oct-18	64.0	64.0	0.037	1.10	1.04	1.07
Watermark Global Leaders Fund	WGF	16-Nov-18	82.8	82.8	0.032	1.10	1.04	1.08
Ryder Capital	RYD	10-Dec-18	36.8	36.8	0.050	1.25	1.07	1.16
Ellerston Asian Investments	EAI	28-Feb-19	65.2	114.7	0.027	1.00	0.87	0.96
Fat Prophets Global Contrarian Fund [#]	FPC	22-Mar-19	44.1	44.1	Not listed	1.10	n.a.	n.a.

Source: Companies/ASX

* Outstanding options for LIC IPOs since January 2013

[#] FPC Loyalty options which do not vest until 22/3/18

Do options provide LIC investors with value?

Since January 2013 there have been 30 new listed investment companies (LICs) join the ASX. Each of these LICs issued investors with options as part of the initial public offer (IPO). In most cases, investors received one 'free' option for each share, although there were some offers where the ratio was less than one-for-one. Why do LICs include options as part of their IPO structure and why are they seemingly popular with investors?

Due to the expenses associated with an IPO, the initial NTA of a new LIC will be below the issue price of its shares, so a LIC with an offer price of \$1.00 will have a starting NTA below \$1.00. The discount to offer price will vary, but generally costs equate to 2-3% of the amount raised. By offering investors a 'free' option there is the perception of providing value to compensate for the IPO costs. The option initially has some 'time value' in that it allows the investor to subscribe for additional shares in the LIC at some time in the future, normally at the IPO issue price. Most options have expiry dates between 12 to 24 months after the IPO date. Theoretically, the market value of the option on listing will offset the reduced NTA arising from the IPO costs. In time, the option may also gain some intrinsic value if the price of the underlying shares rises above the offer price, driven by increases in NTA due to portfolio performance.

However, our analysis shows that options often expire without delivering any real value to LIC investors. Of the 30 LICs in our study, options for 15 of these LICs have already reached expiry. Nine experienced take up rates of less than 50%, with seven achieving take up rates of 15% or less. So, a significant number of investors who acquired shares in these LICs received no value for their options. Generally, options will not be exercised if the underlying shares are trading below the exercise price, as it makes no sense to acquire new shares at a higher price through an options exercise when they can be bought cheaper on-market. For Wealth Defender Equities (ASX:WDE), PM Capital Asian Opportunities Fund (ASX:PAF), Perpetual Investment Company (ASX:PIC) and CBG Capital (ASX:CBC) almost all their options lapsed at expiry. Investors who sold their options in these LICs on-market would have been in a better position than those who let the options lapse at expiry.

Another issue for investors is that options exercised at a price below NTA will be dilutive to existing shareholders. There were six LICs in our study that achieved option take up rates above 50%. In each case, the new shares were issued at a discount to NTA. For investors who acquired shares in the IPO and exercised their options, this is not such an issue, as they would have received new shares at a discount to NTA. However, investors who did not exercise their options would have seen value transferred to those that did take up the options. Investors who acquired shares on-market in the period post-IPO would also have experienced dilution via a drop in NTA without receiving new shares at a discount as compensation. Two LICs in our study achieved higher option take up rates

due to underwritten options shortfall arrangements, which effectively resulted in a transfer of value from those investors that did not take up their options to the new investors that took up shares as a result of the underwriting arrangements. Bailador Technology Investments (ASX:BTI) had 24.5m of its 31 March 2016 options underwritten, or 39% of the total options issue. The arrangement resulted in Washington Soul H. Pattinson becoming a 20% shareholder in BTI. The shares were issued at a large discount to NTA and we estimate the total dilutive impact of the options to be about 8%. Glennon Small Companies Fund (ASX:GC1) had 57% of its 18 August 2016 options underwritten with the new shares issued at a 16% discount to its prior month pre-tax NTA. We estimate the dilutive impact of the options to be about 6%.

Another reason LICs issue options is that it provides a potential opportunity for the Manager to increase the size of the LIC if the options are exercised. In the case of a one-for-one option issue, the LIC size will double if all options are exercised, resulting in a higher fee base for the Manager. Managers argue that a larger share base is also beneficial for LIC investors as it increases the market liquidity of the stock and reduces the potential for the LIC to trade at a discount to NTA.

Conclusion

LIC investors need to understand that so called 'free' options may not necessarily end up delivering them with any value as the historical experience has shown that many options expire worthless. Investors who sell IPO options on listing may lock in a gain that helps offset IPO costs, however, they forgo any potential upside if the LIC succeeds in growing NTA before the option expiry date. When buying LIC shares on-market, check to see if there are any options on issue and whether the exercise price is at a discount to NTA. If so, this will result in dilution when the options are exercised. The market price of LICs with large option overhangs can tend to trade at a discount to NTA until the options are exercised or lapse. The table above shows options outstanding for all new LICs listed since January 2013. This is not a comprehensive list of all LIC options outstanding as some existing LICs, including WAM Active (ASX:WAA) and Westoz Investment Company (ASX:WIC) have issued shareholders with bonus options.

The final word goes to Gareth Brown of Forager Funds Management. Forager listed its Australian Shares Fund (ASX:FOR) on the ASX in December 2016. As a listed investment trust we have not included it in our study above. However, we note that it did not issue options to its investors. In response to investor questions as to whether it would be issuing options, Gareth wrote an article highlighting the key issues surrounding options and reminded investors that "There is, after all, no such thing as a free lunch." We recently initiated coverage of FOR with a "Recommended Plus" rating.

Pricing & Recommendations – Australian Share Focus

All data as at 28 February 2017	ASX Code	Market Cap (\$M) *	Last Price (\$)	Dividend Yield	Pre-Tax NTA (\$)	Pre-tax NTA Prem/Disc	3 Year Avg Prem/Disc	M'ment	M'ment Fee	IIR Rating
Australian Shares - Large Cap										
Australian Foundation Investment Company	AFI	6,750.7	5.74	4.2%	5.76	-0.3%	3.0%	Internal	0.16	Recommended+
Argo Investments	ARG	5,220.7	7.53	4.1%	7.58	-0.7%	3.3%	Internal	0.17	Recommended+
Milton Corporation	MLT	2,816.5	4.32	4.3%	4.46	-3.1%	1.3%	Internal	0.13	Highly Recommended
BKI Investment Company	BKI	971.1	1.61	4.5%	1.59	0.9%	1.6%	Internal	0.16	Not Rated
Australian United Investment	AUI	963.6	7.79	4.4%	8.35	-6.7%	-4.8%	Internal	0.10	Recommended+
Djerriwarrh Investments	DJW	800.6	3.65	6.6%	3.19	14.4%	26.2%	Internal	0.46	Recommended+
Diversified United Investments	DUI	749.3	3.59	3.9%	3.87	-7.2%	-6.0%	Internal	0.13	Recommended
WAM Leaders Limited	WLE	427.7	1.14	0.0%	1.14	0.0%	2.4%	External	1.00	Recommended
Whitefield Limited	WHF	372.1	4.44	3.8%	4.90	-9.4%	-7.3%	Internal	0.35	Recommended+
AMCIL Limited	AMH	234.8	0.91	3.8%	0.91	0.0%	-0.6%	Internal	0.65	Recommended+
Wealth Defender Equities	WDE	101.7	0.81	3.7%	0.91	-11.9%	-7.5%	External	0.98	Not Rated
Absolute Equity Performance Fund	AEG	97.0	1.05	0.0%	1.01	4.0%	10.3%	External	na	Not Rated
Century Australia	CYA	77.0	0.94	1.7%	0.95	-0.8%	-5.4%	External	1.08	Not Rated
Aberdeen Leaders	ALR	67.8	1.13	4.4%	1.27	-11.0%	-5.9%	External	2.40	Recommended
Ironbark Capital	IBC	62.9	0.5	6.9%	0.55	-9.6%	-10.8%	External	0.65	Not Rated
Aust Governance Masters Index Fund	AQF	51.0	1.94	4.1%	1.93	0.5%	-0.4%	External	0.49	Not Rated
Flagship Investments	FSI	40.3	1.58	4.6%	1.78	-11.2%	-15.0%	External	0.00	Recommended
CBG Capital	CBC	22.5	0.9	3.4%	0.96	-5.9%	-6.9%	External	1.00	Recommended
Aurora Property Buy Write Inc. Trust	AUP	12.5	5.16	8.6%	5.17	-0.2%	-1.2%	External	2.00	Not Rated
Australian Shares - Mid/Small Cap										
WAM Capital	WAM	1,487.7	2.48	5.8%	1.98	25.3%	11.6%	External	1.00	Recommended+
Carlton Investments	CIN	834.0	31.5	5.4%	35.43	-11.1%	-11.2%	Internal	0.08	Not Rated
Mirrabooka Investments	MIR	446.5	2.85	5.3%	2.27	25.6%	14.5%	Internal	0.65	Recommended+
Future Generation Investment Company	FGX	404.4	1.16	3.4%	1.15	1.2%	-1.0%	External	0.00	Highly Recommended
QV Equities	QVE	296.8	1.34	2.5%	1.16	15.3%	0.3%	External	0.90	Recommended+
WAM Research	WAX	291.3	1.59	5.3%	1.26	26.2%	8.7%	External	1.00	Highly Recommended
Forager Australian Shares Fund	FOR	170.9	1.95	0.0%	1.74	12.1%	11.8%	External	1.10	Recommended+
Contango MicroCap	CTN	169.3	1.01	6.3%	1.12	-9.4%	-11.4%	External	1.25	Rating Under Review
Westoz Investment Company	WIC	130.4	1.01	5.9%	1.12	-9.5%	-9.9%	External	1.00	Recommended
Thorney Opportunities	TOP	117.0	0.69	1.7%	0.75	-7.5%	-5.3%	External	na	Not Rated
Watermark Market Neutral Fund	WMK	90.2	1.035	6.3%	1.03	0.5%	-4.0%	External	1.00	Not Rated
Contango Income Generator	CIE	77.0	0.95	6.8%	0.99	-3.7%	-3.6%	External	0.95	Recommended+
Naos Emerging Opp Company	NCC	66.1	1.4	4.8%	1.36	2.9%	-9.9%	External	1.25	Not Rated
Ozgrowth Limited	OZG	62.6	0.18	2.9%	0.21	-16.7%	-16.9%	External	1.00	Not Rated
Naos Absolute Opportunities Coy.	NAC	55.2	1.12	4.2%	1.12	0.0%	-9.6%	External	1.75	Not Rated
Acorn Capital Inv Fund	ACQ	49.6	1.01	1.8%	1.15	-12.4%	-13.9%	External	na	Not Rated
Sandon Capital Investments	SNC	48.7	1.1	4.5%	1.03	6.7%	-7.4%	External	1.25	Not Rated
Lion Select Group	LSX	44.9	0.42	0.0%	0.40	5.0%	-28.3%	External	1.50	Not Rated
Glennon Small Companies Fund	GC1	44.4	0.95	4.0%	0.99	-4.6%	-5.0%	External	1.00	Recommended
8IP Emerging Companies	8EC	41.4	1.01	0.0%	1.13	-10.6%	-10.3%	External	1.25	Recommended
WAM Active Limited	WAA	41.2	1.15	4.3%	1.07	7.5%	9.8%	External	1.00	Recommended
Ryder Capital	RYD	39.4	1.07	0.0%	1.16	-8.0%	-3.2%	External	na	Not Rated
Katana Capital Limited	KAT	32.8	0.74	5.4%	0.83	-10.9%	-6.1%	External	na	Not Rated
Barrack St Investments	BST	15.4	0.84	3.0%	1.00	-15.7%	-14.3%	External	1.00	Recommended
Bentley Capital	BEL	10.6	0.14	7.1%	0.18	-22.0%	-34.8%	External	na	Not Rated
Orion Equities	OEQ	2.9	0.17	0.0%	0.43	-61.3%	-58.9%	External	na	Not Rated
Australian/International Shares - Blended										
Cadence Capital	CDM	344.1	1.27	7.1%	1.16	9.3%	7.0%	External	1.00	Recommended+
Hunter Hall Global Value	HHV	289.8	1.19	5.5%	1.26	-5.9%	-10.0%	External	1.50	Rating Under Review
Perpetual Investment Company	PIC	264.1	1.05	4.8%	1.07	-2.2%	-5.9%	External	1.00	Recommended
Clime Capital	CAM	71.6	0.90	5.3%	0.90	0.0%	-7.5%	External	na	Not Rated
Mercantile Investment Company	MVT	46.2	0.17	0.0%	0.17	-5.3%	-13.7%	External	na	Not Rated
Sunvest Corporation	SVS	3.0	0.25	0.0%	0.56	-55.4%	-40.7%	External	na	Not Rated

Pricing & Recommendations – International Shares & Specialist Focus

All data as at 28 February 2017	ASX Code	Market Cap (\$M) *	Last Price (\$)	Dividend Yield	Pre-Tax NTA (\$)	Pre-tax NTA Prem/Disc (\$)	3 Year Avg Prem/Disc	M'ment	M'ment Fee	IIR Rating
International Shares - Diversified										
Magellan Flagship Fund	MFF	893.8	1.89	1.1%	2.27	-17.0%	-6.4%	External	1.50	Not Rated
Platinum Capital	PMC	430.9	1.58	5.1%	1.51	4.8%	9.3%	External	1.50	Not Rated
PM Capital Global Opportunities Fund	PGF	343.5	0.99	3.0%	1.09	-9.2%	-10.1%	External	1.00	Not Rated
Antipodes Global Investment Company Ltd	APL	321.9	1.13	0.0%	1.13	0.4%	-2.2%	External	1.10	Not Rated
Future Generation Global Investment Company	FGG	286.9	1.04	1.0%	1.13	-8.0%	2.5%	External	0.00	Recommended+
Templeton Global Growth	TGG	285.9	1.25	3.6%	1.41	-11.7%	-8.3%	External	1.00	Not Rated
Ellerston Global Investments	EGI	73.9	0.98	2.1%	1.13	-13.8%	-4.2%	External	0.75	Not Rated
International Shares - Emerging Markets										
Platinum Asia Investments	PAI	281.5	0.96	0.0%	1.01	-5.1%	-0.7%	External	1.10	Not Rated
Asian Masters Fund	AUF	162.3	1.24	1.8%	1.23	0.8%	0.7%	External	1.00	Recommended+
Emerging Markets Masters Fund	EMF	170.1	1.79	3.4%	1.75	2.3%	2.4%	External	1.10	Recommended+
Ellerston Asian Investments	EAI	102.3	0.87	0.0%	0.96	-9.2%	-9.3%	External	0.95	Not Rated
PM Capital Asian Opportunities Fund	PAF	53.3	0.96	2.6%	1.08	-10.9%	-11.9%	External	1.00	Not Rated
International - Specialist										
Argo Global Listed Infrastructure	ALI	240.7	1.68	1.5%	1.95	-13.8%	-7.8%	External	1.20	Not Rated
Global Value Fund	GVF	117.3	1.14	5.3%	1.10	3.7%	-5.1%	External	1.50	Not Rated
Zeta Resources	ZER	35.0	0.35	0.0%	0.55	-36.7%	-18.8%	External	0.50	Not Rated
Global Masters Fund	GFL	15.7	1.83	0.0%	1.97	-7.5%	-14.2%	Internal	0.00	Recommended+
Aurora Global Income Trust	AIB	5.6	0.78	8.3%	0.79	-2.4%	-1.9%	External	1.33	Not Rated
Private Equity Funds										
US Select Private Opportunities Fund 2	USG	119.8	2.17	3.7%	2.09	3.8%	4.1%	External	2.33	Recommended
Bailador Technology Investments	BTI	114.8	0.96	0.0%	1.18	-19.1%	-13.6%	External	1.75	Recommended+
US Select Private Opportunities Fund	USF	83.1	2.13	5.2%	2.04	4.4%	8.3%	External	2.33	Recommended
US Select Private Opportunities Fund 3	USP	78.3	1.63	4.9%	1.49	9.4%	5.5%	External	2.33	Recommended
IPE Limited	IPE	23.7	0.18	45.4%	0.16	12.2%	-0.5%	External	1.50	Not Rated
Absolute Return Funds										
Australian Leaders Fund Limited	ALF	360.8	1.33	7.5%	1.29	3.1%	8.4%	External	na	Not Rated
Watermark Global Leaders Fund Limited	WGF	86.1	1.04	0.0%	1.08	-3.7%	-2.5%	External	1.20	Not Rated
Arowana Australasian Value Op. Fund	AWQ	62.8	0.91	4.4%	0.97	-6.2%	-4.6%	External	1.00	Not Rated
Monash Absolute Investment Company Limited	MA1	40.4	0.77	0.0%	0.88	-12.5%	-3.7%	External	1.50	Not Rated
Alternative Investment Trust	AIQ	11.1	0.09	17.6%	0.10	-17.4%	-16.6%	External	na	Not Rated
Hastings High Yield Fund	HHY	9.0	0.11	0.0%	0.12	-12.9%	-16.7%	External	na	Not Rated
Aurora Absolute Return Fund	ABW	7.0	0.70	5.1%	0.84	-16.8%	-2.5%	External	na	Not Rated
Other Specialist										
Blue Sky Alternatives Access Fund	BAF	196.7	1.15	4.3%	1.09	5.1%	1.3%	External	1.20	Not Rated
Thorney Technologies Ltd	TEK	44.5	0.23	21.7%	0.21	9.5%	11.3%	External	0.75	Not Rated
Duxton Water Limited	D20	66.5	1.04	4.8%	1.07	-2.8%	-3.3%	External	0.85	Not Rated

*Based on fully paid ordinary shares available for trade.

Source: ASX/IRESS

Performance – Australian Share Focus

All data as at 28 February 2017		ASX Code	NTA (plus dividends) Return (%)					Share Price (plus dividends) Return (%)					Benchmark
Australian Shares - Large Cap			1 Mth	3 Mths	1 yr	3 yrs	5 yrs	1 Mth	3 Mths	1 yr	3 yrs	5 yrs	
Australian Foundation Investment Company	AFI		1.4	4.6	17.3	4.1	9.6	-1.4	1.6	9.8	2.2	10.8	S&P/ASX 200 Acc Index
Argo Investments	ARG		1.7	5.2	19.8	5.6	10.6	0.9	5.5	7.4	5.0	12.1	S&P/ASX 200 Acc Index
Milton Corporation	MLT		2.4	5.5	17.3	6.0	10.9	-1.2	4.2	8.7	4.4	12.5	All Ordinaries Acc Index
BKI Investment Company	BKI		2.9	4.2	14.7	3.9	7.7	-4.0	1.6	7.6	4.5	11.3	S&P/ASX 300 Acc Index
Australian United Investment	AUI		2.5	6.3	23.8	4.3	9.8	2.8	8.1	21.1	4.6	11.5	ASX 300 Acc Index
Djerriwarrh Investments	DJW		1.3	4.5	21.1	2.4	7.3	-2.1	4.4	0.8	-1.4	6.6	S&P/ASX 200 Acc Index
Diversified United Investments	DUI		3.3	7.8	24.0	6.1	11.9	3.8	10.1	19.4	6.5	13.5	ASX 300 Acc Index
WAM Leaders Limited	WLE		0.0	3.4	na	na	na	-0.9	1.3	na	na	na	S&P/ASX 200 Acc Index
Whitefield Limited	WHF		3.6	5.6	16.5	7.9	15.3	2.8	4.7	12.2	7.5	16.1	S&P/ASX 200 Industrials Acc (XJOAI) Index
AMCIL Limited	AMH		-1.1	0.0	8.5	5.8	10.3	-3.2	-3.2	9.7	6.9	13.3	S&P/ASX 200 Acc Index
Wealth Defender Equities	WDE		1.1	4.1	10.9	na	na	-4.2	4.5	4.5	na	na	na
Absolute Equity Performance Fund	AEG		2.1	3.6	-9.1	na	na	0.0	0.0	-21.1	na	na	na
Century Australia	CYA		1.3	5.1	18.1	4.9	8.9	2.7	4.4	19.7	6.6	13.8	S&P/ASX 300 Acc Index
Aberdeen Leaders	ALR		1.6	7.6	22.7	5.8	9.8	0.9	5.1	20.8	-1.1	7.5	S&P ASX 200 Acc Index
Ironbark Capital	IBC		2.5	4.3	12.9	4.0	4.9	2.1	8.6	20.7	2.0	6.9	na
Aust Governance Masters Index Fund	AQF		2.1	7.0	22.7	5.7	10.1	4.2	8.2	20.5	5.2	8.8	S&P/ASX 100 Acc Index
Flagship Investments	FSI		1.7	-0.4	5.6	3.8	10.8	0.0	2.6	20.1	3.5	12.0	All Ordinaries Index
CBG Capital	CBC		1.2	0.7	4.2	na	na	-4.3	0.0	4.1	na	na	S&P/ASX 200 Acc Index
Aurora Property Buy Write Inc. Trust	AUP		-0.6	0.6	-0.5	6.4	8.7	-0.8	3.3	1.6	6.4	9.3	RBA Cash Rate
Australian Shares - Mid/Small Cap													
WAM Capital	WAM		-1.0	0.2	14.2	10.2	12.6	3.8	5.5	21.9	13.9	17.5	All Ordinaries Acc Index
Carlton Investments	CIN		-5.3	-0.9	3.5	10.5	15.3	-1.8	2.3	3.8	11.1	19.0	S&P/ASX 200 Acc Index
Mirrabooka Investments	MIR		-1.3	-0.7	8.3	7.5	11.7	2.2	0.2	15.0	9.9	18.4	S&P/ASX Mid Cap 50's Acc Index, S&P/ASX Small Ordinaries Acc Index
Future Generation Investment Fund	FGX		0.3	1.4	4.2	na	na	0.9	0.0	5.3	na	na	All Ordinaries Acc Index
QV Equities	QVE		-1.0	1.7	14.0	na	na	4.3	6.3	36.7	na	na	na
WAM Research	WAX		-1.6	-0.9	15.0	11.8	15.7	3.6	3.2	23.3	18.0	24.9	All Ordinaries Acc Index
Forager Australian Shares Fund	FOR		1.2	na	na	na	na	1.6	na	na	na	na	8% Absolute
Contango MicroCap	CTN		-4.5	-5.3	11.2	3.9	1.1	-4.4	-6.2	21.0	6.3	6.2	ASX All Ordinaries Acc Index
Westoz Investment Company	WIC		7.2	4.5	31.7	-1.0	1.6	-1.0	7.8	47.5	0.0	9.7	Absolute return focus
Thorney Opportunities	TOP		1.1	3.0	40.1	18.2	na	-0.7	-6.8	34.0	8.7	11.4	na
Watermark Market Neutral Fund	WMK		0.0	1.0	2.4	4.3	na	-1.4	-0.5	7.4	4.5	na	na
Contango Income Generator	CIE		0.9	3.4	11.8	na	na	2.1	3.2	9.8	na	na	All Ordinaries Acc Index
Naos Emerging Opp Company	NCC		-1.4	0.0	28.0	8.6	na	4.5	3.7	49.9	14.6	na	Small Ordinaries Acc Index (XSOAI)
Ozgrowth Limited	OZG		3.7	9.0	41.6	0.3	1.1	1.4	4.4	56.9	1.0	10.0	Absolute return focus
Naos Absolute Opportunities Coy.	NAC		-2.6	-3.4	3.2	na	na	-1.8	-3.0	21.2	na	na	na
Acorn Capital Inv Fund	ACQ		-2.1	-2.3	24.0	na	na	-1.9	-2.9	31.6	na	na	na
Sandon Capital Investments	SNC		-4.3	-0.9	18.1	7.0	na	12.2	14.0	36.2	10.8	na	na
Lion Select Group	LSX		-2.4	0.0	29.0	-14.9	na	5.0	20.0	82.6	-6.3	na	na
Glennon Small Companies Fund	GC1		-1.6	-1.6	1.7	na	na	0.0	-5.5	-1.9	na	na	ASX Small Ords Acc Index
8IP Emerging Companies	8EC		-1.4	0.9	20.8	na	na	1.0	-0.5	12.2	na	na	ASX Emerging Co. Acc Index
WAM Active Limited	WAA		0.0	0.9	15.5	6.3	7.8	0.0	3.6	15.4	3.2	10.0	All Ordinaries Acc Index
Ryder Capital	RYD		-0.2	4.6	19.5	na	na	0.0	-3.6	9.2	na	na	na
Katana Capital Limited	KAT		-0.2	1.0	7.7	-1.3	2.3	-7.0	2.0	-5.7	1.7	8.0	na
Barrack St Investments	BST		0.4	-5.8	-9.6	na	na	-3.4	-8.7	-7.3	na	na	All Ordinaries Accum Index
Bentley Capital	BEL		-1.4	0.8	-12.8	-3.1	-0.5	0.0	3.7	11.8	6.1	6.7	na
Orion Equities	OEQ		-0.6	0.1	-16.4	-6.1	-12.4	6.5	10.0	26.9	-15.1	-8.7	na
Australian/International Shares - Blended													
Cadence Capital	CDM		1.7	2.7	6.9	-0.3	5.7	5.9	6.8	-5.7	2.2	8.3	All Ordinaries Acc Index
Hunter Hall Global Value	HHV		1.6	-6.8	-0.7	7.8	12.7	-0.6	-11.4	12.7	11.4	16.4	MSCI Total Return Index, Net Dividends Reinvested in Australian dollars
Perpetual Investment Company	PIC		-1.2	2.2	13.6	na	na	6.7	10.0	18.8	na	na	na
Clime Capital	CAM		-1.1	1.3	10.4	-1.2	1.2	0.6	12.6	23.1	0.3	6.3	na
Mercantile Investment Company	MVT		-0.5	-8.3	8.9	4.8	16.1	0.0	-5.7	22.2	6.9	14.2	na
Sunvest Corporation	SVS		-8.2	5.7	16.7	-7.2	-10.4	0.0	0.0	4.2	-1.9	-1.2	na

Performance – International Shares & Specialist Focus

All data as at 28 February 2017	ASX Code	NTA (plus dividends) Return (%p.a)					Share Price (plus dividends) Return (%p.a)					Benchmark
		1 Mth	3 Mths	1 yr	3 yrs	5 yrs	1 Mth	3 Mths	1 yr	3 yrs	5 yrs	
International Shares - Diversified												
Magellan Flagship Fund	MFF	4.1	7.4	19.1	16.9	24.1	3.0	4.4	3.0	9.2	23.6	na
Platinum Capital	PMC	3.4	2.7	9.5	1.3	11.4	1.3	3.2	0.2	0.8	15.3	MSCI All Country World Net Index in A\$
PM Capital Global Opportunities Fund	PGF	-0.2	2.8	14.8	5.8	na	-0.5	3.1	15.2	0.6	na	na
Antipodes Global Investment Company Ltd	APL	2.6	1.6	na	na	na	3.2	6.6	na	na	na	MSCI All Country World Net
Future Generation Global Investment Company	FGG	0.8	1.5	7.1	na	na	-2.4	-1.4	-7.1	na	na	MSCI World Index AUD
Templeton Global Growth	TGG	0.0	3.4	13.3	3.2	13.7	0.8	4.6	18.7	0.4	16.2	MSCI All Country World Free Index
Ellerston Global Investments	EGI	0.3	3.2	7.3	na	na	-0.5	-7.1	4.8	na	na	na
International Shares - Emerging Markets												
Platinum Asia Investments	PAI	1.7	2.3	15.0	na	na	5.5	3.2	1.6	na	na	na
Asian Masters Fund	AUF	2.6	1.6	6.1	7.8	9.5	0.9	4.2	4.2	5.9	8.6	MSCI AC Asia ex Japan Index
Emerging Markets Masters Fund	EMF	1.2	1.1	9.1	7.5	na	0.0	1.1	8.3	5.8	na	MSCI Emerging Mkt Index
Ellerston Asian Investments	EAI	-0.4	-1.2	11.1	na	na	1.8	4.2	3.6	na	na	na
PM Capital Asian Opportunities Fund	PAF	-2.6	-2.8	3.9	na	na	2.1	2.7	12.7	na	na	na
International - Specialist												
Argo Global Listed Infrastructure	ALI	2.1	3.7	2.3	na	na	0.9	0.3	-1.6	na	na	na
Global Value Fund	GVF	0.4	0.2	3.0	na	na	-1.7	5.6	20.1	na	na	BBSW 1 year swap rate + 4
Zeta Resources	ZER	18.4	15.4	196.5	-8.6	na	12.9	0.0	169.2	-12.4	na	na
Global Masters Fund	GFL	1.9	4.5	14.3	12.3	18.7	12.0	17.7	31.3	14.7	24.9	S&P 500 US Index
Aurora Global Income Trust	AIB	1.3	0.8	1.0	3.7	3.4	-2.5	0.0	0.0	3.2	2.9	UBS Australia Bank Bill Index
Private Equity Funds												
US Select Private Opportunities Fund II	USG	-0.9	-4.1	-4.4	8.9	na	-1.4	-1.4	-7.2	8.7	na	Absolute Return w H/W Mark
Bailador Technology Investments	BTI	0.0	4.4	-6.3	na	na	-6.8	-10.7	-3.5	na	na	8% p.a. compound
US Select Private Opportunities Fund	USF	-1.0	-3.8	3.7	11.7	na	0.0	-3.2	-3.9	9.9	na	na
US Select Private Opportunities Fund 3	USP	-0.7	-3.2	na	na	na	0.6	3.2	na	na	na	8% Absolute
IPE Limited	IPE	-1.3	-1.3	-3.9	7.5	10.8	6.1	6.1	20.1	11.9	23.1	na
Absolute Return Funds												
Australian Leaders Fund Limited	ALF	0.0	0.0	4.4	1.1	8.9	-7.0	-5.7	-4.3	-0.9	12.4	All Ordinaries Acc Index
Watermark Global Leaders Fund Limited	WGF	0.9	na	na	na	na	0.0	na	na	na	na	RBA Cash Rate
Arowana Australasian Value Op. Fund	AWQ	-4.9	-5.8	-1.2	na	na	-4.2	-6.2	-5.3	na	na	na
Monash Absolute Investment Company Limited	MA1	-2.2	-10.6	na	na	na	-14.4	-16.8	na	na	na	na
Alternative Investment Trust	AIQ	-0.6	-3.7	1.4	4.5	31.5	-4.5	-10.5	4.7	5.8	36.2	na
Hastings High Yield Fund	HHY	-0.6	-0.7	4.0	18.4	59.1	0.0	-16.0	5.0	41.6	92.5	na
Aurora Absolute Return Fund	ABW	2.0	-0.1	-7.6	-3.1	0.1	-7.9	-11.6	-22.3	-8.9	-3.6	RBA Cash Rate
Other Specialist												
Blue Sky Alternatives Access Fund	BAF	0.3	1.3	7.3	na	na	0.0	0.0	0.2	na	na	na
Thorney Technologies Ltd	TEK	1.0	na	na	na	na	0.0	na	na	na	na	Increase in NAV
Duxton Water Limited	D2O	1.9	0.0	na	na	na	0.0	0.1	na	na	na	8% Absolute
Benchmark Returns												
S&P/ASX 50 Accumulation Index	XFLAI	na	na	na	na	na	2.4	6.2	22.7	5.7	11.0	na
S&P/ASX 200 Accumulation Index	XJOAI	na	na	na	na	na	2.3	5.9	22.1	6.5	10.6	na
S&P/ASX 300 Accumulation Index	XKOAI	na	na	na	na	na	2.2	5.8	22.0	6.4	10.4	na
All Ordinaries Accumulation Index	XAOAI	na	na	na	na	na	2.1	5.5	21.3	6.5	10.2	na
Small Ordinaries Accumulation Index	XSOAI	na	na	na	na	na	1.3	2.4	16.8	5.1	1.8	na
S&P/ASX 200 Industrials Accumulation Index	XJIAI	na	na	na	na	na	3.4	6.0	18.2	8.9	15.1	na
S&P/ASX 200 Resources Accumulation Index	XMJAI	na	na	na	na	na	-3.2	5.4	46.9	1.6	0.2	na
RBA Cash Rate at 31 January 2017: 1.5%												

Source: ASX/IRESS

Note: Share Price and NTA are adjusted using adjustment factors provided by IRESS.

Active ETFs

About Active ETFs

Active ETFs, also referred to as Quoted managed Funds (QMFs) or Exchange Traded Managed Funds (ETMFs) are a relatively new type of exchange traded product (ETP) traded on the ASX. While traditional exchange traded funds (ETFs) adopt passive strategies that synthetically track the performance of an index or other benchmark, Active ETFs are actively managed funds. The legal structure is the same as a traditional managed fund, but the units can be bought and sold on the ASX just like shares. Unlike listed investment companies, Active ETFs are open ended with the manager acting as market maker. This ensures the units trade close to net asset value. The manager issues new units as required to meet market demand.

Pricing & Rating

All data as at 28 February 2017	ASX Code	Market Cap (\$)	Last Price (\$)	Dividend Yield	NAV (\$)	M'ment Fee	IIR Rating
Australian Share Strategies							
Aurora Dividend Income Trust	AOD	10.8	0.69	6.2%	0.71	1.30	Not Rated
Betashares Aus Top20 Equity Yield Max Fund	YMAX	363.1	9.31	9.4%	na	0.59	Not Rated
Betashares Australian Dividend Harvester Fund	HVST	408.2	20.14	11.2%	na	0.65	Not Rated
BetaShares Australian Equities Bear Hedge Fund	BEAR	58.8	15.10	1.1%	na	1.19	Not Rated
Betashares Australian Equities Strong Bear Hedge Fund	BBOZ	93.0	18.23	0.0%	na	1.19	Not Rated
Betashares Geared Australian Equity Fund	GEAR	53.2	20.83	6.2%	na	0.80	Not Rated
Betashares Managed Risk Australian Share Fund	AUST	31.0	15.52	2.6%	na	0.39	Not Rated
K2 Australian Small Cap Fund	KSM	20.8	2.61	0.0%	2.55	2.05	Recommended
Switzer Dividend Growth Fund	SWTZ	52.7	2.50	0.0%	2.49	0.89	Not Rated
International Share/Security Strategies							
AMP Capital Global Infrastructure Securities Fund (Unhedged)	GLIN	2.46	18.6	0.8%	na	0.95	Not Rated
AMP Capital Global Property Securities Fund (Unhedged)	RENT	2.29	14.2	1.0%	na	0.99	Not Rated
BetaShares Geared U.S. Equity Fund - Currency Hedged	GGUS	12.36	6.2	0.8%	na	0.74	Not Rated
Betashares Managed Risk Global Share Fund	WRLD	10.37	24.9	1.3%	na	0.39	Not Rated
BetaShares S&P 500 Yield Maximiser Fund	UMAX	17.42	85.9	5.7%	na	0.59	Not Rated
K2 Global Equities Fund	KII	2.42	35.2	0.0%	2.39	2.00	Recommended
Magellan Global Equities Fund	MGE	2.68	731.5	1.9%	2.66	1.35	Not Rated
Magellan Global Equities Fund (Currency Hedged)	MHG	2.68	45.2	1.9%	2.65	1.35	Not Rated
Schroders Real Return Fund (Managed Fund)	GROW	3.59	25.8	0.5%	na	0.90	Not Rated
AMP Capital Dynamic Markets Fund (Hedge Fund)	DMKT	2.65	14.3	1.6%	na	0.48	Not Rated
Magellan Infrastructure Fund (Currency Hedged) (Managed Fund)	MICH	2.52	50.9	0.5%	2.51	0.95	Not Rated
Commodity & Currency Strategies							
Betashares Strong Australian Dollar Fund (Hedge Fund)	AUDS	16.06	1.6	0.0%	na	1.38	Not Rated
Betashares Strong US Dollar Fund (Hedge Fund)	YANK	14.04	1.4	0.0%	na	1.38	Not Rated

Performance

All data as at 28 February 2017	ASX Code	NAV (plus dividends) Return (%p.a)					Share Price (plus dividends) Return (%p.a)				
		1 Mth	3 Mths	1 year	3 years	5 years	1 Mth	3 Mths	1 year	3 years	5 years
Australian Share Strategies											
Aurora Dividend Income Trust	AOD	0.3	0.9	9.3	-5.5	1.2	-2.3	0.1	7.7	-6.5	0.3
Betashares Aus Top20 Equity Yield Max Fund	YMAX	na	na	na	na	na	2.1	5.0	18.9	2.0	na
Betashares Australian Dividend Harvester Fund	HVST	na	na	na	na	na	0.8	2.1	7.9	na	na
BetaShares Australian Equities Bear Hedge Fund	BEAR	na	na	na	na	na	-2.3	-5.6	-18.8	-5.5	na
Betashares Australian Equities Strong Bear Hedge Fund	BBOZ	na	na	na	na	na	-4.4	-12.3	-39.1	na	na
Betashares Geared Australian Equity Fund	GEAR	na	na	na	na	na	4.7	12.6	46.5	na	na
Betashares Managed Risk Australian Share Fund	AUST	na	na	na	na	na	1.6	4.6	10.6	na	na
K2 Australian Small Cap Fund	KSM	-1.5	-0.4	11.4	na	na	2.8	0.8	13.0	na	na
Switzer Dividend Growth Fund	SWTZ	na	na	na	na	na	na	na	na	na	na
International Share/Security Strategies											
AMP Capital Global Infrastructure Securities Fund (Unhedged)	GLIN	na	na	na	na	na	0.8	4.2	na	na	na
AMP Capital Global Property Securities Fund (Unhedged)	RENT	na	na	na	na	na	0.0	2.1	na	na	na
BetaShares Geared U.S. Equity Fund - Currency Hedged	GGUS	na	na	na	na	na	9.2	17.0	54.3	na	na
Betashares Managed Risk Global Share Fund	WRLD	na	na	na	na	na	1.5	4.0	8.2	na	na
BetaShares S&P 500 Yield Maximiser Fund	UMAX	na	na	na	na	na	1.3	1.8	8.6	na	na
K2 Global Equities Fund	KII	-0.8	3.0	7.7	na	na	0.8	5.7	10.0	na	na
Magellan Global Equities Fund	MGE	2.2	2.9	6.5	na	na	3.1	5.1	6.4	na	na
Magellan Global Equities Fund (Currency Hedged)	MHG	3.7	7.1	16.5	na	na	3.9	7.2	16.5	na	na
Schroders Real Return Fund (Managed Fund)	GROW	na	na	na	na	na	0.6	2.0	na	na	na
AMP Capital Dynamic Markets Fund (Hedge Fund)	DMKT	na	na	na	na	na	0.8	3.5	na	na	na
Magellan Infrastructure Fund (Currency Hedged) (Managed Fund)	MICH	4.9	7.3	na	na	na	5.0	6.4	na	na	na
Commodity & Currency Strategies											
Betashares Strong Australian Dollar Fund (Hedge Fund)	AUDS	na	na	na	na	na	3.9	na	na	na	na
Betashares Strong US Dollar Fund (Hedge Fund)	YANK	na	na	na	na	na	-3.5	na	na	na	na

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