

MEDIA RELEASE

Australia Ratings expands to Investment Rating and Research Services

Melbourne, 2 March 2018 – Australia Ratings has announced its recent expansion into rating of funds and other investment products. The new investment rating and research service focuses on compelling investment strategies and quality fund managers to help investors identify investment opportunities that are among “best in class”.

Australia Ratings’ Managing Director, Chris Dalton said “Since releasing our first investment ratings in the last quarter of 2017, we’ve seen a growing demand from independent advisors and the wealth management groups for quality, reliable research on managed funds that offer distinct and attractive opportunities.”

Mr Dalton added, “We aim to cover a broad range of funds. We will seek to build on our strong capabilities in equity, credit and alternative assets for those investors seeking to diversify with specialist funds. Our focus will be to work with financial advisors, wealth managers, informed investors and family offices that are looking for fresh investment ideas and quality fund managers.”

Based on qualitative and quantitative analysis, Australia Ratings’ investment rating reflects a forward looking opinion to help investors gauge a fund’s or investment’s performance against a benchmark index.

A five-point scale is used to differentiate Australia Ratings’ opinion on how well a fund will perform against a range of risks. From the highest ‘Superior’ rating – indicating a highest level of confidence to the lowest ‘Weak’ rating – indicating that the Fund is unlikely to deliver a return in line with its objectives. A colour-coded product complexity indicator (PCI) attached to the rating will also highlight to investors an investment product’s complexity level.

The launch of Australia Ratings’ investment rating and research services is a natural progression for the local rating agency which currently provides credit ratings on ASX listed debt and hybrid securities and private analytical work.

The investment ratings team is led by Chris Dalton and consists of fund analysts with deep knowledge in risk analysis, fund selection and financial journalism including Daniel Liptak, Maggie Callinan and Simon Ibbetson.

Australia Ratings is the first and only local rating agency to hold a retail Australian Financial Services Licence (AFSL).

Find out more about Australia Ratings new investment rating and research service
www.australiaratings.com/investment-ratings

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About Australia Ratings

Australia Ratings is a local, independent rating agency that provides timely and credible ratings information and research to the broader investment community. As an ASIC-licensed rating agency, we provide general advice by issuing credit ratings on debt securities and companies; and fund ratings on Australian managed funds. We are Australia's only agency that holds a retail Australian Financial Services Licence (AFSL). This enables both retail and wholesale investors to use our credit ratings to help them gauge credit risk and complexity of financial products sold in the Australian market.

Rating opinions of Australia Ratings are determined by its analytical team in accordance with its rating methodology. The Board of Australia Ratings, whose members include Jarrod Brown, Chris Dalton and Mike Dontschuk, oversee the application of Australia Ratings rating methodology and the integrity of the rating process.

About Australia Ratings' Investment Rating

Our investment rating reflects Australia Ratings' current opinion of a fund's or an investment's ability to achieve its stated investment objectives in the near term. The rating expresses a view on the expected consistency of the fund's or investment's performance within its peer or style group and on the fund manager's ability to produce superior performance amongst its peers in the near term with due regard to the medium-term consensus view of the asset class to which the product is benchmarked.

A five-point scale is used to differentiate our opinion on how well we believe a fund will perform against a range of risks.

Rating	Definition
Superior	Indicates the highest level of confidence that the fund can deliver a risk adjusted return in line with the investment objectives of the fund.
Very Strong	Indicates a very strong conviction that the fund can deliver a risk adjusted return in line with the investment objective of the fund.
Strong	Indicates a strong conviction that the fund can deliver a risk adjusted return in line with the investment objective of the fund.
Competent	Indicates that the fund may deliver a return in line with the fund's relevant benchmark.
Weak	Indicates a view that the fund is unlikely to deliver a return in line with the investment objective of the fund and/or meet the returns of its benchmark.

About the Product Complexity Indicator

Our proprietary colour-coded product complexity indicator (PCI) highlights the complexity level of an investment by its terms and conditions' structure and transparency that may affect an investor's return.

Product Complexity Indicator (PCI)	Definition
<p>GREEN Simple Financial Product</p>	<p>The investment performance of funds categorised as Simple Financial Products is expected to move very closely in line with the corresponding market sector. These funds are suitable for use as core portfolio investments.</p>
<p>BLUE Relatively Simple Financial Product</p>	<p>The investment managers of funds categorised as Relatively Simple Products will seek to outperform their chosen mainstream market sector. The strategies used to outperform may include use of very liquid derivatives such as index futures contracts and/or thematic/sector overweight positions. While these funds are still expected to move fairly closely in line with mainstream markets there may be periods where they outperform or underperform the benchmark index.</p>
<p>YELLOW Complex Financial Product</p>	<p>Complex Financial Products may use a variety of strategies or financial instruments to meet their performance objectives and/or reduce risk. Strategies may include taking short positions, investing in emerging markets or investing in less liquid markets such as micro-cap stocks and sub-investment grade debt. Instruments may include options contracts and swaps. The performance of these funds can differ markedly from mainstream market sectors, leading to strong outperformance or underperformance. These types of funds are typically used to diversify portfolio risk or to provide superior returns to the underlying market.</p>
<p>ORANGE More Complex Financial Product</p>	<p>More Complex Products generate returns through a wide variety of non-standard investment strategies. Products of this type are often known as Hedge Funds. Strategies used may include model-driven investment selection, exposure to underlying markets through both mainstream and complex derivatives and use of leverage. These types of funds are typically used to diversify portfolio risk or to provide superior returns to the underlying market.</p>
<p>RED Very Complex Financial Product</p>	<p>Very Complex Products are often designed to cater to particular investment group needs and are typically issued by banks. Products of this type are sometimes referred to as Structured Products. In tailoring the performance outcomes, the product issuers may use complex derivatives and gearing. The returns may be dependent on factors such as capital guarantee triggers, performance triggers and reference market movements, adding to the complexity.</p>