



Analyst(s): Simone Arblaster; Nathan Bode

Standard & Poor's View

Standard & Poor's Fund Services rates this fund three stars. This reflects our conviction that the manager can generate risk-adjusted returns in line with relevant investment objectives and relative to peers.

We placed the RARE Series Emerging Markets Fund 'On Hold' at the end of June 2010 following the announcement that three analysts had resigned. We have reinstated the three-star rating based on the extensive global infrastructure experience of the two senior portfolio managers, Richard Elmslie and Nick Langley, and the ability to quickly recruit experienced analysts.

In July and August 2010, four analysts joined the team. There has also been a transition period for two of the outgoing analysts, which assisted with coverage continuity. It remains to be seen whether the new team members are a good fit with RARE. However, it seems clear that the departures in June have not set back the manager too much as the recruitment process was already underway.

We believe that stability is important at both the portfolio manager and analyst level for continuity and consistency of research and implementation of the process. We believe the manager is well-resourced with a large and capable team. The team changes have particularly affected the emerging market fund. However, we are impressed with the new portfolio manager, Charles Hamieh's knowledge in emerging markets. He will join Mr. Elmslie and Mr. Langley in constructing this portfolio. We will continue to monitor the team and our conviction will increase as members have time to build a track record together.

The manager's process continues to be detailed and disciplined, and sensibly for emerging markets, there is a focus on understanding the markets at the start of the process. The team's structure has changed slightly since our 2009 review and there is now better delineation of roles within the investment process.

Absolute performance to June 2010 has been strong over the year and although the three-year performance figure is negative, it is above that of peers and with significantly lower volatility.

A minor change to fees has been introduced to cap the amount of upside on the performance fee; this will benefit the investor when the fund's performance is strong relative to the benchmark.

Investor Suitability

- The fund provides long-only equities exposure to the listed infrastructure companies with exposure to emerging markets.
- The sector-specific product is suitable as a specialist equities holding.
- The fund is expected to perform well in market sell-offs due to the defensive characteristics of stocks in which the fund invests.
- Listed infrastructure can provide investors with exposure to strong capital growth and inflation-protected income with more liquidity and diversification than a portfolio of physical assets.
- Investors should have an investment horizon of at least five years.

Key Strengths

- The two senior portfolios managers are very experienced in infrastructure and have good global networks in the industry.
- There is the opportunity for all staff to gain equity in the boutique, which provides a good alignment with the fund.
- Strong track record investing in infrastructure.
- We believe the manager is well-resourced with a large and capable team.

Key Weaknesses

- Recent turnover in the team means that almost half of the team joined in the past six months and most of these very recently, so stability has reduced.
- The turnover included an analyst and portfolio manager for emerging markets.
- The team is all based in Sydney so a lot of travel is required in visiting companies and assets.

Risks

- There is key person risk with Mr. Elmslie and Mr. Langley, which is mitigated through ownership.
- The fund is not constructed with regard to a benchmark.
- It does not hedge against exchange rate fluctuations, and is therefore exposed to currency risk.
- Emerging market equities have historically been more volatile relative to developed markets and expose investors to other risks, including political risks.
- The fund seeks to access the attractive characteristics of infrastructure, including high barriers to entry, pricing power, and predictable cash flows, but will also be affected by volatility in the equities market.

APIR code	TGP0015AU	Performance Fees (%)	10.25
Fund status	Open	Investment manager	RARE Infrastructure Ltd.
Inception date	July 9, 2008	Redemption policy	Daily
Responsible entity	Treasury Group Investment Services (Aus)	Distribution frequency	Quarterly
Peer group	International Equities - Specialist Infrastructure	High water mark	Yes
Benchmark	Index Not Available	Hurdle rate	Benchmark (Citigroup Global Emerging Market Sovereign Bond Investment Grade USD Index + 5%)
Investment style	Sector-specific	Return objective (%)	To outperform the benchmark
Multi manager	No	Tracking error objective (%)	Tracking error is not prescribed
Fund Size (\$A)	(at -)	Average portfolio turnover (3yrs) (%)	Not enough history
Minimum investment (\$A)	20000	Maximum cash holding (%)	20
ICR / MER (%)	-	Typical number of stocks	25-60
		Release authorised by	Leanne Milton

Objectives, Fees and Features

The manager seeks to provide investors with regular and predictable returns comprising dividends and capital growth from investing in a portfolio of emerging-market infrastructure securities.

The fund's target return is to outperform its benchmark before tax, over a three- to five-year period, where the benchmark is the Citigroup Global Emerging Market Sovereign Bond Investment Grade USD Index plus 5%. The manager targets a gross return of approximately 15% per year over four- to five-year periods.

Currency exposures are unhedged.

There is a management fee of 1.33% per year. In addition, a performance fee of 10.25% applies to returns above the benchmark, subject to a high water mark. From July 2010, the performance fee is capped at 0.3% per year so a total fee of 1.63% is the maximum fee an investor might pay. S&P considers the level of fees appropriate for the asset class.

Investment Philosophy and Style

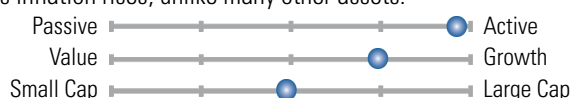
RARE's investment team believes in active management of listed infrastructure assets in emerging economies. The manager's investment philosophy is absolute return-oriented, which is also reflected in the choice of an absolute benchmark objective. Risk-adjusted returns to equity are considered paramount to the investment process.

RARE is a bottom-up, value manager that seeks to deliver to investors a broadly diversified portfolio predominantly through bottom-up research. The bottom-up, research-driven approach to stock selection is expected to represent about 80% of the process, while the remaining 20% represents top-down macroeconomic inputs. Long-term fundamental analysis is used to identify attractively priced investment opportunities using a discounted cash flow methodology. This is consistent with the existing investment approach used for the global infrastructure fund. However, because infrastructure assets in emerging markets typically have a greater element of associated growth than those in developed markets, the investment style will also have some growth characteristics.

Infrastructure assets can broadly be characterised into four types: social (e.g. hospitals and schools), regulated (e.g. transmission and distribution), user-demand (e.g. tolling assets) and competitive (e.g. power generation). Infrastructure fund managers typically concentrate their investments in regulated and user-demand tolling assets. Although social infrastructure provides similar investment characteristics, there are many practical difficulties in accessing this subcategory.

The key attributes that make infrastructure an attractive investment are that the companies deliver essential services and, due to the high upfront capital costs involved in setting up business, are protected from new competitors. Consequently, many operate in a monopolistic environment and experience high operating margins with reliable long-term cash flows in what are usually long operational lives. Competitive assets which trade in unregulated and competitive markets are generally excluded from consideration by all managers, including RARE for its Value fund, because they are typically "price-takers" and therefore do not possess the attractive characteristics that generate long-term, predictable cash flows. In the emerging markets fund, the manager is likely to include some competitive assets.

Listed infrastructure has generally shown a low correlation to other major asset classes, and is viewed as a good hedge against inflation, because the cash flows are quite often linked to inflation rates and will rise as inflation rises, unlike many other assets.



Investment Team

Structure

The team's structure has changed slightly since our 2009 review and there is now better delineation of roles within the investment process. The two senior portfolio managers, Mr. Elmslie and Mr. Langley, continue to be on the RARE board and are principals of the company.

The analyst team is structured so that each analyst has a geographic focus and there are two or three analysts per region for stock coverage. Eight analysts are split by regions—Americas, Europe/U.K., and Asia-Pacific including Australia. Analyst, Rod Chisholm, is also head of research and is tasked with creating consistency across research output to ensure comparability across regions and sectors. All team members are based in Sydney.

Key Investment Personnel

Name, Position	Years*	Experiencet
Richard Elmslie, principal and senior portfolio manager	4	20
Nick Langley, principal and senior portfolio manager	4	12
Charles Hamieh, portfolio manager	0	13
Rod Chisholm, head of research	3	11
David Maywald, senior investment analyst	3	11
Shane Hurst, senior investment analyst	0	11
Ben May, senior investment analyst	0	14
Ann Chau, investment analyst	0	9
Dan Simmonds, investment analyst	0	4
Tim Snelgrove, investment analyst	2	2
Average tenure with current firm	1.8	N/A
Average industry experience	N/A	11.4

*Years with current firm. †Years of relevant industry experience.

Portfolio Managers

The senior members of the investment team involved in the management of this fund are Mr. Elmslie, Mr. Langley, and new hire Mr. Hamieh.

Mr. Langley obtained solid knowledge of infrastructure vehicles as chief financial officer (CFO) for the ASX-listed DUET Group, and has previous investment banking experience. Mr. Elmslie has 20 years of in-depth international experience in infrastructure and also has an investment banking background. Prior experience of both senior portfolio managers has enabled them to have strong networks across the industry, domestically and internationally, which is a key strength of the fund.

Mr. Hamieh joined the team in July 2010. He has 13 years' infrastructure experience and was previously with AMP Capital Brookfield for a brief stint from April 2010. Before this he was a director of infrastructure at Hastings Funds Management and prior to that he was at Challenger managing the Challenger Listed Infrastructure Securities Fund. He replaces Sarah Shaw who was one of the departures at the end of June 2010. S&P considers Mr. Hamieh has good experience as a portfolio manager, appropriate skills to invest in emerging markets, and he is a knowledgeable analyst.

Research Team

The analyst team has experienced some turnover recently. At the end of June 2010, three analysts resigned—Ms. Shaw, Tim Humphreys, and Jonathan Reyes left to join a new listed infrastructure competitor in the Australian market.



Ms. Shaw's and Mr. Reyes's responsibilities were primarily focused on emerging markets and Ms. Shaw was co-portfolio manager for the emerging markets product along with Mr. Elmslie and Mr. Langley. Mr. Humphreys was responsible for sectors in North America.

A transition period of three months was agreed with Ms. Shaw and Mr. Reyes, and Mr. Reyes also has an additional three-month restraint period. During the transition period, the analysts completed notes on their investment thesis and also advised companies and brokers of the change in coverage.

The departures haven't set back RARE too much as it had been looking to expand the team and was already going through the recruitment process. There is also link between each of the new recruits and the current team, which bodes well for stability.

Along with Mr. Hamieh, Shane Hurst, and Ann Chau joined the team in July 2010. Ms. Chau has three years' infrastructure experience in funds management and asset companies. She will have coverage of Asia and the Middle East with Mr. Hamieh and will have the added skill of speaking Mandarin, Cantonese, Vietnamese, and French. Mr. Hamieh speaks Arabic, so with the new hires, the manager has gained important skills for covering emerging markets. Mr. Hurst will have coverage of North America. He has 11 years' experience, including four years with Hastings Fund Management and Tribeca Investment Partners where he researched and managed domestic and global infrastructure securities.

Dan Simmonds is the most recent joiner, starting in August 2010. Mr. Simmonds has four years' experience, all with CP2 where at the time of his departure he was head of utilities and pipelines.

We believe the hires are all experienced and continue to view the team as well-resourced. As all analysts have industry experience, there should be minimal disruption to stock coverage. Each analyst covers around 20 stocks, which we consider reasonable. Stability within the team has obviously been reduced and it will take time to see whether the new recruits fit well. There is also the added challenge of maintaining the culture with so many new analysts joining at the same time, but this has been used as an opportunity rather than a burden. The size of the team means that RARE has greater coverage than some peers and we consider the research to be very detailed.

Alignment and Accountability

There is a good alignment between the investment team and investors through remuneration. Remuneration is linked to fund performance through a matrix which includes performance, skill, and some subjective factors. The manager also has an employee equity plan that seeks to provide benefits to senior employees (including analysts) over the long-term and an incentive to see the business succeed.

The long-term incentive vests over three years and 100% of the benefit is not available until year seven. Through ownership, the two portfolio managers have strong alignment with the investor.



Investment Process

Overview

RARE defines infrastructure assets as long-term, capital-intensive investments that serve the community.

RARE seeks infrastructure assets that are essential for communities to function and for economies to grow. It invests in infrastructure and related assets, typically focusing on defensive assets with relatively stable revenues across market cycles. This typically means investments in regulated (e.g. gas/electric transmission and distribution, water and wastewater) and user-pays (e.g. tolling assets, airports, rail, ports)

categories. The emerging markets product will also include some competitive assets (e.g. power generation).

The manager's investable universe—stocks that have attractive infrastructure characteristics with reasonable liquidity, robust financial profiles, and that are relatively undervalued—is known as the "RARE EM 150". This universe has a market capitalisation of US\$542 billion (at June 30, 2010).

A point of difference compared to the RARE Value Infrastructure Fund is that the emerging market infrastructure fund has more of a focus on understanding a company's market at the start of the process. This includes an analysis on economic and market data, and an assessment of the regulatory and political environment. S&P considers this an appropriate feature for an emerging markets fund.

Research Process

The first stage of the investment process involves screening the global universe of stocks to develop an "investable universe", referred to as the RARE EM 150. This includes stocks identified via an automated sector screen and a number of hand-picked stocks that are newly listed or display infrastructure characteristics, but are classified in different sectors. In addition, liquidity screens, and basic gearing, cash flow, and valuation measures are considered to identify stocks for detailed analysis.

Periodically, RARE will undertake a broad-based review of sectors which it believes may offer interesting opportunities. This review process looks at any industry- and country-level dynamics influencing a sector, and allows the manager to step back from stock-specific microanalysis. This "bigger picture" review process allows for idea generation, and a cross-checking of bottom-up stock analysis, which sometimes may neglect important macroeconomic themes.

A focus list of approximately 75–100 stocks is then identified. The team completes detailed fundamental quantitative and qualitative analysis of each stock in the focus list. This includes a comprehensive research report and detailed valuation model.

Infrastructure as a sector lends itself to detailed long-run financial analysis given the long duration and predictable nature of the cash flows from the underlying assets. When comparing the long-term internal rates of return for assets that are fairly closely clustered together in valuation bands, relatively fine judgements are required to identify preferred investments.

In developed-market infrastructure equities, typically there is not the "upside surprise" that can be associated with investing in conventional equities. In developing economies, there may be more of a "growth element" given the need to build new infrastructure to support fast-growing economies. However, this can be modelled appropriately, using the more upfront capital commitments of emerging-market infrastructure leading to a larger "trail" of subsequent cash flows. The manager argues that ensuring the long-term valuations are correct, within a fairly tightly clustered set of investments, is the most important consideration when managing money in this sector.

The analysts maintain up-to-date valuation models for all companies in the focus list. Analysts build the discount rates used in their models from current market interest rates. They also use market consensus expectations data for consumer price index (CPI) and gross domestic product (GDP) statistics to estimate future cash flows. A risk premium component is incorporated into the analysis, which allows the analysts to rate a security across a number of factors. This provides them with some discretion to allow for individual company circumstances. However, because the factors have the discipline of a common weighting within a simple quantitative model, there is consistency between the output of the risk premium for all stocks.



The manager undertakes detailed analysis of the companies it invests in, and has operational and investment banking perspectives within the team. These two skill sets are important: detailed analysis and understanding of operational risk is essential; the second is valuable because it is reasonable to expect that the sector will follow the developed market experience and be the subject of significant corporate activity over the next few years.

S&P believes that despite the departures, the RARE investment team has the depth and experience required to undertake the detailed modelling which is a key feature of the investment process.

Portfolio Construction

A portfolio of 25–60 stocks is then constructed from the focus list. Currently, there are 34 stocks in the portfolio. Portfolio construction is determined by the three portfolio managers, and a simple majority vote is used to resolve disagreements. However, significant disagreement typically would result in further analysis being undertaken in relation to points of contention.

Top-down factors are considered again at this stage of the investment process. RARE established an investment advisory board which, in addition to Mr. Elmslie and Mr. Langley, includes an external expert and a representative from Treasury Group. The purpose of the board is to improve the macro-economic inputs into the investment process.

Enhancements to the process have been made to the manager's systems, which has helped with business risks and people risk. S&P views the continued evolution of the process positively as it indicates the manager is constantly seeking to enhance its investment process.

Risk Management

The key risk of investing in infrastructure assets is political risk. Accordingly, the existence of immature regulatory regimes associated with emerging markets means that investors are more exposed to this risk than is the case when investing in infrastructure in developed markets.

The manager's investment approach emphasises bottom-up stock selection and it seeks to incorporate macro-risk factors at the stock level. A macroeconomic database feeds into all models to capture these risks. The IAB was established to analyse macroeconomic data and to assist in forming a view on the macro outlook. As well as the two portfolio managers, it includes Mark Burgess from Treasury Group, David Bowers from Absolute Strategy Research Ltd. (based in London) and recently Jonathan Mirrlees-Black. Mr. Mirrlees-Black has more than 20 years of experience in the infrastructure sector including as a sell-side research analyst and in management consulting.

A number of portfolio guidelines are in place to ensure adequate diversification. The manager ranks all stocks by their expected internal rate of return and the highest ranked stocks can have a maximum weighting of 6%, which is allowed to drift by up to 33% before the manager starts selling.

The investment universe is divided into five subsectors, with associated exposure limits: essential services (20%–80%); transport (20%–80%); communications (0–20%); community and social (0–20%); and cash (0–20%).

There are also asset-maturity parameters which include: greenfield (0–20%); developing (0–30%); and mature (60%–100%). There are no limits on country or currency exposures which are a residual of the investment process.

S&P considers the broad constraints and risk management appropriate for the portfolio.

Risk Constraints

Typical number of stocks	25–60
Active stock limits (%)	8% (absolute)
Active sector limits (%)	See "Risk Management"
Active country limits (%)	See "Risk Management"
Maximum cash holding (%)	20
Targeted tracking error (%)	Not targeted

Currency Management

Currency exposures for international bonds, property, and developed-market infrastructure are typically hedged. Emerging-market infrastructure should have a risk/return profile which is more characteristic of international equities, which are usually currency unhedged. Accordingly, the currency exposures in this fund are unhedged.

In addition, currencies in emerging-market economies over the very long term should appreciate as their respective economies mature and grow. This can provide the fund with an additional source of return, but also leaves it exposed to currency risk.

Performance

The fund was launched on Oct. 31, 2008. Over one year to June 30, 2010, the fund has returned a significant 15.3% with the lowest volatility, as measured by standard deviation, of all the infrastructure funds in the small peer group.

Contributors to the strong performance included electric transmission and distribution holdings (MPX Energia and GAIL India), and toll roads (Sichuan Expressway and Zhejiang Expressway). Stock selection in Brazil added significant value.

Similar to the RARE Value Infrastructure fund, the emerging markets fund does not have a market benchmark, and seeks absolute returns above sovereign bonds.

Portfolio Review

At the end of June 2010, almost half of the portfolio was stocks in Asia ex Japan. Around 45% was in Latin American infrastructure stocks and the remainder in the United Arab Emirates and a small amount in the Czech Republic.

By sector, the fund has its largest absolute positions in electric transmission and distribution (with the largest position Electropaulo Metropolitana Eltricidade) and toll roads (including Sichuan Expressway). Almost half of the portfolio is in stocks that have a market capitalisation of less than US\$2 billion, which is considered small-cap in international equities.

At the time of our review, the manager did not believe the 2009 themes had run their course yet. This includes a lack of understanding of the importance of emerging markets on a global scale and the strong domestic demand and underleveraged balance sheets in emerging markets. It notes that developed and emerging markets are facing very different challenges in future. Growth is now self-sustaining in much of developing Asia and Latin America and slow growth in the developed world will be a drag but will not derail expansion in these economies.

Please note that as the fund is not constructed relative to its benchmark, the sector and regional exposure is on an absolute basis.



Top Five Contributors and Detractors (at June 30, 2010)

Contributors	Sector	1 Year*
Obrascon Huarte Lain Brasil S.A.	Industrials	3.29
Sichuan Expressway Co.	Industrials	2.05
MPX Energia S.A.	Utilities	2.00
DP World	Industrials	1.95
GAIL (India)	Utilities	1.85

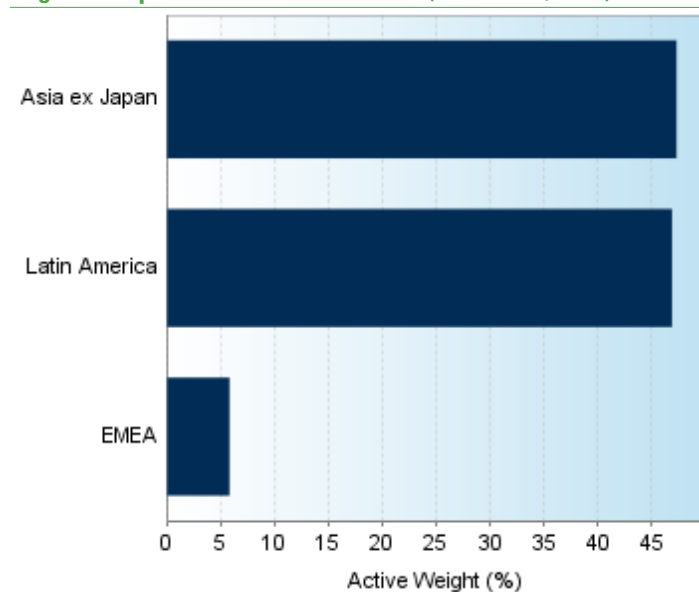
Contributors	Sector	3 Years*
NO TABLE DATA		

Detractors	Sector	1 Year*
Shenzhen International Holdings	Industrials	0.05
Bangkok Expressway THB10 (Alien Mkt)	Industrials	0.03
Cez A.S.	Utilities	0.03
Ratchaburi Electric THB10 (Alien Mkt)	Utilities	0.02
RusHydro JSC ADS	Utilities	0.01

Detractors	Sector	3 Years*
NO TABLE DATA		

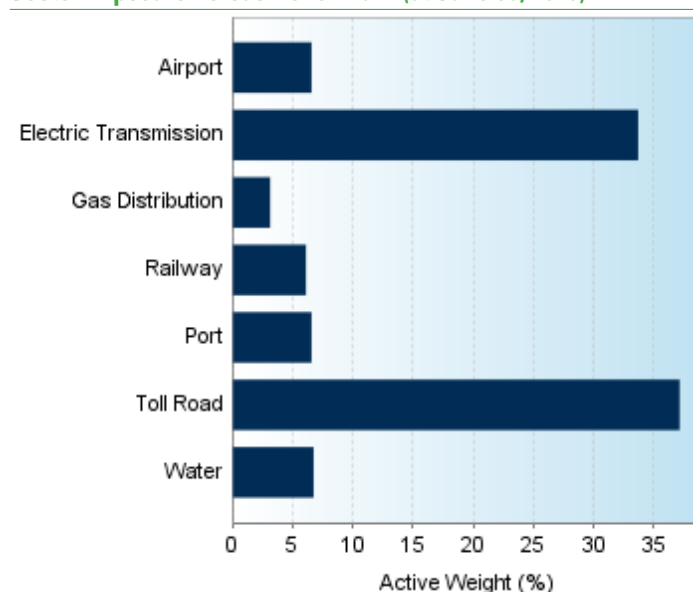
*Value Add (% p.a.). Source: RARE Infrastructure Ltd..

Regional Exposure Versus Benchmark (at June 30, 2010)



Source: RARE Infrastructure Ltd..

Sector Exposure Versus Benchmark (at June 30, 2010)



Source: RARE Infrastructure Ltd..

Management Group Profile

Mr. Elmslie and Mr. Langley established RARE as a specialist infrastructure securities manager in July 2006. The responsible entity for the RARE funds is Treasury Group Investment Services Ltd., which is 100% owned by Treasury Group Ltd. (TRG). TRG invests in and provides operational services to six boutique-fund managers. Currently, RARE is 38% owned by TRG and 62% owned by staff.

Funds Under Management

At the end of June 2010, RARE had A\$2.6 billion in FUM, an increase of A\$1.7 billion from a year earlier. This was across its flagship RARE Infrastructure Value Fund, the emerging-markets infrastructure fund, and a newly established real asset product. The majority of FUM is in the flagship strategy and the manager has continued to win clients in the institutional sector. The emerging markets fund had A\$28 million in FUM at the end of June 2010.

As of June 30, 2010, TRG had A\$14.7 billion in FUM across the six managers.

Funds Under Management Table (at June 30, 2010)

Current pool size (\$)	1,995,335
Total FUM in strategy (\$)	28.08 million
Estimated capacity for strategy (\$)	US\$1.5 billion
Total FUM across all asset classes (\$)	2,586 million
Net strategy flows over past 12 months (\$)	611,959

Source: RARE Infrastructure Ltd..



Fund Rating Philosophy

A star rating is a forward looking assessment of a manager's ability to consistently generate risk-adjusted returns (net of fees) in excess of both its relevant investment objectives and its peers.

Fund Rating Process

In assigning a star rating to a fund, Standard & Poor's evaluates: the size, skill, and stability of the manager's investment team; the clarity, implementation, and risk management of the investment process; the fund's objectives, fee structure and portfolio characteristics; and the manager's business management.

Fund Rating Definitions

S&P FUND RATING
★★★★★ Standard & Poor's has very high conviction that the manager will consistently generate risk-adjusted fund returns in excess of its relevant investment objectives and relative to its peers.

S&P FUND RATING
★★★★☆ Standard & Poor's has high conviction that the manager will consistently generate risk-adjusted fund returns in excess of its relevant investment objectives and relative to its peers.

S&P FUND RATING
★★★☆☆ Standard & Poor's has conviction that the manager will generate risk-adjusted fund returns in-line with its relevant investment objectives and relative to its peers.

S&P FUND RATING
★★☆☆☆ Standard & Poor's has conviction that the manager will not generate risk-adjusted fund returns in-line with its relevant investment objectives and relative to its peers.

S&P FUND RATING
★☆☆☆☆ Standard & Poor's has high conviction that the manager will not generate risk-adjusted fund returns in-line with its relevant investment objectives and relative to its peers.

S&P FUND RATING
ON HOLD Issues that may affect the fund's management have emerged; and the fund rating is temporarily suspended, pending clarification.

S&P FUND RATING
SELL Significant issues exist that potentially will adversely affect the fund's performance. Investors should consider obtaining advice on switching or redeeming funds.

NEW

Fund Rating Subscript—here the investment process, fund manager, or the fund has a relatively short history, or the analytical team has changed significantly, but a relevant and demonstrable track record is shown on similar funds.

Glossary of Terms

Benchmark	The standard (e.g. an index) by which an investment is measured against to evaluate performance.
Excess Return	Return of an investment relative to its benchmark.
FUM	Funds Under Management - The total value of the funds managed by an asset management firm.
High Water Mark	The highest net asset value (NAV) of a fund achieved to date. If the NAV of a fund falls below this level, no performance fee will be payable to the investment manager until this level is subsequently exceeded.
Hurdle Rate	A minimum rate of return that a fund must achieve before a performance fee can be charged. This can be the benchmark or the benchmark plus an additional fixed rate.
Performance Fees	A fee payable in excess of the ongoing management fee. There is often a hurdle rate and/or high watermark that must be reached before this fee is payable.
ICR-Indirect Cost Ratio	This is a ratio of indirect costs to the total investment in a particular fund expressed as a percentage. It includes the MER, expense recoveries, performance fees and other costs associated with running the fund.
Information Ratio	Is a measure of the relative reward for the relative risk taken (excess returns of an investment (above the benchmark) divided by the tracking error). A positive information ratio would indicate efficient use of risk by the manager.
MER-Management Expense Ratio	This ratio is a calculation of investment management, marketing, trusteeship, legal, accounting and auditing costs of a managed investment fund expressed as a percentage of a fund's net asset value. It is the ongoing charges for managing a fund.
Peer Group Return	The average return of the funds in the relevant S&P peer group.
Sharpe Ratio	Is a measure of risk-adjusted performance, measuring the absolute reward for the absolute risk taken (return of the investment less the risk-free rate (e.g. bank bills) divided by the standard deviation). The higher the Sharpe ratio the greater the efficiency produced by the manager.
Standard Deviation	Measure of the variability or volatility of the monthly returns of the fund.
Tracking Error	How closely a portfolio follows or "tracks" an index to which it is benchmarked. (the standard deviation of monthly excess returns against the benchmark).
Ex Ante Trading Error	Predicted or forecast of tracking error.
Ex Post Trading Error	Historical or actual tracking error.

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