

AUSTRALIAN
RESEARCH
INDEPENDENT INVESTMENT RESEARCH

**BKI Investment Company
Limited (BKI)**

July 2017

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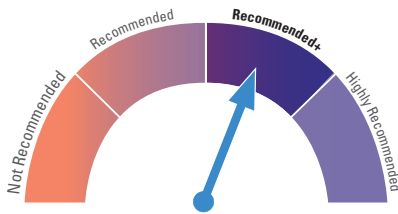
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Note: This report is based on information provided by the company as at June 2017

Rating



LMI Type

Listed Investment Company

Investment Geography

Australia

Investment Assets

Listed companies and other

Investment Sectors

Diversified

Key Investment Information

Price (\$) as at 23 June 2017	\$1.60
Market Cap (\$m)	971.1
Shares on Issue (m)	606.9
12-month L/H (\$)	\$1.55 - \$1.71
Listing Date	2003
Dividend Frequency	Half-yearly
MER	0.14%
Performance Fee	None

Pre-tax NTA Performance Analytics (Including dividends)

	S&P/ASX 200 Acc	
	1 Yr	3 Yr (p.a.)
Excess Per. (%)	-5.2%	-2.4%

Dividend Yields

	%
FY14	4.4%
FY15	4.1%
FY16	4.5%

The investment opinion in this report is current as at the date of publication. Investors and advisers should be aware that over time the circumstances of the issuer and/or product may change which may affect our investment opinion.

OFFER OVERVIEW

BKI Investment Company Limited (BKI or 'the Company') is a fundamental bottom-up benchmark unaware Australian equities mandate. It is an all market cap mandate although, similar to its most directly comparable LIC peers, is heavily weighted to the ASX 50 (75% of the portfolio) with ex-100 stocks representing 15% of the portfolio. BKI is very much a buy-and-hold, long-term and fully-invested equities investor, an approach that is facilitated by the LIC closed-ended structure. BKI was listed in 2003, although its roots as a managed portfolio go back to the 1980s. Up until 2016, BKI was internally managed but is now managed by the externally spun-out Contact Asset Management Pty Limited - same team, process, and investment committee. Due to economies of scale of running a \$1.0bn share portfolio and a relatively low and fixed cost base, the Manager charges an exceptionally competitive management fee of 0.10% and a total MER of 0.14%. The investment team is solid and experienced, albeit small in number, but IIR notes the very significant involvement of a very experienced and well connected investment committee. Pleasingly, the Manager is also in the process of adding additional investment team resources. Past performance has been solid and true-to-style, with expected periods of out- and under-performance to the broader market that are consistent with its investment and sector biases. Importantly, it has successfully delivered on a growing and fully franked dividend, which is a key returns focus for the Manager.

INVESTOR SUITABILITY

BKI's focus and track-record of delivering a stable, growing and fully-franked dividend (in a very cost effective manner) makes it well suited to both investors in the later stages of their investment lifecycle during which (fully franked) income is particularly important as well as SMSF investors. Reflecting this income emphasis, BKI will invariably have certain sector biases, notably including banks and excluding resources and materials. Furthermore, given its intentionally low turnover, long-term buy-and-hold investment philosophy, what investors see today will be the predominant nature of the portfolio over the medium term, notwithstanding the fact that the Manager is far from a passive manager. Investors should note that the Manager has no intention of playing the investment cycle, i.e. the portfolio will remain nearly fully invested at all times irrespective of the Manager's broader market view. As such, investors should expect to fully participate in market volatility, notwithstanding the Manager's focus on quality businesses and reasonable valuations which has the potential to dampen downside risks relative to the broader market.

RECOMMENDATION

Investors can gain confidence from a track-record in which the Manager has generally achieved its investment objectives, and particularly in delivering a stable, growing and fully-franked dividend. The team is well-qualified and stable and is supported by a very strong and very active investment committee. An MER of 14 basis points speaks for itself. There are several aspects that differentiate BKI from its most directly comparable 'old school' LIC peers. Firstly, we believe it is in something of an FUM sweet spot, benefiting from scale in terms of a low MER and excellent market access but not that big as to compromise investment / portfolio nimbleness. Furthermore, BKI does not have significant embedded capital gains tax liabilities in its portfolio as some LIC peers do, which can potentially compromise sell disciplines. Finally, key members of the investment team and committee are materially invested in BKI, both financially and reputationally, creating a strong alignment of interest with shareholders. Overall, IRR rates BKI Investments Company Limited **RECOMMENDED PLUS**.

SWOT ANALYSIS

STRENGTH

- ◆ At 0.14% the management expense ratio is one of the lowest of any investment vehicle in the domestic market, including ETFs.
- ◆ Well qualified and stable investment team with a very hands-on approach to equities analysis (site visits, etc). Additionally, the board / investment committee are well qualified with significant business and investment experience and facilitate strong market access. BKI has probably one of the most actively involved investment committees we have come across.
- ◆ BKI is arguably in the sweet spot in terms of FUM scale at \$1.0bn: it is big enough to generate a low MER and benefit from excellent market access but remains small enough not to compromise its nimbleness in actively managing the investment portfolio.
- ◆ The LIC capital gains tax applies to BKI. The primary benefit of this is it enables the Manager to pay out a 100% fully franked dividend.
- ◆ The company structure of BKI enables the Manager to smooth the distribution profile over time through the ability to retain profits. In contrast, a managed fund is required to distribute all realised income in any given period.

WEAKNESS

- ◆ Relative performance to peers has slipped slightly in recent years.
- ◆ The investment team, at three members, is generally much smaller than of its most directly comparable peers, although we do acknowledge the very active involvement of the investment committee. It is a positive step that the Manager is intending to hire additional resources to increase investment team size to four over the next few months.
- ◆ More a risk than a weakness per se, in order to retain its LIC capital gains tax status, BKI must maintain a low degree of portfolio turnover, generally in the not greater than 10% per annum level. This may create an additional layer to investment decisions and, in theory, runs the risks that stocks that may otherwise be divested based on investment merits may be retained in the portfolio. We do note, however, that BKI does not have material embedded capital gains within its portfolio at an overall level.

OPPORTUNITIES

- ◆ BKI provides the opportunity for investors to access a very low-cost diversified portfolio of ASX-listed securities in which the manager has a solid track-record of generating a growing income stream, largely in the form of fully franked dividends.
- ◆ As an 'old style' LIC, BKI represents a shrinking group in the context of the significant number of newer LICs coming to the market which are not subject to the capital gains tax concession.
- ◆ Consistent portfolio outperformance could see the shares trade at a premium to NTA allowing investors to exit at a higher value than the underlying portfolio of shares. Over the past two years the shares have traded, on average, at a premium to NTA of 3%.

THREATS

- ◆ As a listed investment vehicle, the price at which shares trade is determined by buyers and sellers. This means the share price may deviate from the NTA of the underlying portfolio. This presents both an opportunity and a threat depending on the discount or premium when an investor wishes to either buy or sell shares.
- ◆ The Investment Manager is seeking to double the investment team in size from the original two members, something we view as an undoubted positive. However, there is a risk that the new team members may not fit well, creating some disruption to the existing team members.

PRODUCT OVERVIEW

BKI is a fundamental bottom-up benchmark unaware Australian equities mandate. It is an all market cap mandate although, similar to its most directly comparable LIC peers, is heavily weighted to the ASX 50 (75% of the portfolio) with ex-100 stocks representing 15% of the portfolio. BKI is very much a buy-and-hold, long-term and fully-invested equities investor, an approach that is facilitated by the LIC closed-ended structure. BKI was listed in 2003, although its roots as a managed portfolio go back to the 1980s.

The investment portfolio is managed by Contact Asset Management Pty Limited (Contact or the Manager). Contact was established in 2016 but the investment team, comprising Tom Millner and Will Culbert as joint portfolio managers, have a long and successful track-record in managing BKI. The Sydney-based investment team was originally just the two members, but in July added an additional analyst, Rahul Tamilarasan. Another analyst is expected to be added over the next few months to increase the team to four. Analysts are generalists, rather than sector specialists. Company meetings with investee companies is a very important part of the process and, given BKI's status the team typically gets good access to management teams. There is a very high degree of involvement by what is a very experienced and well connected board / investment committee.

BKI is based on a company structure and has a capital account LIC status, like many of the traditional LICs. In order for the company to retain this status, portfolio turn-over must be limited to generally no more than 10% per annum on average.

Unlike some its older LIC peers, BKI does not have material embedded capital gains within its portfolio currently (partly due to its shorter track-record). The advantage of this is it does not need to add an additional layer to its investment decisions, namely considering the taxation consequences of potential investments, a layer that risks stocks that would otherwise be divested on investment grounds alone being retained in the portfolio.

The board and investment team are all shareholders, with material holdings. There is therefore a strong alignment of interest in growing earnings, dividends, as well as FUM scale, and this is achieved by way of good investment decisions as well as keeping costs low (MER of 14 basis points). Historically, while seeking to grow FUM through capital management initiatives and the acquisition of external portfolios, this has always been done in a manner to limit the degree of possible dilution to existing investors.

As noted, BKI has an extremely low MER, which is currently 14 basis points. There is no performance fee. Whilst the investment team is growing, the additional costs will be borne by Contact, rather than being passed on to BKI shareholders in the form of a higher MER. Contact has signed an investment management agreement for a 5-year period and will charge a fixed investment management fee the equivalent of 0.10% p.a. of NTA.

MANAGEMENT GROUP PROFILE

Contact Asset Management was established in 2016 and is fully owned by Tom Millner (40%), Will Culbert (40%) and Soul Pattinson (20%). While recently established as a stand-alone entity, the investment team has a long established track-record of managing BKI since 2003. A decision was made to externalise the investment entity (from BKI) in 2016 to partly enable the team to launch new investment vehicles, such as the recently issued URB Investments Limited.

BKI has had a long and very much integral relationship with the key stakeholders of Washington H Soul Pattinson (WHSP) and this relationship was strengthened in 2009 when WHSP increased its shareholding in BKI to become the largest shareholder. Listed in 1903, Soul Pattinson is the second oldest listed company on the ASX and manages a portfolio of investments valued at >\$6 billion. Soul Pattinson has a deep understanding of the business universe through its diverse investment portfolio.

INVESTMENT TEAM & INVESTMENT COMMITTEE

Contact currently consists of two experienced joint portfolio managers, Tom Millner and Will Culbert. An additional analyst, Rahul Tamilarasan, was added in July 2017. Our expectation is that over time the team will continue to grow as FUM grow, with the Manager stating that it may add another resource over the next few months. The carving out and formalisation of the investment team in the form of Contact has facilitated this future growth in resources and this is undoubtedly a positive development for what has been to date a very small team.

We view the team as appropriately experienced and qualified. The team's track-record with BKI has been strong, with the LIC generating an 11.4% p.a. total return over a 13-year period to 30 April 2017. It has grown to a market capitalisation of \$1 billion and has over 14,500 shareholders and is characterised by an exceptionally low MER (the Manager acting in the best interests of shareholders).

Will and Tom have now worked together for three years, and our sense is team stability and general dynamics (flat, egalitarian culture) are strong. It is also worth noting that given the scale of BKI FUM, the nature of the Soul Pattinson group and the 'weight' of the Millner name, the investment team generally benefits from excellent access to company management.

The board / investment committee is very active in portfolio construction and management, probably more so than any other investment vehicle IIR has rated, and particularly Ian Huntley and Robert Millner. While the latter two members are not strictly and can not be called investment team members, in terms of input they essentially are. The investment team proper generally talks to Robert Millner on a daily basis and Ian Huntley several times a week. The experience and background of both these board members provides the team with a high quality 'sounding board' of investment ideas as well as a source of ideas, information, and market access.

There is a formal investment committee which meets regularly and signs off on all portfolio transactions. The investment committee comprises Tom Millner, Will Culbert and three Directors, Rob Millner, Ian Huntley and Alex Payne.

Tom Millner, Contact Asset Management Director and Portfolio Manager, has more than 15 years' experience in investment markets. Prior to the establishment of Contact, Tom was Chief Executive Officer of BKI Investment Company Limited from 2008 to 2016 – a period in which its market capitalisation grew from ~\$400 million to over \$1 billion. Prior to joining BKI, Tom worked at Souls Funds Management covering research, portfolio management and business development. Prior to this Tom was an investment analyst with Republic Securities Limited, manager of the Investment Portfolio of Pacific Strategic Investments. Tom holds a Bachelor of Design, a Graduate Diploma in Applied Finance and Investment and is a Graduate of the Australian Institute of Company Directors. Tom is currently a Director of Washington H Soul Pattinson and Company Limited; and New Hope Corporation Limited.

Will Culbert, Contact Asset Management Director and Portfolio Manager, has 17 years' experience in the funds management industry in Australia and the UK. Prior to the establishment of Contact in 2016, Will was Portfolio Manager for BKI Investment Company for 3 years. Will spent 11 years with Invesco Asset Management (formerly Concord Capital Pty Ltd) as an Equity Analyst and Portfolio Manager. He has also worked for the Bank of New York and Challenger Group. Will has a Bachelor of Business, a Graduate Diploma of Applied Finance & Investment and a Masters of Commerce from the University of New South Wales. He is also a Graduate of the Australian Institute of Company Directors.

Rahul Tamilarasan joined Contact Asset Management in July 2017 from EY, where he spent over two years in the financial services assurance division with experience with banking, asset management and insurance clients. Rahul holds a Bachelor of Commerce from the University of New South Wales and has just completed Level 1 of the CFA.

BOARD OF DIRECTORS

The BKI Board of Directors comprises independent and non-independent directors with a broad range of experience in investment management combined with financial and commercial expertise. We view the quality of the Board, as well as for the ability of the investment team, to access the Soul Pattinson board and the expertise there, as a particular strength.

The following summarises the experience and qualifications of the board members:

Robert Millner - Non-Executive Director and Chairman. Mr Millner was appointed Non-executive Chairman upon the Company's formation in October 2003. Mr Millner has over 30 years experience as a Company Director and extensive experience in the investment industry, and is currently a Director of a number of ASX listed companies.

David Hall - Independent Non-Executive Director. Mr Hall was appointed a Non-executive Director and Chair of the Audit Committee upon the Company's formation in October 2003. Mr Hall is a Chartered Accountant with experience in corporate management, finance and as a Company Director, holding Directorships in other companies for more than 30 years.

Ian Huntley - Independent Non-Executive Director. Mr Huntley joined the Board as a Non-executive Director in February 2009. After a career in financial journalism Mr Huntley acquired "Your Money Weekly" newsletter in 1973. Over the following 33 years, Mr Huntley built the Your Money Weekly newsletter into one of Australia's best known investment advisory publications. He and partners sold the business to Morningstar Inc of the USA in mid 2006.

Alexander Payne - Non-Executive Director. Mr Payne was appointed a Non-executive Director upon the Company's formation in October 2003, and has been a member of the Audit Committee since then. Mr Payne was previously Chief Financial Officer of Brickworks Limited and has considerable experience in finance and investment.

INVESTMENT PROCESS

INVESTMENT OBJECTIVE

BKI's main objective is to hold a diversified portfolio of equities that generate increasing income, allowing BKI to pay increasing (and fully franked) dividends to its own shareholders and grow the value of its shareholders' investment. There is a very strong emphasis on the latter and the investment team are closely aligned to this objective given personal investments in BKI. The Manager seeks returns over the long-term and does not seek to play the investment cycle, being effectively close to 100% fully invested in equities at all times. The company structure facilitates both this long-term perspective as well as enabling the Manager to adopt an all market cap mandate, without fear of the consequences of redemption requests and consequent forced selling of less liquid stocks.

INVESTMENT PHILOSOPHY

BKI is a long-term investor and seeks to hold investments in companies that are well managed and have a profitable history, with an expectation of increasing dividends and distributions. The Manager likes dividends and dividend growth and, as such tends to eschew exploration, mining, or early stage businesses which are deploying cash back into the business, or simply are not profitable, rather than paying out a dividend. As a long-term investor, the Manager tends to look for industries with structural tail-winds. The Manager is very much benchmark unaware and is also more willing to divest existing holdings than several of its larger 'old school' LIC peers as it is less constrained by FUM scale and embedded capital gains within the portfolio.

INVESTMENT PROCESS

BKI is very much a bottom-up, fundamental stock picker and seeks to hold companies over the long-term. As a part of this, sector thematic play a strong role in investment decisions. BKI's company structure provides the luxury of being less concerned about macro / market dynamics than, say, the general fund manager.

We would describe the investment team as very 'hands on', placing a strong emphasis on not only talking to companies but getting out and doing site visits where relevant. Sensibly and by necessity given limited resources, the team prefers to focus on the key investment aspects of a particular company, allowing other specialist analysts in the market to do a detailed, and time consuming, deep dive.

In terms of investment methodology, BKI's investment research process consists of five components: income; principal activity; debt levels; management and board; and earnings and valuations.

Income is very important to the Manager, viewing companies that are able to pay a dividend and a growing dividend as a good reflection on the quality of the company. The dividend yield does not necessarily have to be high yield, but the growth in the dividend is important, ultimately generating a strong yield over cost base.

Principal activity analysis is generally a Porter style analysis, with the team seeking an understanding of the business, its competitors, barriers to entry, and a SWOT analysis. The Manager seeks sustainable business models and generally eschews complicated businesses that it does not understand.

Debt levels are a very important consideration for the Manager, as it can often tie into the competitive advantage of a business. If debt levels are too high, a business may be adversely impacted by the necessity to cut resources and costs. Furthermore, high debt levels can put dividends at risk, typically being cut when debt levels need to rapidly reduce.

Management quality is particularly important to the investment team. Whether there is a track-record of shareholder wealth creation and the degree of alignment of interest with shareholders through personal investment ('skin in the game').

Earnings profile and valuation metrics play an integral role. The Manager is prepared to pay for quality companies but, equally, as a long-term investor, is prepared to be patient in purchasing stocks.

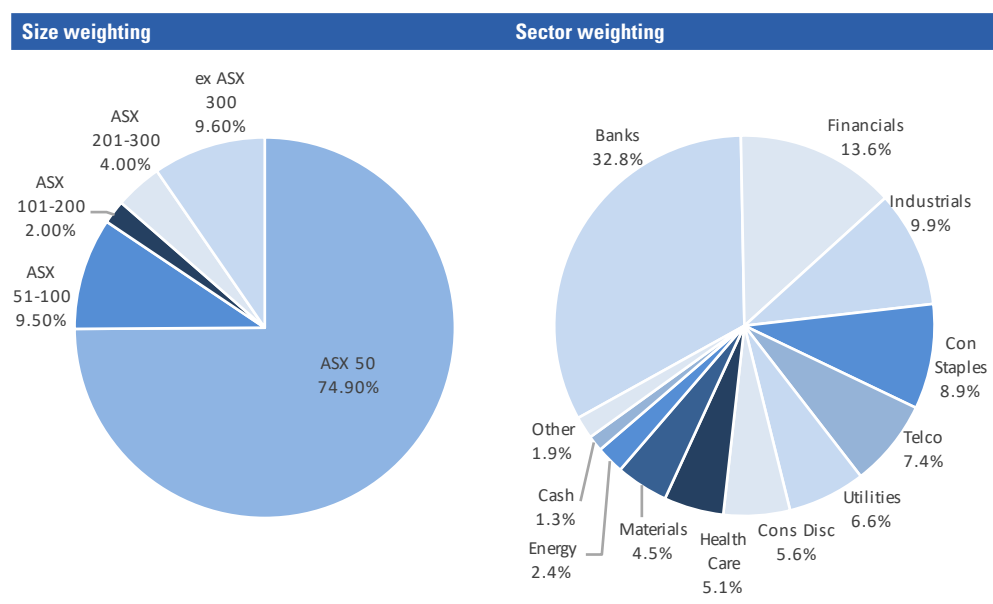
PORTFOLIO CONSTRUCTION

BKI's portfolio is weighted towards large cap stocks, with approximately 75% allocated to the top 50 stocks at 30 April 2017. Ex-100 stocks constitute around 15% of the portfolio, roughly 10% of which is actually ex-300 / micro-cap stocks. This market cap composition is very similar to a number of other 'old school' LICs and partly reflects the common dividend / income focus these managers share and consequent sector biases.

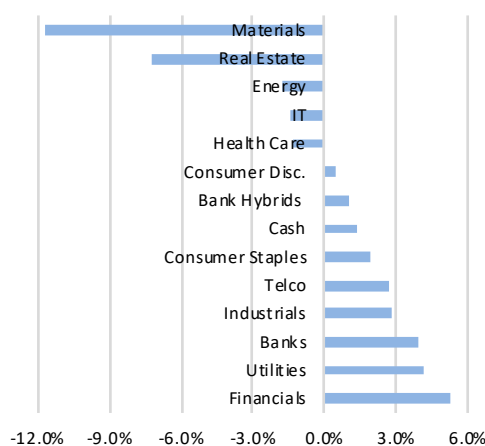
Of the 50-60 portfolio holdings, 85% is invested in the Top 25 holdings, so there is a moderately long tail of investments. Approximately 43% of BKI's income is derived from its banking sector exposure. Average turnover is intentionally low, averaging 8% p.a. since 2004. In short, while the Manager is far from reluctant to sell down stocks in which the investment thesis is 'broken', we expect the portfolio characteristics will largely remain unchanged over the foreseeable future - what you see now is what you are likely to get for the foreseeable future.

In terms of active sector weights relative to the S&P/ASX 200 Index, BKI is overweight banks, but selectively so in terms of which particular bank stocks. Again, given the income and franking credits derived from this sector there is a natural persistent positive sectoral bias. The Manager is comfortable with the sector's outlook notwithstanding its recognition that the growth outlook is not particularly solid (nor generally is it across the rest of the market, as the Manager noted).

Predictably, the Manager is underweight materials and resources and has been so for the REIT sector as well, similar to its most comparable LIC peers.



Relative weighting



Source: BKI

Top 10 Portfolio Holdings

Portfolio Holding (%)

Commonwealth Bank	9.8
National Australia Bank	9.2
Westpac Bank	7.9
ANZ Banking Group	5.1
Wesfarmers Limited	4.4
Telstra Corporation	3.9
APA Group	3.3
AGL Energy Limited	3.3
Transurban Group	3.2
Woolworths Limited	2.8

DIVIDENDS

BKI's policy is to pay out between 90-95% of its underlying net profit after tax. It aims to pay a steadily rising dividend over time, an objective that is particularly important to its shareholder base, hence the partial retention (5-10%) of profit. With the exception of the aftermath of the global financial crisis when banks and a number of other companies cut their dividends, dividends have steadily and consistently grown over time and every dividend has been fully franked. Over recent history, the Company's dividend yield has been around, or slightly over, 4% fully franked.

PERFORMANCE ANALYTICS

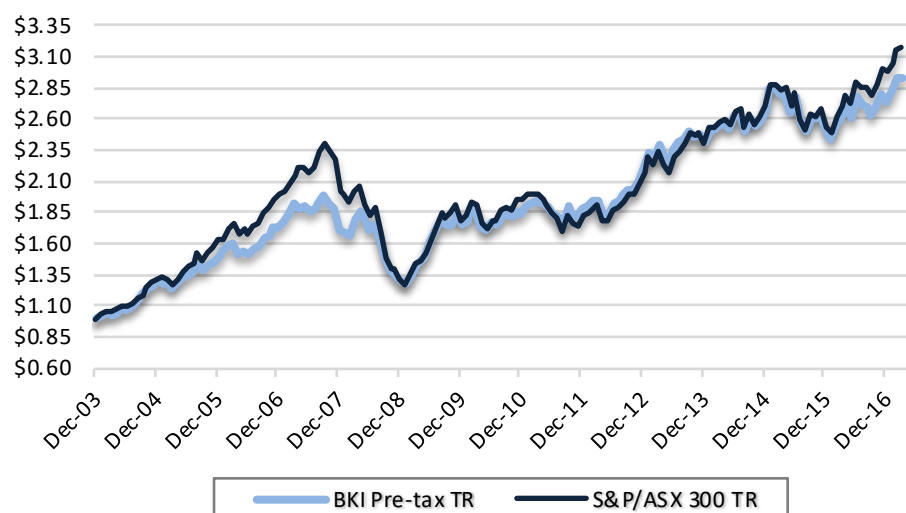
SUMMARY OF ANALYTICAL RESULTS

BKI has a generally solid track-record. Over the longer-term, it has generated both superior returns on lower risk on what we consider the most comparable benchmark, the S&P/ASX 200 Accumulation Index. It has generally performed in-line with its most directly comparable LIC peers over this period, a strong result given IIR generally holds these managers in high regard.

More recently, BKI's relative performance has been adversely impacted by underweight positions in REITs and the resources sector. Both positions were very much intentional and we believe the Manager's decision to do so was well founded (additionally BKI will naturally have an underweight position to resources due to the Manager's dividend focus). This positioning has been common amongst its peers due to similar investment biases.

Total Returns (as at 30 April 2017)	1-year	3-year	5-year	10-year
Total Portfolio Return (pre-tax NTA)	12.6%	4.9%	8.5%	4.3%
S&P/ASX 200 Acc Index	17.8%	7.3%	11.0%	4.1%
Excess Return (alpha)	-5.2%	-2.4%	-2.5%	0.2%
Volatility (%) - BKI	10.2	12.0	11.5	13.0
Volatility (%) - S&P/ASX 200 Acc Index	9.4	12.3	11.9	14.3

On a risk basis, BKI has exhibited both slightly lower volatility and drawdown than the market as a whole, somewhat improving its relative risk-adjusted performance. On a 10-year basis to 30 April 2017, we note BKI has generated comparable returns to the S&P/ASX 200 Accumulation Index (4.3% p.a. vs 4.1% p.a.) but with a lower degree of risk (13.0% vs 14.3%), generating superior risk-adjusted returns.



PEER COMPARISON

We have compared BKI with the other top five (by market capitalisation) LICs that invest in large cap Australian shares. They are all internally managed with long-term investment strategies, except that DJW has a more active management approach and uses options to generate additional income from the portfolio.

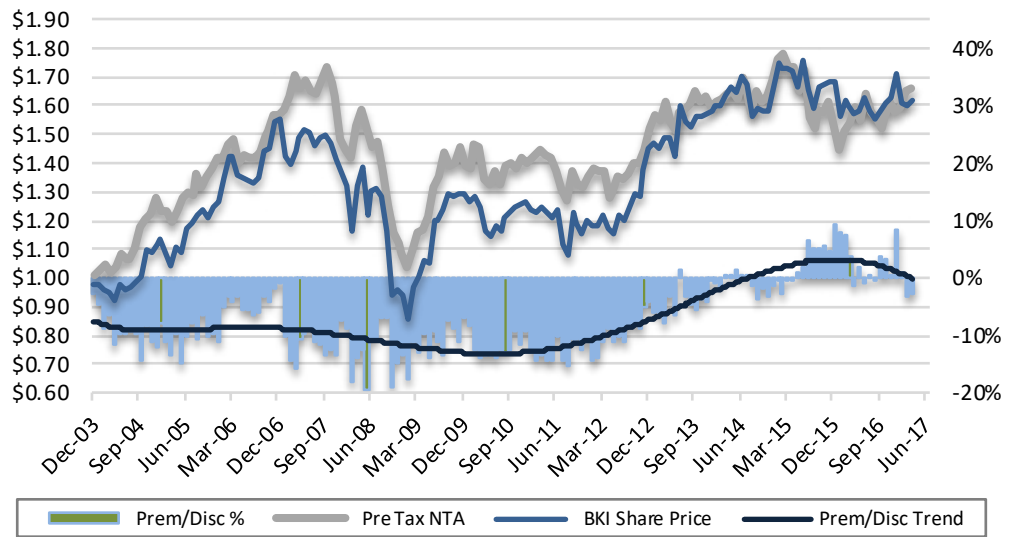
BKI's performance relative to its peers has been solid, albeit not spectacular. We do note that the Manager has underperformed peers over the last 12-month period, creating something of an unfavourable end point bias in the analysis below.

All data as at 30 April 2017	ASX Code	3 Year Avg Prem/Disc	M'ment	M'ment Fee	IIR Rating
Australian Shares - Large Cap					
Australian Foundation Investment Company	AFI	3.0%	Internal	0.15	Highly Recommended
Argo Investments	ARG	3.3%	Internal	0.15	Highly Recommended
Milton Corporation	MLT	1.3%	Internal	0.13	Highly Recommended
BKI Investment Company	BKI	1.6%	External	0.14	Recommended+
Djerriwarrh Investments	DJW	26.2%	Internal	0.46	Recommended+

Peer Group Portfolio Returns (Pre-tax NTA plus dividends) to 30 April 2017					
LIC	Code	1 year	3 year	5 year	10 year
Aust. Foundation Investment Co.	AFI	13.2%	5.1%	9.8%	4.8%
Argo Investments	ARG	15.5%	6.2%	10.6%	4.0%
Milton Corporation	MLT	13.9%	6.7%	10.7%	4.7%
BKI Investment Company	BKI	12.6%	4.9%	8.5%	4.3%
Djerriwarrh Investments	DJW	14.1%	2.8%	7.3%	2.8%
S&P/ASX 200 Acc Index		17.8%	7.3%	11.0%	4.1%

PREMIUM / DISCOUNT TO NTA

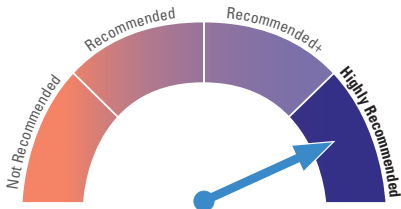


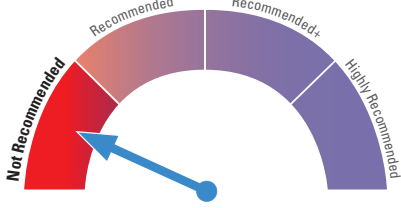
The chart below illustrates BKI's premium / discount to NTA history. Over the last few years there has been a marked change from a persistent discount to a slight premium - at parity. We believe this reflects increased confidence from the investor community in general (as the track-record lengthened) as well the positives of a declining MER over this period.



APPENDIX A – RATINGS PROCESS

INDEPENDENT INVESTMENT RESEARCH PTY LTD “IIR” RATING SYSTEM.

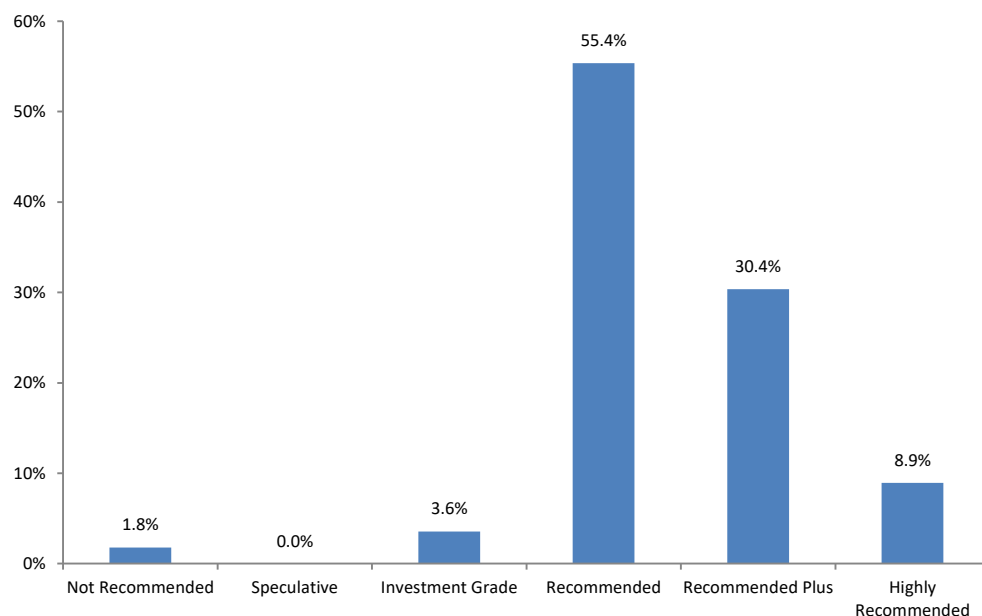
IIR has developed a framework for rating investment product offerings in Australia. Our review process gives consideration to a broad number of qualitative and quantitative factors. Essentially, the evaluation process includes the following key factors: product management and underlying portfolio construction;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

LMI Ratings	SCORE
	83 and above 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.
	79–82 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.
	60–78 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.
	<60 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.

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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