Fund Review

LONSEC

Balmain (MMT) Mortgage Trust

Investment Grade

About this Review	
Sector reviewed	**Mortgages -Commercial**
Total funds rated	5
Date of this Sector Review	August 2009
About this fund	
Fund reviewed	**Balmain (MMT)Mortgage Trust**
Fund Size ($M)	$144
Responsible Entity	Balmain Fund Administration Limited
Fund Commenced	March 2004
Retail Fee (p.a.)	1.22%
Wholesale Fee (p.a.)	0.72%
Structure Availability	Retail/Wholesale/IDPS
About the Fund Manager	
Fund Manager	Balmain (MT) Pty Ltd
Ownership	100% owned by Balmain NB Corporation
Assets managed in this sector ($M)	$144
Years managing this asset class	0 yrs (5 yrs as Mariner)
Investment Team	
Team size dedicated to this fund	2
Portfolio Manager	John Thomas
Turnover/Team Ratio (past 2 yrs)	66%
Investment Process	
Target Value Add above Benchmark	Bank Bill Index + 0.5%
Benchmark	UBS Bank Bill Index
Minimum Loan Size ($)	100K
Preferred Loan Size ($)	750K
Current Cash Weight	19%
Maximum LVR	70%
Average LVR	61%
Number of Loans	156
Preferred Loan Term (years)	3 – 5yrs
Arrears > 90 days (%) (June 2009)	7.3%
Variable Rate Exposure	100%
Max Construction Lending (% of Fund)	0%
Max Specialised Lending (% of Fund)	0%
Fund Rating History	
July 2009	Upgraded to “Investment Grade’
October 2008	Downgraded to ‘HOLD’
July 2008	Recommended
August 2007	Recommended
June 2006 – Initial Review	Recommended

What this Rating Means

➢The Investment Grade rating indicates that Lonsec believes that the fund or product can achieve its objectives and, if applicable, outperform some of its peers over an appropriate investment timeframe. However, compared to higher rated managers / funds, this manager has fewer competitive advantages in people, process or product design. If available, higher rated funds or products giving access to this asset class or strategy are expected to provide better long term investment outcomes. Given the ongoing macro issues impacting on the mortgage fund sector, ‘Investment Grade’ is currently the highest rating assigned to any fund in Lonsec’s 2009 sector review.

Using this Fund

➢This is General Advice only and should be read in conjunction with the Disclaimer, Disclosure and Warning on the final page

➢ The Fund is income orientated and is expected to have reasonable capital stability. The Fund may be considered for clients seeking higher than cash yields who are prepared to accept the associated credit risk inherent in a mortgage fund.

Fund Risk Characteristics	Low	Moderate	High
Leverage	▲		
Liquidity Risk			▲
Concentration	▲		
Credit Risk		▲	

Risk categories are based on Lonsec’s qualitative opinion of the risks inherent in the product’s asset class and the risks relative to other products in the relevant Lonsec sector universe.

Capital Volatility

CASH → EQUITIES

Low	Moderate	High
▲		

***Capital volatility** is defined as the risk of the unit price of the Fund fluctuating up or down during the investment timeframe outlined in the PDS. The indicator on the scale is a Lonsec assessment of the capital volatility after taking into consideration the duration, credit, structure, political and other risks of the Fund’s underlying holdings.*

The uncertainty around the risk / return relationship in the mortgage fund sector resulted in Lonsec removing mortgage funds from its model portfolio recommendations in January 2007.

Lonsec continues to prefer Diversified Income fund options for investors seeking an income exposure in portfolios. The latest model portfolio recommendations are available from the Investment Strategy section of the Lonsec website.

In considering this investment option, advisers should be aware that investors will have restricted access to their capital for an undeterminable period following the redemption freeze implemented by the Responsible Entity of the Fund in October 2008. Lonsec believes the broader sector's likely adoption of permanent quarterly redemption offers is more closely aligned with the realistic liquidity profile of the underlying assets of the Fund. Lonsec notes this Trust may at some point in the future opt for a different product structure, possibly a term like offer with limited annual redemption entitlements.

While it remains Lonsec's view that the sector continues to face ongoing issues at the product and macro level impeding its relative investment attractiveness, there is now sufficient market stability to suggest that the most challenging period for this Fund, namely responding to the large volume of investor outflows, may have passed.

It has been an exceptionally testing period for mortgage managers. The sector will require time to recover and future performance expectations should be realistically framed. However, a well run, mainstream mortgage fund with a long-term proven track record of consistent delivery of stable income may continue to appeal to certain investors, namely those:

- seeking a stable monthly income return that may provide a competitive return against cash (though the industry's track record on this measure is patchy);
- comfortable with restricted access to capital (ie. not cash-like liquidity); and
- comfortable with the added credit risk versus other products (term deposits etc)

Those interested in learning more about the issues currently affecting the mortgage fund sector are strongly advised to read Lonsec's July 2009 investment perspective 'Mortgage Sector update – Ratings changes'. This is available to subscribers under the Managed Funds>Investment Perspectives tab of the Lonsec web site.

Changes since Last Review

➢Ownership of the Trust has been transitioned from Mariner to Balmain. In January 2009 unitholders in the Mariner Mortgage Trust voted in favour of Balmain Fund Administration Limited, part of the Balmain NB Corporation Limited (Balmain), replacing Mariner Securities Limited as Responsible Entity of the Fund. The Assets of the Mariner Mortgage Trust were acquired by Balmain and Balmain (MT) Pty Limited were appointed as the investment manager of the assets.

➢In June 2009, the Trust transition process was complete with the change of name (from Mariner Mortgage Trust to Balmain (MMT) Mortgage Trust) and the registering of appropriate approval documentation (including a Supplementary PDS for the Trust) with ASIC.

➢Despite the corporate activity, there is no change to the underlying philosophy, investment objective or underlying assets of the Trust. The Trust remains a traditional first mortgage fund. The key investment team have been employed by Balmain. John Thomas remains the portfolio manager of the Trust.

➢Mortgage funds have traditionally offered daily liquidity to investors. In October 2008, the Fund was deemed illiquid and frozen to daily liquidity reflecting poor market sentiment and the impact of the Government guarantee on bank deposits. The manager made redemption offers available in December 2008 ($12million) and March 2009 ($8.7 million) allowing participating unit holders in the Fund the opportunity to withdraw up to 21% and 16% of their investment in the Trust in respective offer periods. This remains a fluid situation, with Balmain currently considering the future structure for the Trust which will have a bearing on likely redemption offers. Options being considered include:

1. allocating a manageable amount of the assets of the Fund (say 4%) available each quarter for those investors wishing to redeem; or
2. convert the Funds to a term like structure (eg. 3 years) offering limited redemption entitlements (eg. once a year of 10%).

Lonsec understands that Balmain has undertaken considerable work investigating the merits of option 2 as a future structure for the Trust. It may take some months for this situation to resolve. Lonsec notes that the first option appears to be the model favoured by the bulk of the major participants and is perhaps administratively more palatable for the major platform providers. Lonsec will continue to monitor this aspect and update clients as necessary.

Lonsec Opinion of this Fund

➢**People and Resources:** Balmain as the new owner and promoter of the Trust is well known as a leading player in the mortgage industry in various capacities as originator, servicer and manager of mortgage trust assets. Balmain, appears to be the most visible participant in expanding scale in mortgage funds management during the troubled market events impacting on the sector in the past twelve months. Together with the Mariner Mortgage Trust acquisition (renamed Balmain (MMT) Mortgage Trust), Balmain already holds a footprint in retail funds management via a 50% stake in the **Mirvac Aqua Mortgage Funds** and is proposing to buy the remaining 50% (agreed to by Mirvac). Balmain has further broadened its reach through its attempts to assume ownership of the City Pacific Mortgage Trust (not rated by Lonsec) in partnership with Trilogy. This matter is ongoing.

➢Broadly, given the various Funds that are being brought under Balmain's ownership, it would appear possible that there may be some opportunity for consolidation of fund assets between the various Balmain funds at some future point, however, this is likely to involve those funds where there is a sensible match in the profile of the lending books. Lonsec has been advised by both Thomas and senior management of Balmain that there will be no incorporation of higher risk assets from other channels into this Trust. It would be disappointing if the assets of this vehicle were compromised.

➢The Trust continues to be led by John Thomas and there is no change to the underlying investment approach or conservative traditional mortgage framework of the Funds as a result of the change of ownership.

➢Whilst the team is smaller than the majority of other funds within the sector, Lonsec believes the team is sufficiently resourced for the current fund size and current state of mortgage origination business. Lonsec considers John Thomas to be a highly qualified and experienced portfolio manager, with a solid reputation within the industry. Thomas is actively involved in all aspects of the Trust including commercial lending, marketing and arrears management. Whilst there remains significant key person risk in Thomas, far more so than any other mortgage fund currently covered by Lonsec, Lonsec considers in appropriate circumstances it can be a risk worth taking. That said, Lonsec notes that unlike his previous role at Mariner where he owned 6% equity of the Trust, there is no such tie-in his current role. Thomas has acquired the title CEO Balmain (MT) Pty Limited which suggests in due time his responsibilities may deepen beyond the management of this Trust. Thomas' role in this Trust and Balmain's other mortgage activities will be an area of ongoing interest in our consideration of this strategy. While it is early days for this venture, Lonsec would be encouraged by efforts to address succession planning issues with this Trust.

➢ Mark Andersen, Head of Commercial Lending, has moved across from Mariner with Thomas and is the other member of the investment team. While Lonsec believes the team to be adequately resourced at this point, particularly given there is no new lending activity at present, Lonsec believes any improvement in commercial respects may require bolstering of the team.

➢**Mortgage Origination:** The impact of the credit crunch has changed the mortgage origination market. The major banks have substantially reduced their commercial lending activity and are applying a more conservative approach, largely avoiding any business with greater than 60% LVR (Loan to Valuation ratio). Additionally, the second-tier banks such as Suncorp and St George have withdrawn from commercial property lending, due to concerns about overexposure to this segment of the market. The weak economic environment has also removed many of the smaller players from the mortgage origination market.

➢Lonsec believes a significant competitive advantage for the Trust comes from the unique relationship with Balmain, the largest non-bank commercial loan manager in the market. In a more buoyant trading environment, this relationship should help secure access to deal flow from a leading originator. In Lonsec's view, the competitive market for sourcing mortgages has eased over the past two years under the effects of the credit crunch but, nevertheless, a key characteristic of well managed mortgage trusts is a reliable or exclusive source of mortgage deal flow to avoid having to compete on price or compromising on credit quality. Should investor demand for this sector improve, a diversity of origination channels will be important.

➢Currently, like the majority of the Funds in the sector, the manager is not conducting any new lending business given the absence of new inflows into the Trust. Lonsec believes this is an appropriate situation as managers have to strike a balance in managing the interests of those clients who wish to access their investment entitlements, while protecting the interests of existing investors who wish to remain in the Fund and (eventually) the interests of any new investors to the Trust.

➢**Portfolio Construction and Credit Approval:** Balmain's investment style favours small to medium sized commercial loans with a preferred loan amount of approximately $750,000.

➢Historically, this Trust has favoured the NSW residential lending market. The Manager's exposure to the NSW market remains high at 54% at June 2009. Lonsec prefers to see a diversified geographic spread in the mortgage portfolio which allows greater flexibility in responding to periodic localised property market slowdowns such as that experienced in NSW over the last three years. Lonsec will be encouraged by future efforts in this area.

➢Lonsec notes the Trust holds some exposure to vacant land lending (3% as at June 2009). While only a modest allocation, this type of lending carries higher risk than other forms of lending (eg. commercial, retail, residential) and Lonsec does not believe it is an appropriate fit for a traditional first mortgage status fund. The manager advises that since September 2008 it has instigated a policy of no new lending on vacant land.

➢The Trust's investment process has an appropriate level of rigour and robustness, with established broker relationships, clear and documented lending guidelines and firm risk parameters. Pleasingly, there is no low doc, self certification or self declaration lending practiced by the manager which can be a sign of relaxed lending standards. Nevertheless, in light of the current level of arrears impacting on the Trust, Lonsec believes credit standards should be reviewed to determine where improvements can be made.

➢**Risk Management and Arrears Management:** Internal compliance for the Trust is being temporarily undertaken by Thomas as CEO. Lonsec would prefer that this task be completed by a separate team member independent of the loan and credit approval process. Pleasingly, in this regard the manager advises that once additional staff are recruited by Balmain (MT) Pty Limited as lending increases, this task will be relinquished by Thomas. This process involves the completion of a compliance checklist covering terms of approval, security, borrowers and guarantors and property inspection.

➢The level of impaired lending has increased over the past year reflecting the weak economic backdrop, poor lending environment and, as mentioned above, perhaps some level of ill advised lending. The Trust Arrears > 90 days = 7.3% as at June 2009. Lonsec notes that the Challenger Howard Mortgage Fund with a similar lending target and height of exposure to NSW lending has also seen similar increase in arrears over the past year. Nevertheless, this is historically high and will have a performance impact for investors through loss provisioning.

➢Loss provisioning involves the fund manager incorporating an expense in the Fund set aside as an allowance for bad loans (customer defaults, revised loan terms, etc). Many mortgage funds are currently making loss provisioning, the level of which will vary depending on the severity of impaired lending reflecting the existing default levels of the loan book and the projected impact of further loan losses. Most funds treat it as an income expense accounted for through reduced monthly income distribution payments and/or reduction in unit price if the loss is of significant scale. While it is preferable to avoid encountering bad loans, Lonsec believes loss provisioning is a prudent debt management practice in these funds. The Balmain Trust is currently provisioning 0.55% pa from daily income (approximately $570,000 pa). Time will tell whether this will be sufficient provisioning or whether increasing defaults require greater provisioning.

➢Currently, John Thomas takes full responsibility for investigating and resolving problem loans. Arrears management can require significant management time and while investors can take comfort from the CEO's commitment and highly interventionist input to resolve the situation with appropriate exit strategies, as the fund grows, Lonsec would expect the CEO to retain oversight yet allocate dedicated resources from within the lending team.

➢Given Thomas' responsibilities for lending, loan approval and internal compliance, Lonsec is pleased to see that there is independent and external risk controls surrounding the fund.

➢**Performance:** Similar to other mortgage funds, the performance of the Fund is driven principally by lending margins, short-term interest rates and swap reference rates. While lending margins have improved noticeably over the past year, Balmain, like many mortgage fund managers, have failed to translate this improvement into more attractive returns due to the operational difficulties in the sector.

➢In absolute terms the fund has returned 7.2% over 3 years to June 2009, which, pleasingly, exceeds the Lonsec benchmark (UBS Bank Bill Index + 0.5%). The Fund has also outperformed Lonsec's benchmark over the past year to June 2009 by 1.1%. This is one of the higher performing Funds in the Lonsec commercial mortgage universe. The Trust's performance relative to the peers is assisted by the manager's targeting of the small business market with lending of smaller than average loan size (which typically offer higher yields) and by writing 100% of loans on variable interest rates.

➢Lonsec notes that the Fund is a 'true to label' conservative mortgage fund with minimal exposure to construction or specialised lending and is secured by first mortgages. Despite the redemption freeze, the Fund has continued to perform in line with its investment mandate, through the payment of regular monthly income.

➢Lonsec acknowledges that mortgage funds have a higher chance of improved performance in a lower interest rate environment such as the current situation, but remain hampered by their inability to conduct sufficient new lending and, therefore, performance expectations need to be realistically framed.

➢Lonsec notes that while the Trust has achieved a good performance record, it is now to some extent paying the price for this higher risk lending through greater incidence of non-performing loans and historically high arrears. Lonsec expects loss provisioning will act to dampen monthly income distributions over the next twelve months.

➢**Overall:** While the outlook for the mortgage sector continues to be clouded by a number of challenging issues including soft investor appetite, structural imbalance and weak property markets (particularly in the high yield segment), Lonsec acknowledges that the traditional mortgage Fund's prospects have improved since the peak of the liquidity crisis whereupon Lonsec issued a 'Hold' rating on the Funds in the sector.

➢Lonsec considers John Thomas a highly experienced and capable mortgage manager with a long track record in the mortgage fund sector. The move to Balmain should engender greater corporate stability and resolve the operational uncertainty surrounding the Mariner business during the liquidity crisis. Balmain has indicated that there will be no expected departure from the Trust's investment parameters under its ownership. Nevertheless, Lonsec notes a broader range of mortgage assets, of varying levels of appeal are coming under Balmain's ownership. This is an evolving situation and Lonsec will be monitoring the impact that has on Thomas' role in this Trust and the underlying assets of this Trust.

➢The outlook for this investment sector remains uncertain and challenging at best. Nevertheless, the Fund's prospects (which looked very bleak in early 2009) have improved. Lonsec has **upgraded** the Fund from **'Hold'** to **'Investment Grade** at this review. This ratings action reflects the following observations:

- our confidence that Balmain is committed to this Trust and has stated its willingness to expand its commitment to the sector;
- the peak of the liquidity crisis has passed;
- there appears to be some stabilization of redemption levels; and
- the major funds have continued to perform (ie. deliver income) through this period.

➢Prior to going on 'Hold', this Trust did attract a 'Recommended' rating. However, in Lonsec's view the investment situation is not sufficiently compelling to warrant restoring a higher rating to these Funds when there continues to be a degree of operational impediment - investors will have restricted access to their capital for an undeterminable period, and the ongoing issue of appropriate return for risk in these funds.

➢This rating will be continually reviewed as events unfold. A further improvement or deterioration in circumstances may lead to consideration of further ratings guidance.

People & Resources

Size and Experience

The team consists of two members with an average experience of 12 years. John Thomas is the CEO of the Trust and has 22 years of experience in mortgage trust lending. Prior to joining Balmain, Thomas ran the Mariner Mortgage Trust from 2004 and was involved in the management of the Howard Mortgage Trust (later Challenger Howard Mortgage Trust) from 1987 to 2003.

Mark Andersen is the Head of Commercial Lending and is second in charge of the fund.

Team Structure

Thomas and Anderson handle the day to day operations of the Trust.

Key Person Risk

Thomas has significant input at all stages of the lending process and therefore there is high dependency upon the input of one individual. Given that the bulk of the experience of the team lies with Thomas, Lonsec considers there to be relatively high key person risk.

Turnover

There have been considerable staff movemvents in the Trust over the past year. Given the sector downturn, widescale retrenchments were made to the business development, administration and lending teams. Lonsec views this as a regrettable but understandable outcome from the severe financial downturn. All mortgage funds have experienced staff turnover in what has been an exceptional year for the sector.

Remuneration / Alignment of Interests

Lonsec considers Balmain's alignment of interests with investors to be in line with its industry peers.

The portfolio manager's variable remuneration is based on the growth and profitability of the Trust.

Investment Style

The Trust aims to provide stable income returns with a high level of capital security by investing in a portfolio of loans secured by registered first mortgages over a diversified range of commercial, industrial, retail and residential real estate, and diversified geographically across all states.

Balmain has a natural bias in its portfolio toward small-sized commercial loans. Whereas other mortgage managers typically target the $2m-$5m commercial loan market, Balmain prefers mortgages between $250,000 and $2 million that offer potentially more attractive yields than larger loans.

The security property in the Trust does not need to be income producing. This allows the manager to lend for commercially related purposes, but use non-income residential real estate as security. Balmain believes the use of residential property as security is a positive as in its view residential property has a wider, more diverse and resilient market in case of default and the liquidation of security is required. Secondly, the use of residential property to secure commercial loans creates a stronger motivation by mortgagees to avoid default.

If the property is not income-producing, Balmain must ensure that the borrower has the ability to use alternative income streams to service the loan.

Balmain does not lend against both higher-risk specialised and construction property. Specialised loans are secured against such properties as motels, caravan parks and service stations; these are purpose-built and have single uses.

As a result of this strategy, the manager has a wide spread of relatively small loans, increasing borrower diversity on the one hand, but also increasing the administration and management burden.

Lending Approach

Origination of New Loans

Leveraging off Thomas' past experience at Challenger Howard and Mariner, Balmain has arrangements with a broad network of boutique brokers and originators.

Credit Assessment

In assessing loans, Balmain will commission a credit check through Veda Advantage's (formerly Baycorp Advantage) online facility. Based on the nature of the credit bureau report assessment Balmain will investigate the matter further, and depending on the outcome, the loan may be approved, rejected, or the LVR will be reduced below the maximum permitted.

Balmain has well-developed capabilities to assess borrowers using a "3 C's of credit" approach, being Collateral, Capacity and Credit. Collateral focuses on the strength of the underlying security for the loan and its ability to repay the loan when a "power of sale" is executed. Capacity analyses' the financial capacity of the borrower to meet interest repayments and Credit looks at the borrower's integrity and likelihood of satisfying loan obligations. The Trust requires a minimum interest cover of 1.25 times with a provision for 2% interest rate sensitivity.

Property Valuation

In line with other mainstream mortgage fund managers, Balmain employs a panel of independent valuers, and there is an active rotation of valuers so that no one valuer can value one property more than twice. This is important in providing a second opinion of each property.

Loan Approval

The structure relating to the delegations of approval of new loans is dependant upon the loan size. For all loans up to and including $2 million, signoff is required by both the lending manager and CEO (Thomas). For loans above $2 million, signoff is required by Balmain's Credit Committee. The Balmain Credit Committee consists of John Thomas as Chairman, Michael Holm as Group Executive Chairman of Balmain Corporation and William Davis as Head of Credit of Independent Credit Corporation.

Loan Administration

Balmain has in place a web based loan application system and tracing system. In addition to this Balmain out sources its mortgage administration wholly to AMAL (Australian Mortgage Administration Limited).

Portfolio Construction & Risk Management

Liquidity Management

The Fund is currently frozen to redemptions.

Balmain currently has a target allocation to cash of 20%. This is predominately invested in financial institutions that are Approved Deposit-taking Institutions (ADIs).

Arrears Management

This has been a pressing area of concern for the Trust in recent months as the level of defaults have ticked up as the weak economic backdrop has taken its grip on the ability of some lending segments to meet their debt obligations.

Whilst Balmain has engaged Australian Mortgage Administration Limited (AMAL) to manage its loans post settlement, Balmain will take back those loan files from AMAL which fall into arrears and which require formal recovery action. AMAL is responsible for following up the borrower when there is an initial default i.e. one missed payment.

Formal recovery action will commence immediately after a borrower has missed two consecutive monthly interest payments and action will continue unabated until either the account is brought back into order, a satisfactory repayment arrangement has been reached or until BFAL exercises its Power of Sale.

Balmain allows a provision in their accounts for doubtful debts (currently 0.55%pa of mortgages outstanding).

In the event of a serious default, Balmain will have the mortgaged property re-valued and if full recovery appeared doubtful cease the accrual of interest. If a principal loss appeared likely, a provision for this would be made in the accounts.

Risk Management Overview

In relation to interest rate risk, the Trust does not employ the use of derivatives and all mortgages to date have been written at a variable rate.

Internal compliance for the Trust is undertaken by Thomas as CEO. This process involves the completion of a compliance checklist covering terms of approval, security, borrowers and guarantors and property inspection.

The broader risk management functions of Balmain are undertaken by the group's compliance and risk committee.

LVR Limits

The maximum loan to valuation ratio (LVR) for all sectors is 70%.

The current average LVR of the overall loan book is 61%.

Other Risk Limits

A limit of 5% is applied to restrict the maximum exposure to any one borrower and loan level and the maximum possible loan size is $8 million.

There is currently no fixed-rate lending in the loan book.

The desired exposure limit and current exposure to each of the sector is as follows:

Sector	Desired	Current (as at June 2009)
Residential	50%	31%
Commercial	20%	36%
Industrial	20%	24%
Retail	10%	7%
Vacant Land	10%	3%

Source: Balmain, Lonsec Limited

The current geographic spread is as follows:

Current exposure (as at June 2009)	
NSW	54%
QLD	21%
WA	11%
VIC	10%
SA	3%
Other	1%

Source: Balmain; Lonsec Limited

Quantitative Performance Analysis Annualised after-fee % returns as at 30 June 2009								
	1 Year		2 Years		3 Years		5 Years	
	Fund	Peer Group	Fund	Peer Group	Fund	Peer Group	Fund	Peer Group
Performance (% pa)	7.1	5.6	7.3	6.3	7.2	6.5	7.0	6.5
Standard Deviation (% pa)	0.4	0.9	0.3	0.7	0.3	0.6	0.2	0.2
Excess Return (% pa)	1.1	-0.4	0.4	-0.6	0.3	-0.5	0.3	-0.2

Fund: Balmain (MMT) Mortgage Trust

Peer Group: Average Lonsec-rated Mortgages manager (excludes *ING Mortgage Trust No. 2* performance due to unavailability of Morningstar data at time of publication.) universe Benchmark: UBS Bank Bill Index + 0.5%

Glossary	
Absolute Return	Top line' actual return, after fees
Excess Return	Return in excess of the benchmark return
Standard Deviation	Volatility of monthly Absolute Returns

Analyst Disclosure & Certification:

Analyst remuneration is not linked to the rating outcome. The Analyst(s) may hold the products(s) referred to in this document, but Lonsec considers such holdings not to be sufficiently material to compromise the rating or advice. Analyst(s) holdings may change during the life of this document. The Analyst(s) certify that the views expressed in this document accurately reflect their personal, professional opinion about the financial product(s) to which this document refers

Date Prepared: August 2009
Senior Analyst: Steve Sweeney
Release Authorised by: Michael Elsworth