

Australian Property Securities Funds

Sector Review 2010



Lonsec Property & Infrastructure Research

June 2010



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VAN0004AU	Vanguard WS - Property Secs Index Fund
APN0008AU	APN A-REIT Fund
NFS0209AU	Aviva Investors Listed Property Trust
BTA0061AU	BT WS - Property Securities Fund
FSF0004AU	CFS WS Property Securities Fund
CRM0008AU	Cromwell Phoenix Property Securities Fund
ETL0119AU	EQT SGH Wholesale Property Income Fund
SSB0128AU	Legg Mason Property Securities Trust
MAQ0063AU	Macquarie Master Property Securities Fund
PRE0001AU	Principal Property Securities Fund
PAL0002AU	RREEF Paladin Property Securities Fund
SBC0816AU	UBS - Property Securities Fund
ZUR0064AU	Zurich Property Securities Fund
HBC0008AU	Challenger WS Property Securities Fund
AJF0803AU	ING WS - Property Securities Trust
PER0070AU	Perpetual's WS Property Securities
APN0001AU	APN Property for Income Fund No. 1
APN0004AU	APN Property for Income Fund No. 2
AMP0269AU	AMP Capital Investors LPT Fund
WHT0014AU	Resolution Capital Core Plus Property Securities Fund

1. Purpose of this Report

1.1. Background

This report has been prepared by Lonsec Limited – Property & Infrastructure Research (Lonsec) in order to provide subscribing Financial Intermediaries with a detailed assessment of the participating fund managers' capabilities within the Australian Property Securities Sector.

This report aims to provide subscribing Financial Intermediaries with a greater understanding of Lonsec's views with regard to each participating manager's investment and management capabilities within the sector. The report seeks to identify those areas where each manager may have particular strengths and weaknesses and how these relate to the ability of the manager to add value to investor funds, over the medium to longer-term. Lonsec views this time horizon as three years and beyond.

1.2. Reliance and Limitations

Lonsec has prepared this report in good faith with the intention that the report is read in its entirety. The information contained in this report has been obtained from various sources deemed to be reliable. Lonsec has specifically relied on the following information:

- Written materials produced by the manager
- Subsequent discussions with the manager

The opinions expressed in the report are the views of Lonsec only. Given the changing nature of the industry in regard to people, processes and resources, Lonsec reserves the right to alter its opinion of the manager and ratings at any time. Please contact Lonsec should you wish to discuss any aspects of this report directly.

1.3. Review Cycle

Lonsec sector reviews are designed to be a predominantly qualitative overview of a manager's capability within the sector. Accordingly, the full review cycles, involving a site visit to all participants and interviews with key personnel is conducted once yearly. Lonsec will also meet with investment personnel at various other times during the year. The quantitative assessments contained within the reports are of one representative fund and are static as at the date expressed on the report.

1.4. Lonsec Contacts

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2. Lonsec Australian Property Securities Fund Sector Review

2.1. Review Participants and Ratings

FUND	APIR CODE	LONSEC RECOMMENDATION	
		Lonsec Rating	Rating Change
Vanguard WS - Property Secs Index Fund	VAN0004AU	Highly Recommended	-
APN A-REIT Fund	APN0008AU	Recommended	-
Aviva Investor's Listed Property Fund	NFS0209AU	Recommended	New
BT WS - Property Securities Fund	BTA0061AU	Recommended	-
Cromwell Phoenix Property Securities Fund	CRM0008AU	Recommended	-
EQT SGH Wholesale Property Income Fund	ETL0119AU	Recommended	-
Legg Mason Property Securities Trust	SSB0128AU	Recommended	New
Macquarie Master Property Securities Fund	MAQ0063AU	Recommended	New
Principal Property Securities Fund	PRE0001AU	Recommended	-
RREEF Paladin Property Securities Fund	PAL0002AU	Recommended	-
UBS - Property Securities Fund	SBC0816AU	Recommended	-
Zurich Property Securities Fund	ZUR0064AU	Recommended	Upgrade
CFS WS Property Securities Fund	FSF0004AU	Investment Grade	Downgrade
Challenger Property Fund	CRS0007AU	Investment Grade	Downgrade
Challenger WS Property Securities Fund	HBC0008AU	Investment Grade	-
ING WS - Property Securities Trust	AJF0803AU	Investment Grade	Downgrade
Perpetual's WS Property Securities	PER0070AU	Investment Grade	-
APN - Property for Income Fund No. 1	APN0001AU	Hold	-
APN Property for Income Fund No. 2	APN0004AU	Hold	-
AMP Capital Investors LPT Fund	AMP0269AU	Ceased Coverage	Downgrade
Resolution Capital Core Plus Property Securities Fund	WHT0014AU	Ceased Coverage	Downgrade

Lonsec's 2010 sector review of Australian property securities products included 19 funds. Of the funds reviewed, only one attained Lonsec's top rating of **'Highly Recommended'**; 11 attained **'Recommended'**; five attained **'Investment Grade'** and two were rated as **'Hold'**. Lonsec **'Ceased Coverage'** of the AMP Capital Investors LPT Fund and the Resolution Core Plus Property Securities Fund because the managers opted not to participate in this year's review.

Three funds were added to the sector— **Aviva Investors Listed Property Fund**, the **Legg Mason Property Securities Fund**, and the **Macquarie Master Property Securities Fund**. All these funds attained a 'Recommended' rating, reflective of the quality of the investment teams and robust investment processes.

There were four ratings changes in this year's review. Lonsec has upgraded the **Zurich Investments Australian Listed Property Securities Fund** from 'Investment Grade' to 'Recommended'. The fund is managed by boutique fund manager Renaissance

Property Securities (Renaissance). While the Renaissance investment team is relatively small (possessing only two members), it is both stable and very experienced.

Furthermore, the quality of the team is high, with both team members demonstrating a detailed level of insight into the Australian listed property securities market during the Lonsec review process. Lonsec believes the Manager's contrarian style/ investment process is generally logical and is capable of producing consistent results over the long term. This view is held despite the Manager's relatively subjective portfolio construction process.

The **ING Wholesale Property Securities Trust** was downgraded to 'Investment Grade'. The ING investment team has undergone significant changes since Lonsec's last review. Highly regarded portfolio manager, Justin Blaess resigned at the end of March 2010, taking up a role in investment banking. Blaess was considered to be a strength of the Fund, posting a top quartile performance track record through the depths of the global financial crisis.

Catriona Forrester has since been promoted to portfolio manager of the fund. Prior to this she was an analyst, under Blaess. She has limited portfolio management experience and no proven track record in any previous funds management roles. Whilst she is assisted by an analyst, Lonsec believes the overall resourcing and quality of the team has deteriorated, when compared to peers.

When considering the Fund's key risk person mitigation, this too has deteriorated. ING has not indicated who would replace Forrester in the event of her departure.

The **Challenger Property Fund** was downgraded from 'Recommended' to 'Investment Grade'. In May 2010, Challenger acquired the management rights for the fund from Credit Suisse. The Fund was formerly known as the Credit Suisse Property Fund.

The Challenger Property Fund is expected to have a similar composition to that of the Challenger Wholesale Property Securities Fund. Lonsec rated the Challenger Wholesale Property Securities Fund as 'Investment Grade' during its 2010 sector review. Key issues included the substantial funds under management (FUM) that Challenger holds. This makes it relatively more difficult for the manager to take meaningful active positions in smaller, less liquid stocks. This feature may have a negative impact on performance.

Furthermore, Challenger tends to be relatively 'benchmark aware' in its management style. Lonsec would like to see the Manager demonstrate greater conviction in the future with regards to portfolio construction (particularly given the fund's 'active' management fees).

Lonsec has downgraded the **CFS Wholesale Property Securities Fund** from 'Recommended' to 'Investment Grade'. While CFS Head of Property Securities Andrew Nicholas has strong industry experience, he is yet to truly demonstrate his capability as the key portfolio manager since the resignation of John Snowden.

Since the global financial crisis, the Manager has shifted the portfolio more closely in line with the benchmark. This is despite the fund having relatively broad risk limits in terms of portfolio construction. Going forward, Lonsec would like to see the Manager demonstrate greater conviction with regards to portfolio construction, with these views taking into consideration the fund's outperformance targets and 'active' fees.

Also, the large fund size of the CFS Wholesale Property Securities Fund makes it comparatively more difficult for the Manager to take meaningful active positions in small capitalisation stocks with low liquidity. Lonsec notes that this may be a potential disadvantage in terms of performance.

Another factor detracting from Lonsec's rating has been the Fund's performance, which has been poor in relative terms over the last three years. The downgrade also, in part, reflects a number of strong recent additions to the peer group, which have impacted the Fund's relative position within the sector.

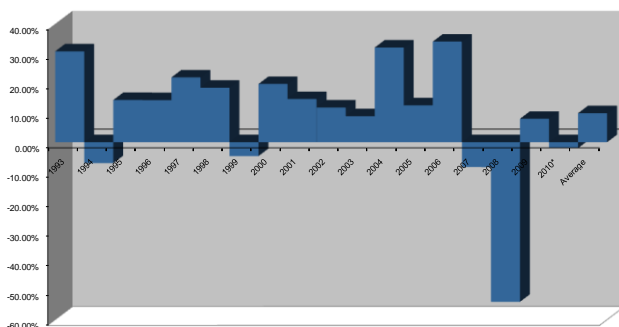
2.2. Key Themes

The following observations and key themes were identified in Lonsec's 2010 review of Australian property securities funds.

The tables have turned – positive returns.

Overall, the sector has seen a steady improvement since the heavy falls seen in the global financial crisis, impacting the major economies globally.

Listed Property* Absolute Performance since 1998



(Source: IRESS, Lonsec)

Since March 2009 there has been a re-rating of the sector. While 'safe haven' stocks had been the best performing A-REITs in the depths of the financial crisis, there had been a distinct change in latter half of last year, with a number of small 'highly geared' stocks bouncing back strongly.

The Australian property securities sector has delivered an astounding total return of 37.8% over the 12 months to 31 May 2010 (as measured by Lonsec's benchmark, the S&P/ASX 300 A-REIT Accumulation Index). All managers posted positive returns, but the range of performance was rather broad.

1-Year Performance Ladder (to 31 May 2010)

Fund/Manager	Absolute Return	Quartile Rank
Cromwell Phoenix Property Securities Fund	43.4%	1st
APN AREIT Fund	34.0%	1st
EQT SGH Wholesale Prop Income Fund	33.5%	1st
Zurich Investments Aust Property Securities Fund	31.2%	1st
UBS Property Securities Fund	30.5%	1st
RREEF Paladin Property Securities Fund	29.2%	2nd
Principal Property Securities Fund	28.7%	2nd
BT Wholesale - Property Securities Fund	27.7%	2nd
Lonsec Benchmark	27.5%	2nd
Vanguard Property Securities Index Fund	27.3%	2nd
Legg Mason Property Securities Trust (Class A)	26.2%	3rd
Challenger Wholesale Property Securities Fund	26.1%	3rd
Challenger Property Fund	26.1%	3rd
Macquarie Master - Property Securities	25.1%	3rd
CFS Wholesale Property Securities Fund	25.1%	3rd
Perpetual Wholesale Property Securities	24.1%	4th
ING Wholesale - Property Securities Trust	23.6%	4th
Aviva Investors Prof Listed Property	23.1%	4th
APN Property for Income Fund No. 2	17.9%	4th
APN - Property for Income Fund	15.9%	4th

(Source: Morningstar, Lonsec)

The best performing fund over the 12 month period to May 2010 was the **Cromwell Phoenix Property Securities Fund**, which broadened its mandate at the bottom of the market last year. The new 'benchmark unaware' mandate allowed for a larger allocation to smaller stocks. These stocks rallied significantly when the market turned. The manager managed to capitalise on this, making it a first quartile performer throughout the year.

The worst performing fund has been the **APN Property for Income Fund**, due to the fund's high allocation to unlisted securities (which have significantly underperformed the listed market).

Over the longer term, the table looks to have made a complete flip. The best performing funds over the three years to 31 May 2010 included **APN Property for Income Fund** and the **Aviva Investors Prof Listed Property Fund**. These funds had a defensive bias leading into the global financial crisis, and therefore experienced relatively smaller falls in the market downturn.

Poor performers over the longer term included **UBS Property Securities Fund** and the **EQT SGH Wholesale Property Income Fund**. UBS' poor performance was a result of an overhang from its significant exposure to Centro Property Group, when the stock price plummeted in late 2007. The EQT SGH fund has a bias to small-to-medium sized A-REITs. When the market fell, these stocks were heavily oversold.

3-Year Performance Ladder (to 31 May 2010)

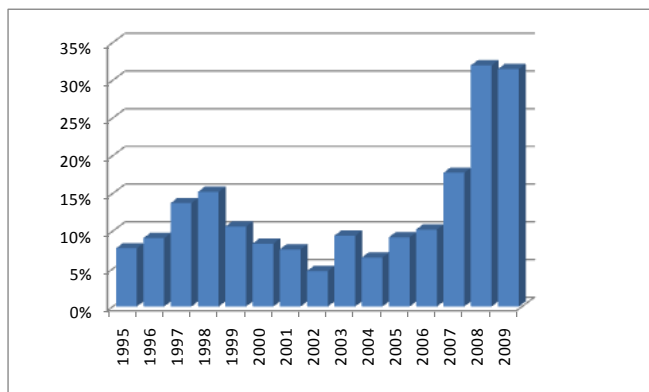
Fund/Manager	Absolute Return	Quartile Rank
APN - Property for Income Fund	-19.0%	1st
Aviva Investors Prof Listed Property	-19.8%	1st
BT Wholesale - Property Securities Fund	-20.7%	1st
ING Wholesale - Property Securities Trust	-21.1%	1st
Challenger Wholesale Property Securities Fund	-22.8%	2nd
Challenger Property Fund	-23.9%	2nd
Zurich Investments Aust Property Securities Fund	-24.2%	2nd
Vanguard Property Securities Index Fund	-24.7%	2nd
Macquarie Master - Property Securities	-25.1%	2nd
Lonsec Benchmark	-25.3%	3rd
APN Property for Income Fund No. 2	-25.7%	3rd
Principal Property Securities Fund	-26.0%	3rd
RREEF Paladin Property Securities Fund	-26.3%	3rd
Legg Mason Property Securities Trust (Class A)	-27.9%	4th
Perpetual Wholesale Property Securities	-28.0%	4th
CFS Wholesale Property Securities Fund	-29.0%	4th
EQT SGH Wholesale Prop Income Fund	-30.2%	4th
UBS Property Securities Fund	-30.8%	4th
Cromwell Phoenix Property Securities Fund	n/a	n/a
APN AREIT Fund	n/a	n/a

(Source: Morningstar, Lonsec)

A stock picker's game

The following graph illustrates the level of volatility in the A-REIT sector, as measured by the standard deviation of returns in each year. During the last three years, the Australian property securities sector has experienced an unprecedented level volatility.

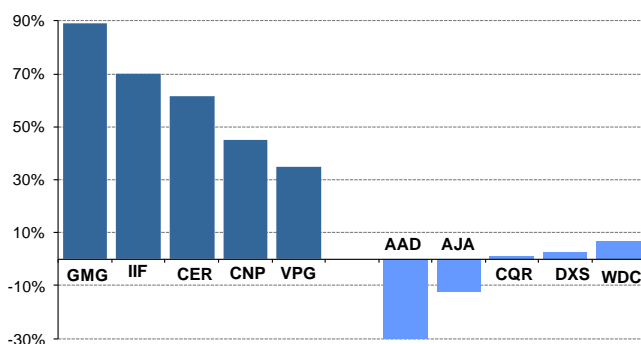
Volatility of the Property Sector



(Source: IRESS, Lonsec)

The A-REIT sector has polarised since the last review, with over a 100% performance difference between the top and bottom performing stocks in the 12 months to 30 June 2010.

Top/Bottom 12 month (to 30 June) Total Return



(Source: IRESS, Lonsec)

Interestingly enough Westfield Group, which accounts for more than 30% of the index, was one of the worst performing stocks over the period. However, given mandate restrictions, a majority of managers have continued to hold this stock as part of their portfolios. The top performing managers in the sector over the last 12 months remain the exception.

The following table illustrates each manager's holding in the Westfield Group (WDC).

Manager's Westfield Group holding (January 2010)

Fund	WDC Weight
SG Hiscock	14.1%
APN PIF 2	17.7%
Cromwell	17.8%
APN PIF 1	17.9%
APN A-REIT	23.8%
RREEF	36.5%
Zurich	36.6%
Principal	36.7%
UBS	36.8%
ING	37.2%
Challenger PS	37.3%
BT	37.4%
CFS	37.5%
Legg Mason	37.9%
Perpetual	38.0%
Vanguard	40.6%
Macquarie	42.0%
Aviva	43.1%
Challenger PF	46.8%

(Source: Lonsec)

The **Cromwell Phoenix Property Securities Fund**, the **EQT SGH Wholesale Property Income Fund** and the **APN A-REIT Fund** are unique in this sense. These funds have a 'benchmark unaware' approach to investing, and subsequently do not have to hold a 'benchmark-like' proportion of their portfolios in the Westfield Group. The funds also provide exemplary diversification benefits in a sector that is concentrated.

However, Lonsec notes that investors should be aware that the performance of these funds will continue to vary significantly from the benchmark. For investors that are comfortable with the risk that returns may vary significantly from the benchmark, these funds will continue to have superior diversification to their peer group.

Going Global

Over the years, a number of managers have steadily included a global allocation to their mandates, in order to get around the concentration issues of the index. Most managers have included this global allocation as part of their non-index investments. Managers that choose to invest materially in non-index stocks (and hence global REITs) will exhibit a higher tracking error. This is because managers still retain a domestic benchmark, while investing in offshore markets. In some cases, this has resulted in very few managers

using their global allocation so they remain within their risk limits (such as tracking error).

The most recent mandate change was from UBS. The **UBS Property Securities Fund** changed its mandate so that it also includes a 15% long-term weighting to global property securities. The change was made in a bid to try and help overcome the clear diversification/concentration issues prevalent in the A-REIT sector.

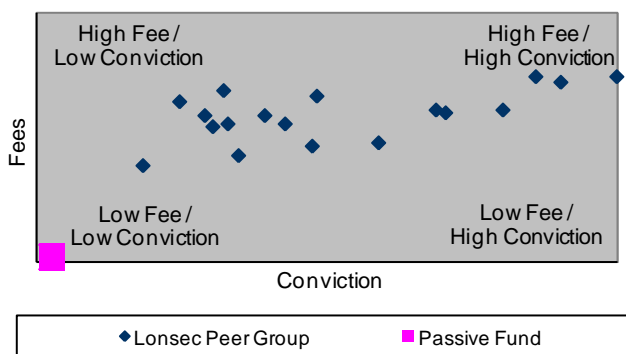
A unique feature of the fund is its new benchmark, which is a composite benchmark comprising 85% the S&P/ASX 300 A-REIT Accumulation Index and 15% the FTSE EPRA/NAREIT Global Developed Real Estate Index (A\$ Hedged). This means the manager will comfortably use its global allocation without the likelihood of breaching its tracking error limits, as well as maintaining a diversified portfolio.

It should however be noted that Lonsec is not necessarily encouraging the broadening of a mandate, just to achieve appropriate diversification. A global allocation would require the ability to leverage off a global platform or joint venture. The appropriate risk tools and systems would also need to be in place, reflecting the complexities of having a firm understanding of offshore markets.

Fees are still a little too high

As seen from the graph below, a majority of funds are still charging relatively high fees for low conviction 'active management'.

Lonsec's Relative Fees/Manager Conviction Analysis



(Note: Lonsec's Relative Fee/Conviction Value Analysis compares the level of fees and Lonsec's view of each manager's conviction level for each fund. The Fees score is determined by an analysis of the total estimated fees incurred over a five-year period. The Conviction score is derived by a number of factors, including each fund's historical Tracking Error versus the S&P/ASX 300 A-REIT Accumulation Index and the absolute sum of its major active positions at the time of Lonsec's 2008, 2009 and 2010 reviews.)

(Source: Lonsec)

This is disappointing, given that most managers hold over a third of their portfolios in the Westfield Group. The concentration of the index also makes it very

difficult for a manager (limited by tracking error restrictions) to consistently outperform. Next review, Lonsec would like managers in the sector to consider their fees in the context of how 'actively' they can actually invest.

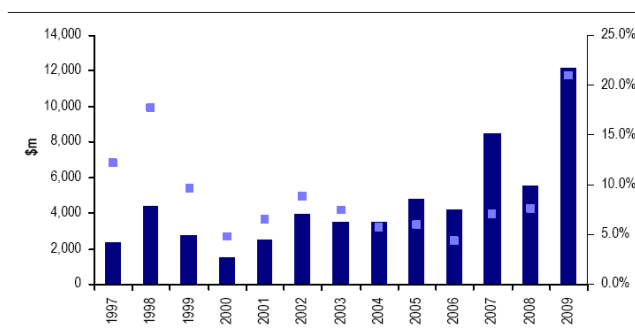
To this end, **Vanguard** has retained its 'Highly Recommended' rating. This rating reflects Lonsec's confidence in Vanguard, should advisers choose to invest in a low-cost, index fund in this asset class. Lonsec also considers the Vanguard investment team to be well resourced and adequately experienced. Vanguard's commitment to continually improve its risk systems, investment process and team, in order to deliver an efficient, low cost alternative to investors, are also key strengths of the Fund.

Lonsec believes that there is a strong argument for investing in a proven index fund, given the increased concentration of the Australian listed property securities sector. Vanguard is well placed to add value through the execution of its trades (minimising transaction costs), understanding capital flows and various risk optimisation techniques.

Funds Under Management (FUM) – Blessing or a Curse?

During 2009 the sector raised significant levels of capital to repair highly leveraged balance sheets. A spate of capital raisings became the norm, with some managers tactfully setting up their portfolio to take advantage of any mis-pricing or arbitrage opportunities. Some claimed to do it well (e.g. **RREEF, APN**) whilst others preferred not to play at all.

A-REIT capital raisings as a % of market cap



(Source: UBS)

The following table highlights the FUM of each manager in Lonsec's 2010 peer group.

Manager	FUM
Vanquard	\$2,349
BT	\$1,672
Challenger	\$1,405
CFS	\$1,220
APN	\$886
ING	\$878
Macquarie	\$672
RREEF	\$579
UBS	\$383
CS	\$285
EQT SGH	\$281
Perpetual	\$274
Legg Mason	\$229
Zurich	\$152
Principal	\$142
Aviva	\$128
Cromwell Phoenix	\$32

Managers with a large FUM such as BT, Challenger and CFS were in better standing during some of the capital raisings. Their large FUM meant they were first to get stock. Smaller players struggled.

That said, the smaller players are more nimble. They were able to get in and out of the less liquid stocks. These funds have outperformed their larger counterparts significantly, demonstrating that the nimbleness of small FUM was a bigger advantage than preferential access to capital raisings at a discount.

As an index fund, **Vanguard** has the largest FUM. During the global financial crisis, a majority of active managers underperformed their benchmarks whilst still charging 'active management fees'. This saw a steady growth in FUM for Vanguard.

Loss of talent

Over the last two years, the Lonsec peer group has deteriorated when considering the loss of talent seen in the sector. Senior analysts and portfolio managers are steadily leaving the sector in search of prospects elsewhere.

Manager	Talent Lost	Where are they now?
APN	Lawrence Parisi	Sell side
CFS	John Snowden	Fund Manager (not rated)
Challenger	John White	Unknown
Credit Suisse	David Scott	Unknown
	Patrick Barret	
ING	Justin Blaess	Investment Banking
Perpetual	Sean Murray	Unknown
	David Sullivan	
UBS	Andrew McGrath	Unknown
	David Curtis	

In most cases, those who have left organisations have not been replaced. Challenger is a clear example of this. John White (ex-co-PM of Challenger) has not been replaced since resigning early this year.

What has typically happened is a senior resource has then been promoted internally to 'fill' the portfolio manager position. ING did not replace Justin Blaess, and simply promoted Catriona Forrester into his role as portfolio manager. This promotes staff retention, by giving analysts the ability to develop new skills. However, the biggest detractor is the loss of valuable experience and the fact that the analysts have an unproven portfolio management track record.

Another theme has been the move to include the property securities investment teams as part of the managers' Australian equities capability. **Perpetual, Legg Mason, Aviva** and **UBS** are leaders in this field. In some ways this makes sense, given the A-REIT sector's increasing correlation to equities. As being part of the equities capability, the property securities teams are able to leverage off the knowledge of the broader equities team members.

2.3. Market Outlook

Capital values for a composite of Australian property sectors fell 9% over calendar 2009 ⁽¹⁾. Capitalisation rates of commercial property markets now appear to have stabilised.

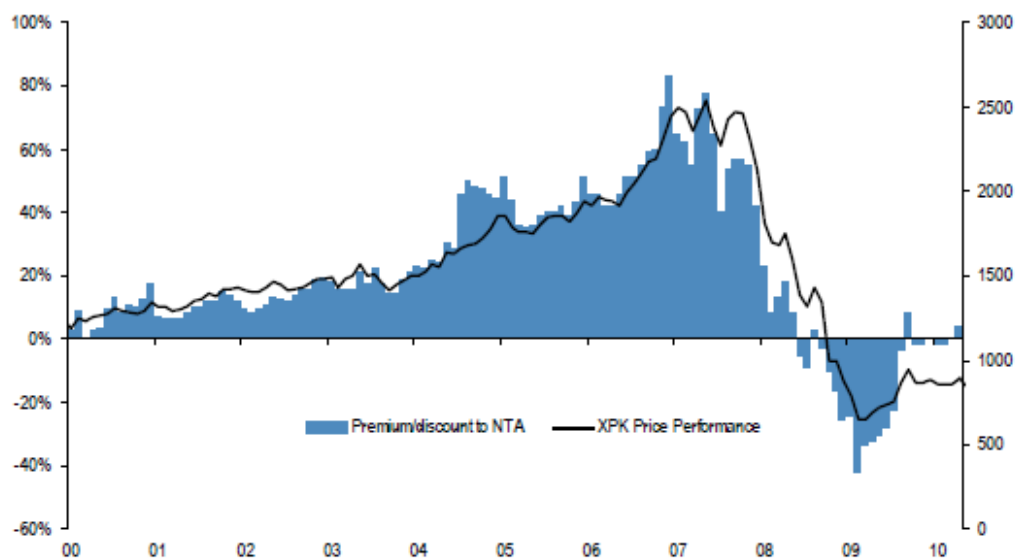
After a spate of capital raisings, reduced payout ratios, and a bottoming out of valuations in the sector, the emphasis on the downside of balance sheet pressure and liquidity metrics has begun to fade for most A-REITs. The sector has definitely cleaned itself up, with gearing at all time lows. With a number of stocks in the broader market posting earnings downgrades, A-REITs tend to shine. The managers have since, hopefully, learnt the lessons of excessive financial leverage and non-performing offshore assets.

It's definitely a stock pickers market, with divergence of performance expected to be a resounding theme. A-REITs with robust capital structures will be able to fund earnings accretive acquisitions. We have already seen a bit of this with Charter Hall purchasing the management rights of some of the Macquarie vehicles in early 2010. A key concern however, is that the sector will contract before it 'expands' into a truly diversified exposure to Australian listed property.

A number of Initial Public Offerings (IPOs) scheduled have since been scrapped (e.g. Investa), simply because they cannot list at a discount to Net Tangible Assets (NTA) given the costs involved in listing. The sector is still trading at a significant discount to NTA, compared to a 10 year average of a 22% premium. This shows both the extent of the current recovery but also the fact that there is a long way to go before it gets back to normalised levels.

The dilutive capital raisings that plagued the sector last year have definitely meant that earnings growth will be minimal at best, with no growth forecast for FY11. Nonetheless, A-REITs are finally reverting to what they used to be – predictably boring listed Australian property vehicles, with steady yields and a low correlation to the broader market.

Property Trust Sector Premium Discount to NTA



Source: IRESS, J.P. Morgan estimates.

(Note 1: Mercer/IPD Pooled Property Fund Index of unlisted wholesale property funds).

Analyst Disclosure & Certification

Analyst remuneration is not linked to the rating outcome. The Analyst(s) may hold the product(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: June 2010

Analyst: Thambi Matabiswana

Release Authorised by: Kevin Prosser

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Lonsec has introduced a graphical representation of its ratings system to allow readers to obtain ratings information at a glance. The following table explains the ratings for hybrid and managed funds projects.

 Highly Recommended	<p>The Highly Recommended rating indicates that Lonsec has high conviction in the manager's capabilities within this asset class. Lonsec does not have any issues or concerns with the manager's expected ability to outperform peers on a risk-adjusted basis and achieve its performance targets over a full economic cycle.</p>
 Recommended	<p>The Recommended rating indicates that the Fund is considered to be a worthy substitute for Highly Recommended products, given the manager is still considered to be well positioned overall to deliver outperformance in the long term. A Highly Recommended rating has not been assigned due to one or more factors that are likely to impact the manager's overall capabilities.</p>
 Investment Grade	<p>The Investment Grade rating indicates that the Fund is approved for investment and has the potential to achieve its investment objectives over a full economic cycle. However, there are particular areas of weakness or deficiency in the Fund, when compared to other products in the sector with higher ratings.</p>
Hold	<p>The Hold rating indicates that it is not recommended that any new or additional investment be made into this product. A Hold is typically assigned when Lonsec believes the Fund has the potential to achieve its investment objectives over a full economic cycle (and hence remains acceptable for existing investments), but other funds provide better long-term options for new investments. A 'Hold' is also assigned when a Fund closes to new money but Lonsec remains comfortable with the outlook for the Fund.</p>
Fund Watch	<p>The Fund Watch rating indicates that it is not recommended that any new or additional investment be made into this product. A 'Fund Watch' rating is typically assigned when a significant change has occurred with the management of the Fund and a more detailed assessment of the change is required. A Fund Watch rating can usually be interpreted as a precursor to a ratings change and will typically be shorter term in nature.</p>
Redeem	<p>The Redeem rating indicates the Fund is no longer considered worthy of investment for any time period, and redemption (sale of units) should be made as soon as possible. An adverse development has taken place that is considered detrimental to the interests of investors.</p>