



## SQM Research Media Release

24 November 2017

### **The Macquarie Australian Small Companies Fund has been downgraded from 4.00 stars to 3.75 stars by SQM Research**

SQM Research has today downgraded the rating of the Macquarie Australian Small Companies Fund, APIR Code MAQ0454AU (“the Fund”) from 4.00 stars to 3.75 stars following material changes to the investment team.

SQM Research has been informed by the Manager – Macquarie Investment Management (MIM) – of significant staff changes within Macquarie Investment Management’s Listed Equities business in Australia.

Patrick Hodgens, Head of Listed Equities for Asia-Pacific and four team members associated with the “fundamental” Australian equities business of MIM have elected to leave the business. This includes Matthew Fist who was a Co-Portfolio Manager for the Fund, as was Mr Hodgens. It is the understanding of SQM Research that Justin Gray will continue in his role as a manager of the Fund.

Macquarie Investment Management is yet to disclose full details of remedial action to be taken as a result of these departures.

The downgrade is an initial step SQM Research has taken in response to this development. We will continue to closely monitor and assess the situation as the Manager establishes and executes its strategy. The focus will be on the experience and quality of new members of the portfolio management team, portfolio structure, fund performance, and on trends in client inflows/outflows.

SQM Research expects that MIM will apply considerable resources and effort into ensuring a suitably qualified and experienced team continues to manage the Fund, whether from external or internal appointments.

Subsequent to this downgrade, the ongoing rating status of the Fund will be determined by the outcomes of the monitoring process.

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## About SQM Research

SQM Research is an investment research firm that undertakes research on investment products exclusively for its wholesale clients, utilising a proprietary review and star rating system. The SQM Research star rating system is of a general nature and does not take into account the particular circumstances or needs of any specific person. The rating may be subject to change at any time. Only licensed financial advisers may use the SQM Research star rating system in determining whether an investment is appropriate to a person's particular circumstances or needs. You should read the product disclosure statement and consult a licensed financial adviser before making an investment decision in relation to this investment product. SQM Research receives a fee from the Fund Manager for the research and rating of the managed investment scheme. For more information visit: [www.sqmresearch.com.au](http://www.sqmresearch.com.au)

## Research Methodology

In general, the assessment approach adopted by SQM Research incorporates a combination of qualitative and quantitative research techniques to assess property investment products,

Information generated is passed through the SQM Research assessment model at the completion of the assessment process. The assessment model generates a product score, which correlates to a specific star rating (out of a maximum of five stars). Each star rating covers a scoring range, allowing products to be ranked within quarter star increments.

Following are descriptions for each of the star ratings, which have been developed as a guide for dealer group research teams and investment committees:

| Star Rating         | Description             | Definition   | Investment Grading           |
|---------------------|-------------------------|--|------------------------------|
| 4½ stars and above  | Outstanding             | <b>Highly suitable for inclusion on APLs</b><br>The fund most often outperforms its peers and benchmark. In all cases, the fund is operating to its mandate and product disclosure statement (PDS). There are no corporate governance issues. Management is extremely experienced and skilled and has access to significant resources.   | High Investment grade rating |
| 4 stars to 4¼ stars | Superior                | <b>Suitable for inclusion on most APLs</b><br>The fund outperforms (or is likely to) its peers and benchmark the majority of the time. The fund most of the time has been operating within its mandate and PDS. There are very little to no corporate governance concerns. Management is of a very high calibre.   | High Investment grade rating |
| 3¾ stars            | Favourable              | <b>Consider for APL inclusion</b><br>The fund may outperform its peers and benchmark the majority of the time or SQM believes this is a fund that has the potential to be an outperforming fund over the medium term. Management is of a quality calibre but may not yet be fully tested. There are no corporate governance concerns, or they are of a minor nature  | Approved                     |
| 3½ stars            | Acceptable              | <b>Consider for APL inclusion, subject to advice restrictions</b><br>There is some degree of additional risk attached to the fund by way of performance. The fund may periodically underperform its peers and benchmark, or it has not been fully tested. There may be some additional concentration risk. Management is generally experienced and capable. There might be corporate governance issues of a mid-level nature or concerns over the Responsible Entities/Parent Entities financial position/performance. | Low investment grade rating  |
| 3¼ stars            | Caution required        | <b>Not suitable for most APLs</b><br>Performance has been significantly under benchmark and peers. There is a greater than average risk of under-performance over the medium term. There is a risk of the fund not operating to mandate or to its PDS. There are corporate governance concerns. Management has been operating in an average manner.  | Unapproved                   |
| 3 stars             | Strong Caution Required | <b>Not suitable for most APLs</b><br>The fund is unlikely to perform to its mandate over the near term. There might be some greater than average corporate governance concerns. SQM has a number of concerns of management.  | Unapproved                   |
| Below 3 stars       | Avoid or redeem         | <b>Not suitable for most APL inclusion</b>   | Unapproved                   |