



## SQM Research Media Release

Monday, 11<sup>th</sup> December 2017

### The Macquarie Australian Small Companies Fund has been revised from 3.75 stars to Hold by SQM Research

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

SQM Research has been informed by Macquarie Investment Management Australia Limited (MIM), the responsible entity of the Fund that a decision has been made to materially change the investment strategy of the Fund.

The investment strategy will change from a fundamentally driven approach to a lower tracking error (i.e. to a portfolio which tracks the index more closely), systematic investment approach (Quantitative Strategy).

The current SQM Research rating report is an opinion based on a strategy which is now being replaced. This means the report is no longer relevant to investors and should not be used as a source of information. The new rating designation of Hold reflects this transition.

#### **Hold – The rating is currently suspended until SQM Research receives further information.**

SQM Research has been engaged by MIM to review the new strategy and publish a rating report that will be relevant to investors subsequent to the strategy change. The report is expected to be available by the close of Q1 2018. The current Hold rating will remain in place until such time as the new rating report is released.

**SQM Research emphasises that a rating report does not take into account the objectives, financial situation or needs of individual investors. Since the impact of this change will vary depending on each investor’s personal circumstances, SQM Research strongly counsels investors to speak to their financial adviser or accountant to obtain independent, personalised advice.**

#### **Macquarie Investment Management Global Limited (MIMGL), the investment manager of the Fund has advised investors of the following important details:**

*“MIMGL will commence transitioning the Fund’s portfolio to the Quantitative Strategy no earlier than 18 December 2017. The transition is expected to be finalised by no later than 24 January 2018.*

*As a result of the changes to the investment objective and strategy of the Fund, a number of other changes will also be made to the Fund including:*

<i>Proposed Change</i>	<i>Reduction of the management fee to 0.60 % p.a. (inclusive of the net effect of GST)</i>
<i>Expected Date of Proposed Change</i>	<i>18 December 2017</i>
<i>Proposed Change</i>	<i>Finalisation of change to Quantitative Strategy including increase in number of stock holdings</i>
<i>Expected Date of Proposed Change</i>	<i>by 24 January 2018</i>



*The costs of transition are expected to be no greater than 0.30% of the net asset value of the Fund and will be reflected in the unit price of the Fund. The buy/sell spread of the Fund will also be reviewed to determine if it is appropriate to reduce the spread following the change to the investment strategy.*

### **Product Disclosure Statement**

*A revised Product Disclosure Statement (PDS) for the Fund containing further details will be issued on or about 18 December 2017. The PDS will be able to be accessed at [macquarie.com.au/pds](http://macquarie.com.au/pds) or by contacting Client Service at the details below.*

### **Applications**

*We will not accept new or additional investments into the Fund after 2.00pm on 5 December 2017 until we determine otherwise. We expect to reopen the Fund for applications on 18 December 2017 following the issue of the revised PDS.*

### **Redemptions**

*Any redemptions made in accordance with the Product Disclosure Statement of the Fund dated 22 September 2017 will continue to be considered in accordance with the PDS."*

The Hold rating is an initial phase while SQM Research undertakes a full review and assessment of the new strategy, upon which a new rating will be released in Q1 2018.

Any material changes to this situation will be advised to subscriber clients of SQM Research.

### **For further information:**

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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 please 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> 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> 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> 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> 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> 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> 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

**Hold** – The rating is currently suspended until SQM Research receives further information. A rating is typically put on hold for a period of two days to six weeks.

**Withdrawn** – The rating is no longer applicable. Significant issues have arisen since the last report was issued, and investors should avoid or redeem units in the fund.

**Not rated** – the fund has not been rated by SQM.