Grow | Marinis Group

From: Grow | Marinis Group
Sent: Friday, 1 May 2015 11:06 AM
To: Grow | Marinis Group
Subject: Buying the Market
Attachments: S and P Dow Jones Indices Australia SPIVA Report - Year End 2014.pdf; Vanguard Adviser Insights - Core Strength & Client Outcomes.pdf

Dear friends

After more than 30 years of living-and-breathing investment strategies, I have formed the view (and shared it with most of you) that the best way of 'getting rich slowly' and **most importantly** staying rich is conservative investing.

My conservative default position is to recommend to clients that they 'buy the market'. In other words, invest in a managed fund which spreads the risk across all of the top shares and sectors in the market rather than gambling on one or two stocks. This is also a very cost effective way of investing and cost matters a lot to the eventual outcome. I sometimes call this my 'core' approach.

If clients want more risk (and potential return) I will recommend a 'satellite' addition to the core. This means buying a managed fund which focuses on a particular sector. This is an approach usually used during the wealth creation stage.

Attached to this edition of eGrow are two articles which I thought you might be interested in reading if you would like to know more about my ideas on investing.

The first article is from S&P Dow Jones Indices, the global index provider who constructs and maintains the S&P/ASX index series, which has looked critically at the managed investment funds in Australia and their performance. Their research backs up my observations, I'm pleased to say (in particular, I refer you to Report 1 on Page 4 of this report).

The second is an explanation of my 'Core and Satellite' investing approach which I was asked to write for the investment manager Vanguard.

As always, if you would like to discuss any of the issues raised within this edition of eGrow, or your personal circumstances, please do not hesitate to call me or any of the Marinis Financial Group team.

Kind Regards

Theo Marinis B.A, B.Ec, CPA, CFP®
Financial Strategist
Authorised Representative

NOTE: The attached Vanguard Article has been reprinted with the permission of Vanguard Investments Australia Ltd.

NOTE: The attached S&P Dow Jones Indices Australia SPIVA Report has been attached with the permission of S&P Dow Jones Indices.

GROW @ Marinis

Financial Strategies (SA) Pty Ltd | **ABN** 54 083 005 930
Trading as **Marinis Financial Group** | Australian Financial Services Licence No: 326403

P 08 8130 5130 | **F** 08 8331 9161 | **E** grow@marinisgroup.com.au
A 67 Kensington Road, Norwood SA 5067 | **W** marinisgroup.com.au

Adviser insights: Core strength and client outcomes

Theo Marinis, Managing Director, Marinis Financial Group SA | 12 April 2015

Vanguard asked founder of Marinis Financial Group, Theo Marinis, to discuss the core-satellite approach and why it's important for both his clients and his business

At last the word about 'getting rich slowly' is out - but this shouldn't be confused with taking sensible risk - that old truism 'you need to speculate to accumulate' is founded in experience

I became a financial planner after the longest (and perhaps, the most appropriate) apprenticeship ever – at the ATO, the Insurance and Superannuation Commission and Centrelink. As a consequence I know the system, the markets and policy backwards – including the inherent risks

While I recognise the importance of active funds and direct stocks, I also understand that the best foundation for most of my clients' portfolios is simply to 'buy the market' via a low cost, lower risk, diversified index fund

This is because the broad diversification, style consistency and risk-control benefits of including an index core have been more effective in lowering overall portfolio volatility and keeping my clients on track over the longer term

Indexing is also beneficial for another very important reason - costs Index funds are often two or three times less expensive than active funds, sometimes more.

Protecting the retirement 'nest egg': the true cost of investing

I am quite passionate about the subject of costs as it is my view that Australians pay far too much for their investments The impact of excessive fees is very real, and can have a significant impact on the retirement nest-egg

Costs can take the form of management expenses, platform fees, taxes and any other related fees applied to investors' capital as it changes through time These costs place a significant drag on the net performance of a portfolio

In my view, many investors are paying over the odds in investment fees, particularly for active management, which relies on a manager's ability to outperform the market – a difficult task for many particularly when fees are taken into account

Focusing on minimising costs is an obvious way I have been able to drive better long term outcomes for my clients

I talk to my clients a lot about compounding If an investor saves one per cent in fees each year on their investment over a decade, they might believe they will therefore be 10 per cent better off In reality the impact on their portfolio balance is far greater, as cost savings have a compounding effect on their capital balance over time.

Core-satellite – the best of both index and active management

For the last decade I have been advising my clients on the benefits of a 'core satellite' approach to investing

This approach provides the framework for including both index and active funds in one portfolio, meaning my clients are able to capture market returns at a lower fee, while also capturing the opportunity for outperformance from a smaller actively managed component

The core therefore becomes the heart of a good investment portfolio Based on low cost index investments, it is the engine that powers long term growth – and like an old diesel, it chugs away in the background The satellite is the ancillary element of the portfolio designed to augment the core, capture potential alpha and isolate investment risk.

At a practice level, one of the biggest benefits of this approach is that once the index core is in place, we can take a very streamlined and efficient approach to implementing our clients' asset allocations by adjusting the active fund exposure to achieve a desired risk/return profile.

We assess the client's phase in the wealth creation cycle, their appetite for risk and their investment timeframe. If a client is interested in taking on a little more risk to increase overall returns, we allocate a smaller number of high-conviction 'satellites' to the portfolio, dedicating a portion of funds in more speculative sectors such as infrastructure, international shares or even technology. Our 'satellite' recommendations are guided by our research, as well as the comfort level and preference of the investor.

As a business, core-satellite allows us to be more productive and efficient with our time. Rather than endlessly researching and monitoring a large number of active portfolios, the 'set and forget' index core means we can really focus our time on our clients. Fewer investments in a portfolio means we have very high conviction in the satellites we do select, and we know they are aligned with our client's goals.

I also believe clients have greater confidence and comfort, as they are able to work toward their long-term investment goals with lower volatility and risk, and less of their nest-egg is consumed by fees.

I have found core-satellite to be the best way to successfully drive long-term portfolio performance and protect the best interests of our clients. Meaning we can take a sensible level of portfolio risk to help our clients 'get rich slowly.'

Theo Marinis
Managing Director
Marinis Financial Group

CPD LEARNING CENTRE

Did you know that this article is also CPD-accredited?

Register or log in to access our range of CPD-accredited research papers, videos and articles.

S&P DOW JONES INDICES
McGRAW HILL FINANCIAL

RESEARCH
Year-End 2014

SPIVA® Australia Scorecard

CONTRIBUTOR

Priscilla Luk
Director
Global Research & Design
priscilla.luk@spdji.com

SUMMARY

- S&P Dow Jones Indices has been the de facto scorekeeper of the ongoing active versus passive debate since the first publication of the U.S. SPIVA Scorecard in 2002. Over the years, we have built on our decade of experience publishing the report by expanding scorecard coverage into Australia, Canada, Europe, India, Japan, and Latin America. While the report will not end the debate on active versus passive investing in Australia, we hope to make a meaningful contribution by examining market segments in which one strategy works better than the other.

- The SPIVA Australia Scorecard reports on the performance of actively managed Australian mutual funds against their respective benchmark indices over one-, three-, and five-year investment horizons. In this scorecard, we evaluated returns of more than 620 Australian equity funds (large-, mid-, and small-cap, and A-REIT), 280 international equity funds, and 70 Australian bond funds.

- There is no consistent trend in the yearly active versus index figures, but we have consistently observed that the majority of Australian active funds in most categories fail to beat the comparable benchmark indices over three- and five-year horizons. In 2014, the majority of funds in all categories, except Australian small-cap funds, underperformed their respective index benchmarks over the one-, three-, and five-year periods. Australian A-REIT and Australian bond funds had the worst relative performances, with more than 90% of funds underperforming the S&P/ASX 200 A-REIT and the S&P/ASX Australian Fixed Interest Index.

- **Australian General Equity Funds:** The Australian equity market was relatively weak in 2014 compared to the previous year, as the S&P/ASX 200 posted a small return of 5.6% in 2014 versus the remarkable gain of 20% in 2013. This year, more than 60% of Australian large-cap funds delivered a lower annual return than the S&P/ASX 200. On average, all funds in this category provided their investors with a 4.85% return.

- **Australian Small-Cap Equity Funds:** Consistent observations of Australian small-cap funds beating their respective benchmark shows that small-cap stocks in the Australian market have been relatively underresearched compared to large-cap stocks, providing more opportunities for active asset managers to take advantage of any mispricings in this market. More than three-quarters of Australian small-cap funds beat the S&P/ASX Small Ordinaries over the past one year. The index recorded a loss of 3.8% in 2014, while funds in this category, on average, delivered a small profit of 2.1%.

- **International Equity Funds:** International equities performed better than domestic equities in 2014, with the S&P Developed Ex-Australia LargeMidCap posting a 15.4% return for the year. However, four out of five international funds failed to beat the benchmark in the past one year, consistent with the observations for the past three and five years. The equal- and asset-weighted average returns of international equity funds in the past one year were 11.5% and 12.5%, respectively—both lower than the benchmark by significant margins.

- **Australian Bonds Funds:** Performance of the Australian bond market was remarkable last year. The S&P/ASX Australian Fixed Interest Index gained 10.5% in 2014, much better than the previous year. But the majority of Australian bond fund investors did not enjoy the same performance, as 94% of Australian bond funds recorded lower-than-benchmark returns in the past one year. The average return of funds in this category, either weighted equally or by assets, was below the benchmark return by more than 2%.

- **Australian A-REIT Funds:** The Australian A-REIT funds, on average, recorded strong returns of more than 24% in 2014. But the S&P/ASX 200 A-REIT reported even higher return of 27%, outperforming 92% of funds in this category. Over the three- and five-year periods, the S&P/ASX 200 A-REIT outperformed more than 80% of Australian A-REIT funds.

- **Fund Survivorship:** Even for a short period of one year, none of the Australian fund categories maintained a 100% survivorship rate. Approximately 3%-4% of funds disappeared from different fund categories in the past one year. Over the five-year horizon, Australian A-REIT and international equity funds disappeared at the fastest rate, with more than one quarter of them liquidated or merged, respectively. Australian small-cap funds had the highest survivorship rate, with close to 82% of them surviving the five-year period.

- **Equal-Weighted Average Fund Returns:** Apart from Australian small-cap funds, all other fund categories consistently recorded lower-than-benchmark returns over the one-, three-, and five-year periods. The average return of international equity funds lagged the S&P Developed Ex-Australia LargeMidCap by more than 2% in all measured periods. Meanwhile, the average return of Australian large-cap funds underperformed the S&P/ASX 200 by narrow margins only.

- **Asset-Weighted Average Fund Returns:** Asset-weighted average returns for most fund categories exceeded their respective equal-weighted average returns across all observed periods, showing that larger funds delivered higher returns than smaller funds in all of the measured peer groups. The Australian large-cap equity funds experienced the most significant difference between their equal- and asset-weighted average returns.

A UNIQUE SCORECARD FOR THE ACTIVE VERSUS PASSIVE DEBATE

There is nothing novel about the index versus active debate. It has been a contentious subject for decades, and there are few strong believers on both sides, with the vast majority of investors falling somewhere in between. Since its first publication 12 years ago, the SPIVA Scorecard has served as the de facto scorekeeper of the active versus passive debate. Over the last decade, we have heard passionate arguments from believers in both camps when headline numbers have deviated from their beliefs.

Beyond the SPIVA Scorecard's widely cited headline numbers is a rich data set that addresses issues related to measurement techniques, universe composition, and fund survivorship that are far less frequently discussed, but are often much more fascinating. These data sets are rooted in the following fundamental principles of the SPIVA Scorecard, with which regular readers will be familiar.

- **Survivorship bias correction:** Many funds might be liquidated or merged during a period of study. However, for someone making an investment decision at the beginning of the period, these funds are part of the opportunity set. Unlike other commonly available comparison reports, SPIVA Scorecards account for the entire opportunity set—not just the survivors—thereby eliminating survivorship bias.

- **Apples-to-apples comparison:** Fund returns are often compared with a popular benchmark regardless of their investment category. The SPIVA Australia Scorecard makes an appropriate comparison by measuring a fund's returns against the returns of a benchmark that reflects the fund's investment category.

- **Asset-weighted returns:** Average returns for a fund group are often calculated using only equal weighting, which results in the returns of an AUD 10 billion fund affecting the average in the same manner as the returns of an AUD 10 million fund. However, the SPIVA Australia Scorecard shows both equal- and asset-weighted averages. Equal-weighted returns are a measure of average fund performance, while asset-weighted returns are a measure of the performance of the average invested dollar.

- **Data cleaning:** SPIVA Scorecards avoid double counting multiple share classes in all count-based calculations, using only the share class with greater assets. Since this is meant to be a scorecard for active managers, index funds, leveraged, and inverse funds and other index-linked products are excluded.

Please note that neither S&P Dow Jones Indices, nor any of its affiliates make any assurance or provide any investment recommendation on the appropriateness of investing in either index or active investing. S&P Dow Jones Indices does not sponsor, endorse, sell, or promote any investment fund or other investment vehicle that is offered by third parties and that seeks to provide an investment return based on the performance of any index. The SPIVA Australia Scorecard simply provides semi-annual statistics according to the SPIVA methodology and a brief analysis of those statistics. Further, S&P Dow Jones Indices does advise that anyone reading this report also read the SPIVA methodology in the report in order to understand how the data was derived.

REPORTS

Report 1: Percentage of Funds Outperformed by the Index				
Fund Category	**Comparison Index**	**One-Year (%)**	**Three-Year (%)**	**Five-Year (%)**
Australian Equity General	S&P/ASX 200	61.44	63.14	77.56
Australian Equity Small-Cap	S&P/ASX Small Ordinaries	23.71	12.24	18.56
International Equity General	S&P Developed Ex-Australia LargeMidCap	80.58	88.21	86.09
Australian Bonds	S&P/ASX Australian Fixed Interest Index	94.12	86.54	85.71
Australian Equity A-REIT	S&P/ASX 200 A-REIT	91.67	80.00	80.22

Source: S&P Dow Jones Indices LLC, Morningstar. Data as of Dec. 31, 2014. Charts and tables are provided for illustrative purposes. Past performance is no guarantee of future results.

Report 2: Survivorship and Style Consistency of Funds		
Fund Category	**No. of Funds at Start**	**Survivorship (%)**
One-Year		
Australian Equity General	311	97.43
Australian Equity Small-Cap	97	96.91
International Equity General	206	96.12
Australian Bonds	51	96.08
Australian Equity A-REIT	73	95.89
Three-Year		
Australian Equity General	319	90.60
Australian Equity Small-Cap	98	89.80
International Equity General	212	86.79
Australian Bonds	52	92.31
Australian Equity A-REIT	81	83.95
Five-Year		
Australian Equity General	360	76.11
Australian Equity Small-Cap	97	82.47
International Equity General	231	74.46
Australian Bonds	56	78.57
Australian Equity A-REIT	92	71.74

Source: S&P Dow Jones Indices LLC, Morningstar. Data as of Dec. 31, 2014. Charts and graphs are provided for illustrative purposes. Past performance is no guarantee of future results.

Report 3: Average Fund Performance (Equal-Weighted)			
Index/Peer Group	One-Year (%)	Three-Year Annualized (%)	Five-Year Annualized (%)
S&P/ASX 200	5.60	15.13	6.75
Australian Equity General	4.85	15.08	6.35
S&P/ASX Small Ordinaries	-3.80	0.58	-2.01
Australian Equity Small-Cap	2.07	12.30	7.22
S&P Developed Ex-Australia LargeMidCap	15.41	25.22	12.98
International Equity General	12.48	22.29	10.85
S&P/ASX Australian Fixed Interest Index	10.52	6.70	7.62
Australian Bonds	8.25	6.01	6.83
S&P/ASX 200 A-REIT	27.03	21.85	12.17
Australian Equity A-REIT	24.17	20.63	11.58

Source: S&P Dow Jones Indices LLC, Morningstar. Data as of Dec. 31, 2014. All returns in AUD. Charts and graphs are provided for illustrative purposes. Past performance is no guarantee of future results.

Report 4: Average Fund Performance (Asset-Weighted)			
Index/Peer Group	One-Year (%)	Three-Year Annualized (%)	Five-Year Annualized (%)
S&P/ASX 200	5.60	15.13	6.75
Australian Equity General	5.42	15.80	6.91
S&P/ASX Small Ordinaries	-3.80	0.58	-2.01
Australian Equity Small-Cap	2.87	13.07	7.36
S&P Developed Ex-Australia LargeMidCap	15.41	25.22	12.98
International Equity General	11.46	23.39	11.18
S&P/ASX Australian Fixed Interest Index	10.52	6.70	7.62
Australian Bonds	8.37	6.27	7.12
S&P/ASX 200 A-REIT	27.03	21.85	12.17
Australian Equity A-REIT	24.55	20.84	11.92

Source: S&P Dow Jones Indices LLC, Morningstar. Data as of Dec. 31, 2014. All returns in AUD. Charts and graphs are provided for illustrative purposes. Past performance is no guarantee of future results.

Report 5: Quartile Breakpoints of Fund Performance			
Fund Category	Third Quartile	Second Quartile	First Quartile
One-Year			
Australian Equity General	2.59	4.70	6.67
Australian Equity Small-Cap	-2.62	1.89	10.21
International Equity General	9.77	12.62	14.58
Australian Bonds	7.00	8.59	9.36
Australian Equity A-REIT	23.43	24.83	26.06
Three-Year			
Australian Equity General	13.54	14.73	16.12
Australian Equity Small-Cap	6.67	12.17	16.91
International Equity General	20.51	22.57	24.20
Australian Bonds	5.25	5.92	6.51
Australian Equity A-REIT	19.85	20.75	21.68
Five-Year			
Australian Equity General	5.11	5.96	7.05
Australian Equity Small-Cap	4.02	6.20	10.04
International Equity General	9.44	10.92	12.20
Australian Bonds	6.04	6.74	7.48
Australian Equity A-REIT	10.56	11.58	12.20

Source: S&P Dow Jones Indices LLC, Morningstar. Data as of Dec. 31, 2014. All returns in AUD. Charts and graphs are provided for illustrative purposes. Past performance is no guarantee of future results.

APPENDIX A: GLOSSARY

SPIVA Styles and Morningstar Fund Classifications

Data from Morningstar is obtained for all managed funds domiciled in Australia for which month-end data is available during the performance period. The data includes the most-comprehensive Australian fund data on active and finalized (merged or liquidated) funds over the chosen period. Funds are classified based on the Morningstar fund classification system, and the SPIVA Australia Scorecard covers Australian large-cap equity, Australian mid/small-cap equity, international equity, Australian bonds, and Australian REIT categories.

The Morningstar classification system produces narrow, style-based classifications for Australian equity funds. S&P Dow Jones Indices have consolidated the style-based categories in order to generate a larger sample size and develop a broad-market comparison to market-based benchmarks. A narrow, style-based comparison would yield a limited sample size, given value and growth style segments are not consistently discernible over the past five years.

Morningstar categories have been mapped to SPIVA peer groups in the following manner.

Exhibit 1: Australian Equity Funds: SPIVA and Morningstar Categories	
SPIVA Category	**Morningstar Category**
Australian Equity General	Equity Region Australia Large Value
	Equity Region Australia Large Growth
	Equity Region Australia Large Blend
Australian Equity Small-Cap	Equity Region Australia Mid/Small Value
	Equity Region Australia Mid/Small Growth
	Equity Region Australia Mid/Small Blend
International Equity General	Equity Region World Large Value
	Equity Region World Large Growth
	Equity Region World Large Blend
Australian Bonds	Australian Bonds
Australian Equity A-REIT	Equity Sector Australia–Real Estate

Source: S&P Dow Jones LLC and Morningstar. Charts and tables are provided for illustrative purposes.

Benchmarks

The chosen benchmarks are shown in the table below. All index returns are total returns (i.e., include dividend reinvestment) in Australian dollar. There has been no deduction from index returns to account for fund investment expenses. It is important to note that active fund returns are after expenses, but they do not include loads and entry fees.

The benchmarks chosen are the most commonly adopted benchmarks for funds that fall into the respective fund peer groups. In some instances, a fund may not adopt the benchmarks stipulated below. However, a vast majority do set their performance hurdle based on the assigned benchmarks in this report, ensuring that the study is robust and fair.

Exhibit 2: SPIVA Categories and Their Benchmarks	
SPIVA Category	**Benchmark Index**
Australian Equity General	S&P/ASX 200
Australian Equity Small-Cap	S&P/ASX Small Ordinaries
International Equity General	S&P Developed Ex-Australia LargeMidCap
Australian Bonds	S&P/ASX Australian Fixed Interest Index
Australian Equity A-REIT	S&P/ASX 200 A-REIT

Source: S&P Dow Jones LLC and Morningstar. Charts and tables are provided for illustrative purposes.

APPENDIX B: GLOSSARY

Percentage of Funds Outperformed by the Index

To correct for survivorship bias, we use the opportunity set available at the beginning of the period as the denominator. We determine the count of funds that have survived and beat the index. We then report the index outperformance percentage.

Survivorship (%)

This measure represents the percentage of funds in existence at the beginning of the time period that is still active at the end of the time period.

Equal-Weighted Fund Performance

Equal-weighted returns for a particular style category are determined by calculating a simple average return of all active funds in that category in a particular month.

Asset-Weighted Fund Performance

Asset-weighted returns for a particular style category are determined by calculating a weighted average return of all funds in that category in a particular month, with each fund's return weighted by its total net assets. Asset-weighted returns are a better indicator of fund category performance because they more accurately reflect the returns of the total money invested in that particular style category.

Quartiles Breakpoints

The pth percentile for a set of data is the value that is greater than or equal to p% of the data, but is less than or equal to (100-p)% of the data. In other words, it is a value that divides the data into two parts: the lower p% of the values and the upper (100-p)% of the values. The first quartile is the 75th percentile, the value separating the elements of a population into the lower 75% and the upper 25%. The second quartile is the 50th percentile and the third quartile is the 25th percentile. For fund category quartiles in a particular time horizon, the data used is the return of the largest share class of the fund net of fees, excluding loads.

Survivorship Bias

Many funds might liquidate or merge during a period of study. This usually occurs due to continued poor performance by the fund. Therefore, if index returns were compared to fund returns using only surviving funds, the comparison would be biased in favor of the fund category. These reports remove this bias by (a) using the entire investment opportunity set, made up of all funds in that particular category at the outset of the period, as the denominator for outperformance calculations, (b) explicitly showing the survivorship rate in each category, and (c) constructing peer average return series for each category based on all available funds at the outset of the period.

Fees

The fund returns used are net of fees, excluding loads.

Indices

A benchmark index provides an investment vehicle against which fund performance can be measured.

S&P/ASX 200

The S&P/ASX 200 is recognized as the institutional investable benchmark in Australia. The index covers approximately 80% of Australian equity market capitalization. Index constituents are drawn from eligible companies listed on the Australian Securities Exchange. The S&P/ASX 200 is a highly liquid and investable index that is designed to address investment managers' needs to benchmark against a portfolio characterized by sufficient size and liquidity.

S&P/ASX Small Ordinaries

The S&P/ASX Small Ordinaries represents the small-cap members of the S&P/ASX 300, but excludes those in S&P/ASX 100. The S&P/ASX Small Ordinaries is used as an institutional benchmark for small-cap Australian equity portfolios. The index covers approximately 7% of Australian equity market capitalization.

S&P Developed Ex-Australia LargeMidCap

The S&P Developed Ex-Australia LargeMidCap is a float-adjusted, market-capitalization-weighted index comprising large- and mid-cap companies in developed markets, excluding Australia. It represents approximately 85% of each relevant market's total available capital. This index is part of the S&P Global BMI (Broad Market Index) Series.

S&P/ASX Australian Fixed Interest Index

The S&P/ASX Australian Fixed Interest Index Series is a broad benchmark index family designed to measure the performance of the Australian bond market that meets certain investability criteria. The index is split across investable investment grade, Australian dollar-denominated bonds issued in the local market with maturities greater than one year.

S&P/ASX 200 A-REIT

The S&P/ASX 200 A-REIT is a sector subindex of the S&P/ASX 200. The index seeks to provide investors with exposure to Australian Real Estate Investment Trusts (A-REITs), which are captured under the Global Industry Classification Standard (GICS® Tier 3).

INDEX RESEARCH & DESIGN CONTACT INFORMATION

Global Head	
Keith Loggie	keith.loggie@spdji.com

New York	
Vishal Arora	vishal.arora@spdji.com
Phillip Brzenk	phillip.brzenk@spdji.com
Qing Li	qing.li@spdji.com
Berlinda Liu	berlinda.liu@spdji.com
Aye Soe	aye.soe@spdji.com
Peter Tsui	peter.tsui@spdji.com
Hong Xie	hong.xie@spdji.com

Beijing	
Liyu Zeng	liyu.zeng@spdji.com

Hong Kong	
Priscilla Luk	priscilla.luk@spdji.com

India	
Utkarsh Agrawal	utkarsh.agrawal@spdji.com

London	
Sunjiv Mainie	sunjiv.mainie@spdji.com
Daniel Ung	daniel.ung@spdji.com

ABOUT S&P DOW JONES INDICES

S&P Dow Jones Indices LLC, a part of McGraw Hill Financial, Inc., is the world's largest, global resource for index-based concepts, data and research. Home to iconic financial market indicators, such as the S&P 500® and the Dow Jones Industrial Average™, S&P Dow Jones Indices LLC has over 115 years of experience constructing innovative and transparent solutions that fulfill the needs of institutional and retail investors. More assets are invested in products based upon our indices than any other provider in the world. With over 1,000,000 indices covering a wide range of assets classes across the globe, S&P Dow Jones Indices LLC defines the way investors measure and trade the markets. To learn more about our company, please visit www.spdji.com.

GENERAL DISCLAIMER

 This document does not constitute an offer of services in jurisdictions where S&P Dow Jones Indices LLC, Dow Jones, S&P or their respective affiliates (collectively "S&P Dow Jones Indices") do not have the necessary licenses. All information provided by S&P Dow Jones Indices is impersonal and not tailored to the needs of any person, entity or group of persons. S&P Dow Jones Indices receives compensation in connection with licensing its indices to third parties. Past performance of an index is not a guarantee of future results.

It is not possible to invest directly in an index. Exposure to an asset class represented by an index is available through investable instruments based on that index. S&P Dow Jones Indices does not sponsor, endorse, sell, promote or manage any investment fund or other investment vehicle that is offered by third parties and that seeks to provide an investment return based on the performance of any index. S&P Dow Jones Indices makes no assurance that investment products based on the index will accurately track index performance or provide positive investment returns. S&P Dow Jones Indices LLC is not an investment advisor, and S&P Dow Jones Indices makes no representation regarding the advisability of investing in any such investment fund or other investment vehicle. A decision to invest in any such investment fund or other investment vehicle should not be made in reliance on any of the statements set forth in this document. Prospective investors are advised to make an investment in any such fund or other vehicle only after carefully considering the risks associated with investing in such funds, as detailed in an offering memorandum or similar document that is prepared by or on behalf of the issuer of the investment fund or other vehicle. Inclusion of a security within an index is not a recommendation by S&P Dow Jones Indices to buy, sell, or hold such security, nor is it considered to be investment advice.

These materials have been prepared solely for informational purposes based upon information generally available to the public and from sources believed to be reliable. No content contained in these materials (including index data, ratings, credit-related analyses and data, research, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse-engineered, reproduced or distributed in any form or by any means, or stored in a database or retrieval system, without the prior written permission of S&P Dow Jones Indices. The Content shall not be used for any unlawful or unauthorized purposes. S&P Dow Jones Indices and its third-party data providers and licensors (collectively "S&P Dow Jones Indices Parties") do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Dow Jones Indices Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON AN "AS IS" BASIS. S&P DOW JONES INDICES PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Dow Jones Indices Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of the Content even if advised of the possibility of such damages.

S&P Dow Jones Indices keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P Dow Jones Indices may have information that is not available to other business units. S&P Dow Jones Indices has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

In addition, S&P Dow Jones Indices provides a wide range of services to, or relating to, many organizations, including issuers of securities, investment advisers, broker-dealers, investment banks, other financial institutions and financial intermediaries, and accordingly may receive fees or other economic benefits from those organizations, including organizations whose securities or services they may recommend, rate, include in model portfolios, evaluate or otherwise address.

The Global Industry Classification Standard (GICS®) was developed by and is the exclusive property and a trademark of Standard & Poor's and MSCI. Neither MSCI, Standard & Poor's nor any other party involved in making or compiling any GICS classifications makes any express or implied warranties or representations with respect to such standard or classification (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such standard or classification. Without limiting any of the foregoing, in no event shall MSCI, Standard & Poor's, any of their affiliates or any third party involved in making or compiling any GICS classifications have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

Morningstar Direct is a service mark of Morningstar, Inc.