



Press Release

AltaVista Research Pty Ltd

ETF Portfolio Builder Enhancements Launch

Dated: 22nd October 2013

ETF Portfolio Modelling – The game is changing

Independent ETF research house and Model Portfolio provider, AltaVista Research, has released a new version of its Portfolio Builder that enables advisors to blend their own ETF Model Portfolios using the universe of “plain vanilla” equities and fixed interest ETFs from all issuers.

What’s not actively pointed out is that whilst the number of ETFs in Australia may be small by global standards, the universe of ASX domiciled ETFs does allow for the construction of well diversified, cost effective and readily implemented ETF model portfolios across the major asset classes of domestic and global equities, bonds and cash.

In practical terms, the use of just one or two favourite ETFs to gain, for example an Australian equities exposure, frankly just may not be good enough from a portfolio construction or client outcome perspective. It’s just not as straightforward as simply buying the ASX200 and a satellite fund. Arguably, more value can be added and the new Portfolio Builder can help advisors deliver this to their clients.

ETFs are best used and can provide a viable alternative mainstream investment option when used in conjunction with a number of ETFs within a client’s portfolio. Our newly enhanced Portfolio Builder aims to provide advisors with the ease and convenience to harness the full transparency that ETFs provide through our quantitative research-based tools in order to construct portfolios to their

desired specifications. Full quantitative research-driven reporting is provided ready to analyse and / or to present to the client.

The argument to use ETFs has generally been about the product and implementation differences. Use of ETFs has been arguably slower than expected and the business process changes involved are considerable. Our approach has been to try and cut through this. In our view, providing more ETF relevant research allows for greater education whilst appropriate analytical and modelling tools immediately deliver greater flexibility and time savings.

We seek to enable and empower advisors who wish to develop client specific ETF Model Portfolios in a convenient, consistent and reliable manner. This drives better client outcomes and greater business efficiency. When it takes considerably less than 5 minutes from login to report, it's designed to allow advisors to utilise ETFs far more readily. Our view is that with better tools, advisors will begin to deliver better outcomes all round.

Using the new Portfolio Builder, creating well-researched multi-ETF portfolio is now a reality. It's now straightforward to build an Australian Equities portfolio where total issuer-level product costs can equate to under 22 basis points or to build a Global Equities (ex-Australia) for under 40 basis points, with no Investment Management Fee, platform or unit trust in sight, this is what we call a game changer.

AltaVista's "best-of-breed" offering comprises its proprietary quantitative research on 48 equities-based (already including the four new Market Vectors' ETFs) and 10 Fixed interest-based ETFs on the ASX, analytical assessment tools, Portfolio Builder and their suite of embedded SAA Model Portfolios. On a global basis, AltaVista also covers over 750 Equities ETFs listed on the NYSE.

Journalist Notes:

About AltaVista Research

AltaVista Research is a fully independent research house. It derives no income from any product issuer or fund manager. It only receives income from clients through research subscriptions and the provision of Model Portfolio offerings. To date, our clientele includes financial advisors, accountants, stockbrokers, Dealer Groups and other advice giving entities.

AltaVista Research Pty Ltd is part of the Independent Investment Research group of entities (IIR). IIR was founded in 1999 and commenced trading as Aegis Equities Research. Part of the Aegis equities research and Aegis brand was sold to Morningstar in 2010. Some senior executives of Aegis retained part of the research business including research for ETFs and LICs. IIR then entered into a licence agreement for ETF research with AltaVista Research LLC in the US.

AltaVista Research LLC was founded in the US in early 2004 to provide research on the rapidly growing number of Exchange Traded Funds. In Australia, AltaVista delivers three core research services:

- Fundamentals-driven and forward-looking research on both Equities and Fixed Interest ETFs
- ETF-only Model Portfolios – both SAA and TAA
- Customised Model Portfolios

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ASX ETP marketplace – Equities-based ETFs:

There are 90 Exchange Traded Products listed on the ASX and they are classified by type in many ways, including the following:

Type	Count @ 30 Sep '13			FUM @ 30 Sep '13			Not Rated Listing:
	Total	Rated	Not Rated	Total	Rated	Not Rated	
Australian Equities ETFs	27	26	1	4,980.32	4,979.60	0.72	AAA
International Equities ETFs	23	22	0	2,610.46	2,099.74	3.16	Hedged
Fixed Interest ETFs	10	10	0	180.76	157.66	0.00	
Cash ETFs	1	0	1	278.78	0.00	278.78	ETF Securities, BetaShares
Currency ETFs	3	0	3	161.40	0.00	161.40	POU, EEU, USD
Australian Equities MFs	3	0	3	124.77	0.00	124.77	DGA, BEAR, YMAX
Synthetic Commodities ETFs	14	0	14	16.39	0.00	16.39	ETF Securities, RBS
Commodities ETFs	9	0	9	615.12	0.00	615.12	ETF Securities, 3 Gold ETFs
	90	58	32	8,968.00	7,767.66	1,200.34	
		64.44%	35.56%		86.62%	13.38%	

Notes:

1. Data as at 30 September 2013, Sourced from ASX Funds Monthly Update – September 2013
2. AltaVista only researches Equities and Fixed interest based ETFs where valuations can be effectively performed on the underlying constituents.

Research Coverage – Rated / Not Rated ETFs by Issuer:

There are 58 Exchange Traded Products that we rate as outlined by Count in broad Asset Class terms:

Issuer by ETP Count @	Australian Equities		International Equities		Fixed interest		Commodities		Cash and Currency	
	Rated	Not Rated	Rated	Not Rated	Rated	Not Rated	Rated	Not Rated	Rated	Not Rated
iShares	4	0	19	0	3	0	0	0	0	0
State Street	7	0	1	1	2	0	0	0	0	0
Vanguard	5	0	2	0	2	0	0	0	0	0
Market Vectors	4	0	0	0	0	0	0	0	0	0
BetaShares	3	2	0	0	0	0	0	4	0	4
Russell	2	0	0	0	3	0	0	0	0	0
UBS	1	0	0	0	0	0	0	0	0	0
Aurora Funds Limited	0	1	0	0	0	0	0	0	0	0
Chimaera Capital	0	1	0	0	0	0	0	0	0	0
ETF Securities	0	0	0	0	0	0	0	15	0	0
Perth Mint	0	0	0	0	0	0	0	1	0	0
RBS	0	0	0	0	0	0	0	3	0	0
Total ETF	26	4	22	1	10	0	0	23	0	4

Notes:

1. Data as at 18th October 2013
2. Not Rated – where valuations cannot be obtained on ALL ETF Constituents: BetaShares: YMAX and BEAR (ETPs contain derivative positions), Chimaera Capital: DGA (holdings not available to non-investors), Aurora: AOD (ETP contain derivative positions).
3. Not Rated – where valuations cannot be obtained on ALL ETF Constituents by Product type: Hedged, Currency or Commodity based ETPs

Of these, we rate 58 ETFs. We outline them by FUM (\$m) in broad Asset Class terms:

Issuer by Total FUM @	30 Sep '13		Australian Equities		International Equities		Fixed interest		Commodities		Cash and Currency	
	Rated	Not Rated	Rated	Not Rated	Rated	Not Rated	Rated	Not Rated	Rated	Not Rated	Rated	Not Rated
iShares	577.25	0.00	2,260.81	0.00	74.63	0.00	0.00	0.00	0.00	0.00	0.00	0.00
State Street	2,742.19	0.00	25.10	0.00	14.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Vanguard	1,199.39	0.00	321.39	0.00	29.84	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Market Vectors	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BetaShares	65.62	100.07	0.00	0.00	0.00	0.00	0.00	0.00	36.31	0.00	0.00	440.18
Russell	342.53	0.00	0.00	0.00	61.49	0.00	0.00	0.00	0.00	0.00	0.00	0.00
UBS	52.62	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Aurora Funds Limited	0.00	24.70	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Chimaera Capital	0.00	0.72	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ETF Securities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	542.53	0.00	0.00	0.00	0.00
Perth Mint	0.00	0.00	0.00	0.00	0.00	0.00	0.00	52.67	0.00	0.00	0.00	0.00
RBS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total FUM	4,979.60	125.49	2,607.30	0.00	180.76	0.00	0.00	631.51	0.00	440.18		
Products Rated / Not Rated	26	4	22	1	10	0	0	23	0	4		

Notes:

1. Source data as at 30 September 2013, Sourced from ASX Funds Monthly Update – September 2013
2. Market Vectors FUM at Zero: ASX Listing date of 14th October 2013
3. Not Rated: BetaShares: YMAX and BEAR (ETPs contain derivative positions), Chimaera Capital: DGA (holdings not available to non-investors), Aurora: AOD (ETP contain derivative positions).

Issuer Market Share by Sector Type - Total ETPs:

Market Share by Issuer @	30 Sep '13		Australian Equities		International Equities		Fixed interest		Commodities		Cash and Currency	
	FUM %	Products	FUM %	Products	FUM %	Products	FUM %	Products	FUM %	Products	FUM %	Products
iShares	11.3%	4	86.7%	19	41.3%	3	0.0%	0	0.0%	0	0.0%	0
State Street	53.7%	7	1.0%	2	8.2%	2	0.0%	0	0.0%	0	0.0%	0
Vanguard	23.5%	5	12.3%	2	16.5%	2	0.0%	0	0.0%	0	0.0%	0
Market Vectors	0.0%	4	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0
BetaShares	3.2%	5	0.0%	0	0.0%	0	5.7%	4	100.0%	4	0.0%	4
Russell	6.7%	2	0.0%	0	34.0%	3	0.0%	0	0.0%	0	0.0%	0
UBS	1.0%	1	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0
Aurora Funds Limited	0.5%	1	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0
Chimaera Capital	0.0%	1	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0
ETF Securities	0.0%	0	0.0%	0	0.0%	0	85.9%	15	0.0%	0	0.0%	0
Perth Mint	0.0%	0	0.0%	0	0.0%	0	8.3%	1	0.0%	0	0.0%	0
RBS	0.0%	0	0.0%	0	0.0%	0	0.0%	3	0.0%	0	0.0%	0
Total FUM / Products	5,105.09	30	2,607.30	23	180.76	10	631.51	23	440.18	4		
Total FUM: \$8968	56.9%		29.1%		2.0%		7.0%		4.9%			
Total Product Number: 90	33.3%		25.6%		11.1%		25.6%		4.4%			

1. Source data as at 30 September 2013, Sourced from ASX Funds Monthly Update – September 2013
2. Total FUM @ \$8,968.84 across 90 ETPs at 30 September 2013

Personnel

Michael Krause: Head of Global Investment Research

As the firm's founder and chief analyst Michael is responsible for maintaining the firm's ETF coverage as well as managing several model portfolios operated both here and in the U.S.

Michael previously worked at UBS Investment Bank in New York. As part of a consistently well-ranked Investment Strategy team he developed expertise in the fundamental analysis of indices which he now applies to the analysis of ETFs. Before joining UBS, Michael was a Senior Equity Analyst at a Japanese buy-side firm in New York where he specialised in disciplined valuation analysis at a time when it was almost a forgotten art (the late 1990s). Prior to that he was an analyst and editor of research at Clarion Capital in Taiwan.

Having lived and worked in Asia for six years he speaks Japanese and Chinese (Mandarin). Michael graduated from Georgetown University with a degree in Finance and has more than a decade of experience as an investment professional.

Mamun Rashid: Executive Director

Mamun is a responsible manager and key person for the research services.

Mamun Rashid has over 19 years' experience in management and public practice. Early in his career he was employed by ANZ and subsequently St. George Bank in the areas of money markets, treasury, corporate lending and credit. Later in his career he practiced in both accounting and law in insolvency and related management consulting areas for a period of 8 years. In the mid-nineties he established his own practice and grew his firm with offices in Sydney, Melbourne and Canberra. He then was the founding shareholder of the Aegis Group of Companies. Rashid was a key person and was a responsible manager for 5 (five) AFSL entities in the Aegis Group of companies. Rashid is both a practicing Chartered Accountant and a Barrister and Solicitor. He is a member of the Institute of Chartered Accountants and Certified Practising Accountants. He is also a member of the NSW Law Society and Fellow of FINSIA.

His day to day responsibility includes:

- Reviewing every research publication and providing final approval on the publications;
- Member of the Investment Committee that has ultimate say on research recommendations;
- Assisting clients with their investments in relation to management of their model portfolios; and,
- Responsibility for compliance protocols.

Michael Turner: Head of Sales & Corporate Development

Throughout his 20 years' experience across the Australian wealth management industry, Michael has held research, product, client relationship and sales and marketing roles with a number of prominent funds managers, superannuation providers and industry service providers.

Through this broad experience Michael has gained direct exposure to all major segments of the Australian wealth management industry: investment, superannuation and financial advice. With a focus on industry and client outcomes, Michael has developed a keen insight into trends and product needs at all levels.

Michael joined AltaVista in July of 2011 and has an all-encompassing role to grow and develop the business across Australia. He is responsible for sales and marketing, client relationships, product development to meet the needs of an ever changing industry.

Michael holds a Bachelor of Economics and has undertaken an array of courses with specialist industry educators.