



# METHODOLOGY

## MARGIN LOAN STAR RATINGS

### What are the Canstar *Margin Loan Star Ratings*?

Canstar's *Margin Loan Star Ratings* involve a sophisticated and unique ratings methodology that compares both price and features across margin loan products. Canstar Star Ratings represent a shortlist of products, enabling consumers to narrow their search to products that have been assessed and ranked.

Ratings range from five to one star. Five Star rated products have been assessed as offering outstanding value to consumers.

### Eligibility Requirements

To be eligible for inclusion in the Canstar *Margin Loan Star Ratings*, a product must have data that is publicly available.

### Profile Description

Margin Loan products included in the Canstar *Margin Loan Star Ratings* are assessed across two consumer profiles. Each profile assumes that the customer will invest in both shares and managed funds, but that an investor has a preference for, and predominantly invests in, one type of security over the other.

The profiles considered are as follows:

Profile	Description
Share Investor	Predominantly invests in the share market
Managed Funds Investor	Predominantly invests in managed funds with the use of an adviser

### Star Ratings Methodology

Each eligible margin loan product reviewed is awarded points for its comparative pricing and for the array of positive features attached to the product. Points are aggregated to achieve a price score and a feature score.

To arrive at the total score, Canstar applies a weight against the price score and the feature score. The weights reflect the relative importance of costs and features in determining the products offering outstanding value. This method can be summarised as:

$$\text{Total Score} = \text{Price Score} + \text{Feature Score}$$



### Price Score

Interest payable, based on fixed and variable rates for three loan amounts (\$50,000, \$250,000, \$500,000), and is used as the point of cost comparison. Peer products are compared and a product with the lowest cost is awarded the highest price score and all other peer products are awarded a relative score in comparison to the lowest cost product.

This method is outlined below:

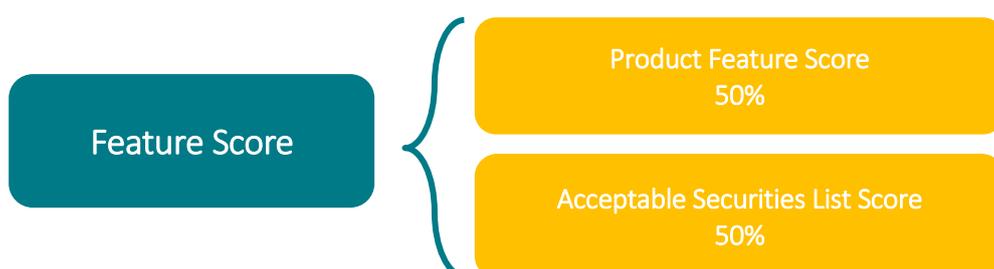


**Historical Performance of Standard Variable Interest Rates:** Considers the average interest rate over the past six months across the three loan amounts.

**Standard 1-year Fixed Rate Paid in Advance:** Considers the fixed interest rate as at 1st of June and 22nd of June across the three loan amounts.

### Feature Score

The feature score incorporates the features offered and the acceptable securities list for each margin loan product.



## Product Features

The product feature score takes into account a number of features within eleven different categories, with individual features allocated points and each category, and subcategory, assigned a weighting. The product with the highest product feature score is allocated the maximum score, with all remaining products within the profile scored against it.

Category/Sub Category	Shares	Managed Funds
<b>Margin Loan Trading</b>	<b>25%</b>	<b>20%</b>
Settlement Account and Risk Management	45%	55%
Options Trading	30%	5%
Portfolio Platform	25%	40%
<b>Loan Features</b>	<b>15%</b>	<b>15%</b>
Cash Advance	30%	30%
Repayments	20%	20%
Split/Combination Features	20%	20%
Dividend Distribution	10%	10%
Progressive Drawdowns	10%	10%
Switching	10%	10%
<b>Direct Client Services</b>	<b>10%</b>	<b>10%</b>
<b>Fees And Charges</b>	<b>10%</b>	<b>10%</b>
Charges	50%	50%
Transaction Costs	50%	50%
<b>Margin Information</b>	<b>10%</b>	<b>10%</b>
<b>Lending Terms</b>	<b>10%</b>	<b>5%</b>
<b>Advisor Services</b>	<b>5%</b>	<b>10%</b>
<b>Security</b>	<b>5%</b>	<b>5%</b>
<b>Instalments Gearing</b>	<b>-</b>	<b>10%</b>
<b>Application</b>	<b>5%</b>	<b>5%</b>
<b>International Shares</b>	<b>5%</b>	<b>-</b>

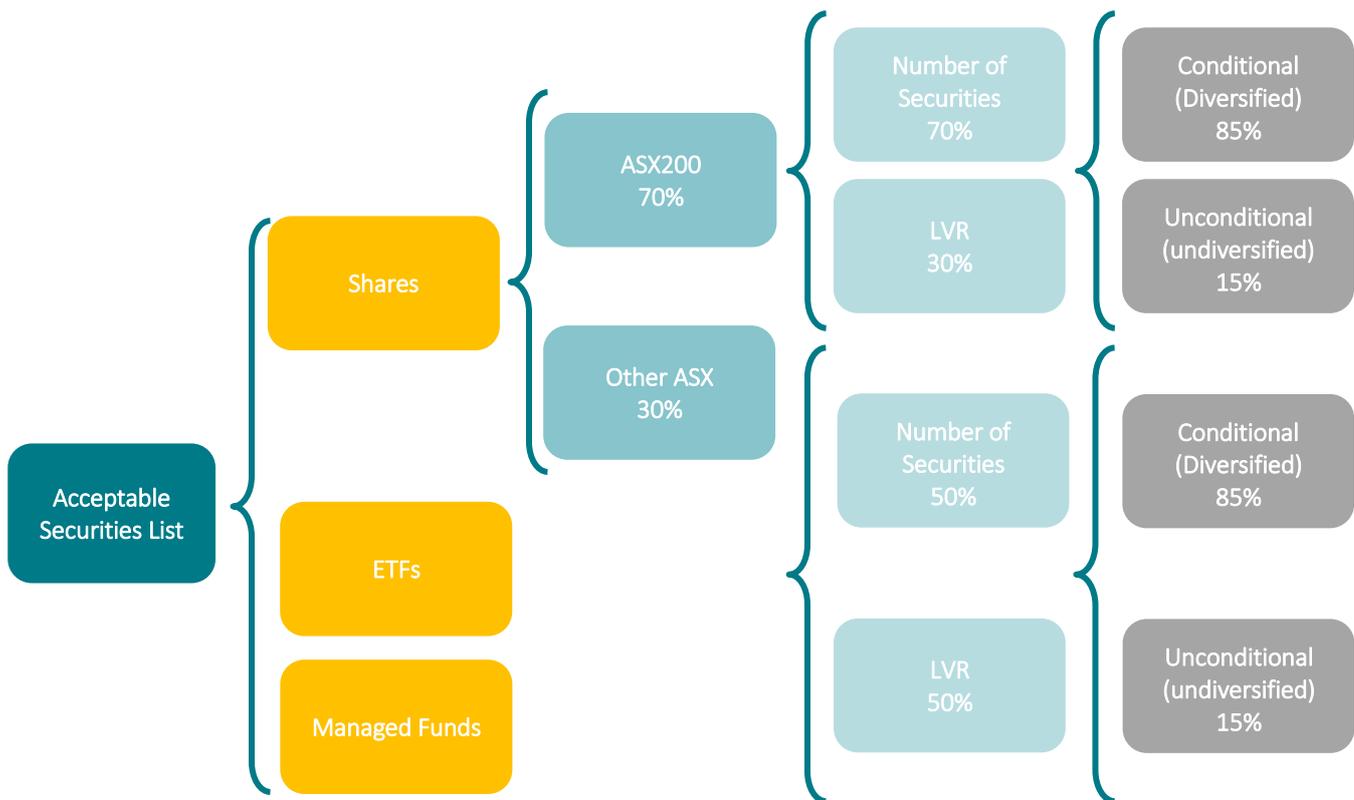
## Acceptable Securities List

For the acceptable securities list score, Canstar reviews the acceptable securities list (ASL) for only those securities that have either an APIR (managed funds) or ASX (Australian shares) code. International shares are not included in the calculation of the ASL Score.

Each of the below components are calculated at six points during the six months preceding the star rating calculations. For each of the two investor profiles, weight is distributed between the number of shares, managed funds and ETFs on the ASL, based on relevance to the investor profile, as outlined below.

Profile	Shares	Managed Funds	ETFs
Share Investor	85%	10%	5%
Managed Funds Investor	20%	75%	5%

The ASL score rewards institutions with a consistently high offering for both the number of securities and the loan-to-value ratio. Within shares, Canstar considers both ASX200 shares and other ASX shares. The weights applied to each category are outlined below:



**Does Canstar rate all products available in the market?**

We endeavor to include the majority of product providers in the market and to compare the product features most relevant to consumers in our ratings. However, this is not always possible and it may be that not every product in the market is included in the rating nor every feature compared that is relevant to you.

**How often are all the products reviewed for ratings purposes?**

All ratings are recalculated annually based on the latest features offered by each provider. Canstar also monitors changes on an ongoing basis. The results are published in a variety of mediums (newspapers, magazine, television, websites, etc.).

**How are stars awarded?**

The products are ranked based on the total score received for each profile. Stars are then awarded based on the distribution of the scores with the objective to award the top 5-10% of products with the Canstar Five Star rating, denoting outstanding value.

## Does Canstar rate other product areas?

Canstar researches, compares and rates the suite of banking, wealth and insurance products listed below. These star ratings use similar methodologies to guarantee quality, consistency and transparency. Results are freely available to consumers who use the star ratings as a guide to product excellence. The use of similar star ratings logos also builds consumer recognition of quality products across all categories. Please access the Canstar website at [www.canstar.com.au](http://www.canstar.com.au) if you would like to view the latest star ratings reports of interest.

- Account based pensions
- Business life insurance
- Savings & Transaction Accounts
- Health insurance
- Landlord insurance
- Margin lending
- Package banking
- Reward programs
- Travel insurance
- Agribusiness
- Car insurance
- Direct life insurance
- Home & contents
- Life insurance
- Online banking
- Personal loans
- Superannuation
- Travel money cards
- Business banking
- Credit cards
- First home buyer
- Home loans
- Managed investments
- Online share trading
- Pet insurance
- Term deposits
- Youth banking

## COMPLIANCE DISCLOSURE AND LIABILITY DISCLAIMER

To the extent that the information in this report constitutes general advice, this advice has been prepared by Canstar Research Pty Ltd A.C.N. 114 422 909 AFSL and ACL 437917 ("Canstar"). The information has been prepared without taking into account your individual investment objectives, financial circumstances or needs. Before you decide whether or not to acquire a particular financial product you should assess whether it is appropriate for you in the light of your own personal circumstances, having regard to your own objectives, financial situation and needs. You may wish to obtain financial advice from a suitably qualified adviser before making any decision to acquire a financial product. Canstar provides information about credit products. It is not a credit provider and in giving you information it is not making any suggestion or recommendation to you about a particular credit product. Please refer to Canstar's FSG for more information.

The information in this report must not be copied or otherwise reproduced, repackaged, further transmitted, transferred, disseminated, redistributed or resold, or stored for subsequent use for any purpose, in whole or in part, in any form or manner or by means whatsoever, by any person without CANSTAR's prior written consent. All information obtained by Canstar from external sources is believed to be accurate and reliable. Under no circumstances shall Canstar have any liability to any person or entity due to error (negligence or otherwise) or other circumstances or contingency within or outside the control of Canstar or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication, or delivery of any such information. Copyright 2014 CANSTAR Research Pty Ltd A.C.N. 114 422 909

The word "CANSTAR", the gold star in a circle logo (with or without surmounting stars), are trademarks or registered trademarks of CANSTAR Pty Ltd. Reference to third party products, services or other information by trade name, trademark or otherwise does not constitute or imply endorsement, sponsorship or recommendation of CANSTAR by the respective trademark owner.