



What are the Canstar *International Share Trading Star Ratings*?

Canstar's *International Share Trading Star Ratings* use a sophisticated and unique rating methodology that compares both cost and features across international share trading platforms. Canstar star ratings represent a shortlist of financial 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 *International Share Trading Star Ratings*, the provider must:

- Offer trades on international exchanges in at least the US and the UK.
- Offer online share trades in the US.

How are the Star Ratings calculated?

Each international share trading platform reviewed for the Canstar *International Share Trading Star Ratings* is awarded points for its comparative pricing and for the array of 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:

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



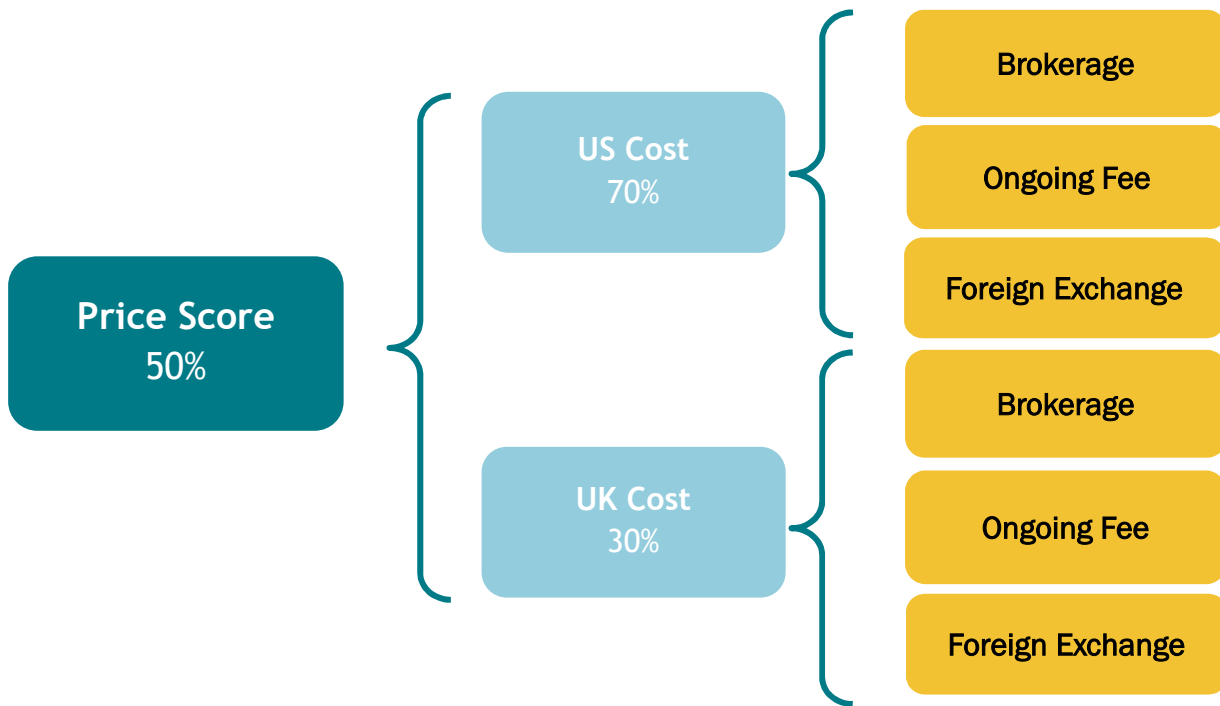
Price Score

The price score takes into account brokerage costs & foreign exchange costs per trade for the international share trading account based on 100 hypothetical trades in the US and in the UK, as well as any ongoing fees.

To arrive at the price score, a weight is placed on the US costs and the UK costs, outlined below:

| Cost | Weight |
|---------|--------|
| US Cost | 70% |
| UK Cost | 30% |

Products are compared and the product with the lowest cost is awarded the highest price score. All other products are awarded a relative score in comparison to the lowest cost product.



Brokerage:

To capture and compare the brokerage involved in international trades across various providers, Canstar uses a transaction simulation which models 100 hypothetical trades each in the US and the UK. A skewed distribution is applied. Across the 100 hypothetical scenarios, 95% of those are normally distributed between the values of \$5,000 and \$25,000, while 5% lie between \$25,000 and \$100,000.

Brokerage is calculated in one of two ways; the most common is based on total trade value (can be \$ or %) and the other is calculated on trade volume (i.e. per share). Brokerage based on trade volume only applies for some US trades.

The following values are used to calculate trade value based brokerage:

| Distribution points | Transaction value* |
|---------------------|--------------------|
| Minimum | \$5,000 |
| Average | \$15,000** |
| Maximum | \$100,000 |

*A skewed distribution is applied. Across the 100 hypothetical scenarios, 95% of those are normally distributed between the values of \$5,000 and \$25,000, while 5% lie between \$25,000 and \$100,000.

**This is the targeted average and the actual average is higher due to the skew in distribution.

For providers that calculate brokerage based on trade volume, 4 hypothetical stocks are used in conjunction with the transaction values above to calculate the number of shares per trade. From this the brokerage is calculated. Details regarding the four hypothetical stocks are outlined below:

| Hypothetical US Company | Share Price |
|-------------------------|--------------|
| Company 1 | USD \$20.00 |
| Company 2 | USD \$50.00 |
| Company 3 | USD \$150.00 |
| Company 4 | USD \$300.00 |

Please note some providers charge brokerage and ongoing fees in AUD, USD or GBP. In these instances, the average exchange rate from 5 observations is used and all brokerage and fees are calculated back into AUD.

Ongoing Fee:

To capture the ongoing costs involved in accessing the platform Canstar considers any ongoing fees attached to the platform. When the international share trading platform requires a domestic trading account, the ongoing fee attached to the domestic account is included in the ongoing fee.

Foreign Exchange:

The Foreign Exchange cost is used to take into account the financial outcome of making an international payment across currencies. There are 100 scenarios based on an average transfer amount of \$15,000.

To find the overall cost of purchasing shares internationally, the transaction scenario calculations will consider the exchange rate and the cost to make the transfer.

These costs are benchmarked against a hypothetical cheapest product in the market - one which does not incur transfer fees with the best average exchange rate observed in the market in our survey period.

Method for calculating Foreign Exchange Cost:

1. Calculate the Net Foreign Currency after the costs and exchange rates have been applied.
2. Calculate the benchmark Net Foreign Currency by converting each exchange with the best exchange rate across all currencies.
3. Calculate the Net Cost of the transfer compared to the benchmark.

Foreign Exchange Cost: Benchmark Net FX - Institution Net FX

Feature Score

The feature score considers a number of features within seven different categories with individual features allocated points and each category, and subcategory, assigned a weighting. The product with the highest feature score is allocated the maximum score, with all remaining products within the profile score against it. The feature categories and subcategories, with assigned weights are:

| Category | Weighting |
|--------------------------------------|------------|
| Opening | 5% |
| Deposit & Settlement | 10% |
| Research | 30% |
| <i>Charting</i> | 25% |
| <i>Company Information</i> | 25% |
| <i>Market Information</i> | 20% |
| <i>Dynamic Trading Platform</i> | 20% |
| <i>Alerts</i> | 10% |
| Trade | 30% |
| <i>Capabilities</i> | 40% |
| <i>Market Access</i> | 40% |
| <i>Margin Loan</i> | 20% |
| Account Management | 10% |
| <i>Account Access</i> | 40% |
| <i>Security</i> | 40% |
| <i>Reporting</i> | 20% |
| Customer Service | 10% |
| <i>Account & Client Services</i> | 60% |
| <i>Education</i> | 40% |
| Closing | 5% |

Does Canstar rate all products available in the market?

We endeavour to include the majority of product providers in the market and to compare the product features most relevant to consumers in our ratings. However complete coverage 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 products reviewed for star ratings and award purposes?

Ratings and awards 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.).

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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 if you would like to view the latest Star Ratings reports of interest.



- Account based pensions
- Business life insurance
- Deposit 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
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- Credit cards
- First home buyer
- Home loans
- Managed investments
- Online share trading
- Pet insurance
- Term deposits
- Youth banking

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The ratings and awards results do not include all providers and may not compare all features relevant to you. The rating or award is only one factor to take into account when considering these products. Canstar acknowledges that past performance is not a reliable indicator of future performance.

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