



METHODOLOGY

MARGIN LOAN STAR RATINGS

January 2020

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 and may use an adviser

Star Ratings Methodology

Each eligible margin loan product reviewed 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:

Total Score = Price Score + Feature Score



Price Score

Interest payable, based on fixed and variable rates for three loan amounts (\$50,000, \$250,000, \$500,000), is used as the point of cost comparison. The product with the lowest cost will receive the highest score and all other products scored against it.

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.

Features are assessed separately across the two investor profiles to take into account the differing needs and priorities when choosing their margin lender.

The 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
Application	5%	5%
Application Channel	40%	40%
Application Tools	30%	30%
Security Options	30%	30%
Trading	70%	70%
Acceptable Securities List	70%	70%
Shares	7.5%	2.5%
Options	7.5%	2.5%
Managed Funds	5%	15%
Margin	10%	10%
Management	10%	10%
Settlement Account	20%	15%
Repayments	30%	30%
Cash Advance	15%	10%
Progressive Drawdowns	15%	15%
Installment Gearing	-	10%
Split & Switch Facilities	15%	15%
Dividend Distribution	5%	5%
Support	10%	10%
Contact & Online	30%	30%
Direct Client Services	30%	30%
Advisor Services	40%	40%
Closing	5%	5%

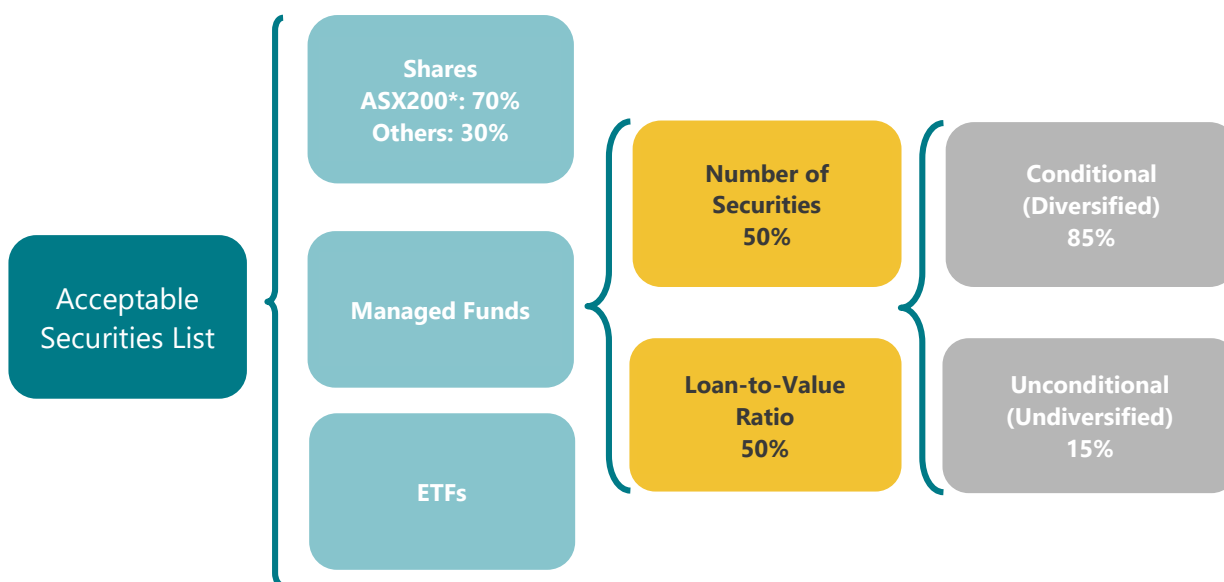
Acceptable Securities List

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.

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%	60%	20%

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:



*For the ASX 200, 30% towards Number of Securities and 70% towards LVR

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 products reviewed for star ratings and award 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.).

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
- Superannuation
- Travel money cards
- Business banking
- Credit cards
- First home buyer
- Home loans
- Managed investments
- Online share trading
- Pet insurance
- Term deposits
- Youth banking

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