

Wilson HTM Research Index Parameters & Assumptions

Research Index Objective:

To measure the performance of the investment recommendations of Wilson HTM Research Analysts against both the All Ordinaries Accumulation index and the S&P/ASX Small Ordinaries Accumulation Index. The Research Index began on 1 July 2002 and consists of **all lead/senior** underlying Wilson HTM Research Analyst portfolios. It does this by calculating a theoretical return on investing in stocks as recommended by analysts.

What constitutes a recommendation?

A recommendation is logged once a research report appears on the intranet. Analysts are expected to ensure that the report publication dates are accurate.

What period does the index cover?

The index runs from 1 July to 30 June. This is to coincide with the financial year for reporting purposes and to assist in determining year-end bonuses for analysts. At the start of the financial year, all notional investments are reset to the current price and all recommendations are then assumed to be current at that time.

How the Index is calculated?

Research Analyst recommendations are converted to theoretical transactions as follows:

Actual Recommendation	Translation	Position
Buy, Strong Buy, Add, Spec Buy	Buy	Long \$100k
Hold	Hold	Long \$50k
Sell, Lighten	Sell	Short \$100k

A change in recommendation will result in different transactions, for example:

- Buy → Sell: sell sufficient value for a \$100k short position.
- Hold → Buy: buy sufficient value for a \$100k long position. (this may result in unusual transaction where units are actually sold, if the security has had significant appreciation)

Holdings are only closed out when a security is de-listed or suspended or when Wilson HTM Research ceases coverage of a security (by formal notice on the Intranet) or upon notification from Stephen Walsh, Head of Research.

Re-weighting occurs at the end of each financial year. This will result in each Buy/Hold/Sell being returned to a market value as agreed above. This also reduces the chance of unusual transactions. The purpose of re-weighting is to ensure one security does not become more influential than another hence skewing the overall return.

Other factors:

- Recommendations will be recorded under individual analyst “portfolios”.
 - The analyst listed first will be attributed with the recommendation.
 - If an analyst has left the firm, all “holdings” in their portfolio will transferred to one portfolio (the portfolio will have the name “Former WHTM Research Analysts”). However if the security receives a subsequent recommendation from another analyst, then that holding is transferred to the “new” analyst.
- A composite research “portfolio” will be created of the underlying analyst “portfolios”.
- Where a corporate action results in a new security and this security is not covered by Wilson HTM Research, the resultant security is also closed-out (e.g. company options, stock splits).
- All ASX corporate actions are executed without exception (based on the official dilution factors and adjustments advised by the ASX) on their respective ex-dates and are thus captured in the performance of the underlying security.
- Dividends are reinvested on payment date at market price.
 - For any dividends paid before 30 June – reinvested back into the portfolio
 - For any dividends accrued before 30 June / Recommendation change – offsetting cash transaction for the accrual
- Prices exclude brokerage and any management fees on transactions.
- All stock transactions are priced at “market close”.