

# Mosaic Strategic International Equity Trust

## Objective

To provide long-term capital growth through access to the broad universe of listed securities of companies in developed markets, with an increased exposure to small and value companies relative to a market weighted portfolio. The Trust is designed to be used as a core component or sole investment of a global equity portfolio.

## About Mosaic

Mosaic Portfolio Advisers Limited (Mosaic) is a wholly owned subsidiary of SFG Australia Limited (ACN 006 490 259) and is the Responsible Entity (the RE) for the Mosaic Strategic Trusts. As the RE, we're responsible for the day-to-day management of the Trusts and for ensuring they comply with their Constitutions and the law. Our responsibilities include establishing, implementing and monitoring the Trusts' investment objectives and strategies.

## About The Investment Manager

DFA Australia Limited (Dimensional) has been appointed as the Investment Manager of the Mosaic Strategic Trusts to manage day-to-day investment decisions.

## Portfolio characteristics

Dimensional uses a quantitative definition of value, typically based upon a company's book value relative to its market capitalisation ("BtM" ratio). Companies with relatively high BtM ratios are described as having value characteristics. In assessing growth and value, Dimensional may consider other factors, such as price to cashflow or price to earning ratios, as well as economic conditions and developments in the issuer's industry. To define small companies Dimensional uses a quantitative definition of size based on a company's market capitalisation.

The Trust has exposure to a diverse group of listed securities of companies in countries including Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the UK and the US.

The Trust may achieve an increased exposure to small companies and value companies by increasing the allocation of the Trust's assets to these companies and decreasing the allocation to large and growth companies relative to a market weighted portfolio.

The Strategy generally excludes securities that Dimensional defines as Real Estate Investment Trusts (REITs) or REIT like securities. Dimensional generally aims to hedge approximately 50% of the foreign currency exposure to the Australian dollar.

The Mosaic Strategic International Equity Trust adopts a long-term buy and hold approach designed to reduce transaction costs and keep portfolio turnover low. Dimensional aims to defer the realisation of net capital gains to maximise after-tax returns.

## Performance<sup>1</sup>

### Mosaic Strategic International Equity Trust

	1 Month	3 Month	6 Month	1 Year	2 Year	3 Year	Since Inception <sup>3</sup>
Mosaic Strategic International Equity Trust	0.6%	5.3%	-10.0%	-7.4%	0.6%	5.9%	5.9%

### MSCI Composite Index<sup>2</sup>

	1 Month	3 Month	6 Month	1 Year	2 Year	3 Year	Since Inception <sup>3</sup>
MSCI Composite Index <sup>2</sup>	0.6%	5.4%	-6.4%	-3.5%	0.9%	4.7%	4.7%

## Performance calendar year<sup>4</sup>

	2009	2010	2011
Mosaic Strategic International Equity Trust	17.6%	9.3%	-7.4%
MSCI Composite Index <sup>2</sup>	12.7%	5.5%	-3.5%

4. All returns are in AUD. Returns in "Performance Calendar Year" table are for full calendar year.

Product features	Mosaic Strategic International Equity Trust	MSCI World ex Australia Index
No. of securities	5,309	1,546
PE ratio (no neg) <sup>5</sup>	10.6	11.7
Div Yield % <sup>6</sup>	2.7	2.7

Calculation methodologies:

5. Calculated using current price and trailing 12 month earnings.

6. Weighted average dividend to price using indicated gross dividends per share.

1. All returns are in AUD. Returns for periods 1 year or less are actual. Returns for periods greater than 1 year are annualised. Returns are net of fees, expenses, and assume income is reinvested. The performance presented is historical and is no guarantee of future performance.  
2. MSCI data copyright MSCI 2011, all rights reserved. Composite Index weighting 50% MSCI World ex Australia Index (net div), 50% MSCI World ex Australia (hedged to AUD) Index (net div).  
3. The inception date for the Trust and the benchmark is determined by the first full month for which Trust returns are available.

## Distribution summary<sup>1</sup>

Mosaic Strategic International Equity Trust	2009 <sup>2</sup>	2010	2011
Growth Return	-4.71%	7.37%	3.64%
Distribution Return	5.91%	5.58%	12.24%
<b>Total Return (%)</b>	<b>1.20%</b>	<b>12.95%</b>	<b>15.88%</b>
Total Capital Gain as % of Distribution	0.00%	0.00%	0.00%
Longterm Capital Gain as a % of Total Capital Gain	0.00%	0.00%	0.00%

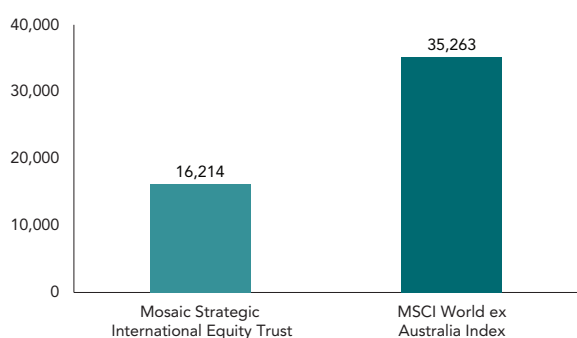
1. Year ending 30 June.

2. Performance is from fund inception to end of the financial year.

The table above shows the performance represented by the Total Return (after management fees and expenses). The Total Return is the aggregate of the Growth and Distribution Returns, and assumes that all distributions were reinvested during the financial year. The Growth Return for each financial year represents the per unit percentage change in the unit redemption price since the end of the previous financial year.

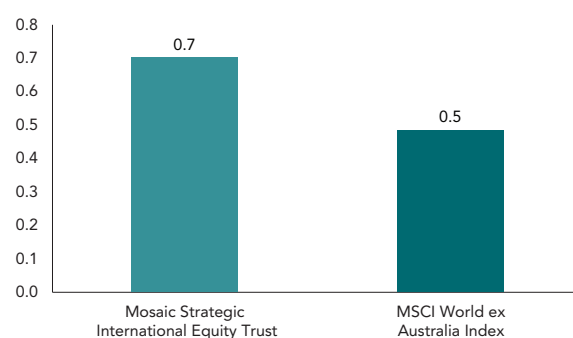
The Distribution Return represents the contribution to Total Return made by distribution entitlements paid by the fund for the financial year (including net realised capital gains). No allowance for taxation has been made as this is payable by the unitholder. Investors should note that past performance is not indicative of future performance; and that investment capital, Growth and Distribution Returns are not guaranteed. The percentage franked is calculated using the franking credits distributed per unit and the actual cash distribution per unit. In some cases expenses may reduce the actual cash distribution below the value of the franked dividends received by the trust. In such cases this will result in a percentage franked greater than 100%. Total realised capital gain and total long term capital gain are calculated as a percentage of the net distribution amount.

## Size tilt<sup>7</sup>



7. Geometric Weighted Average Market Capitalisation

## Value tilt<sup>8</sup>



8. Geometric Weighted Average Book-to-Market

GICS sector (%)	Mosaic Strategic International Equity Trust	MSCI World ex Australia Index
Energy	13.2	11.6
Materials	7.4	6.6
Industrials	12.8	11.3
Consumer Discretionary	11.3	10.7
Consumer Staples	7.2	11.2
Health Care	8.4	10.9
Financials ex REITs	23.4	15.1
REITs	0.0	1.4
Information Technology	8.8	12.4
Telecommunications	4.6	4.5
Utilities	3.0	4.2
Other	0.0	0.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

Regional weights (%)	Mosaic Strategic International Equity Trust	MSCI World ex Australia Index
North America	56.9	60.1
United Kingdom	11.9	10.2
Japan	10.3	9.5
Continental Europe	18.6	18.0
Pacific Rim	2.1	2.0
Middle East	0.2	0.3
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

Top 20 holdings (weight %)	
ROYAL DUTCH SHELL PLC-A SHS	1.69
EXXON MOBIL CORP	1.64
GENERAL ELECTRIC CO	1.24
AT&T INC	1.23
PFIZER INC	1.17
VODAFONE GROUP PLC	1.02
HSBC HOLDINGS PLC	0.97
BP PLC	0.97
CHEVRON CORP	0.96
WELLS FARGO & CO	0.95
JPMORGAN CHASE & CO	0.92
CONOCOPHILLIPS	0.66
APPLE INC	0.56
VERIZON COMMUNICATIONS INC	0.55
NOVARTIS AG-REG	0.55
MERCK & CO. INC.	0.51
CITIGROUP INC	0.49
TORONTO-DOMINION BANK	0.49
SANOFI	0.46
COMCAST CORP-CLASS A	0.46
<b>Total</b>	<b>17.48</b>

## About Dimensional

Founded in the US in 1981, Dimensional is now a well-established global firm managing about A\$208 billion worldwide, including some \$17.3 billion for clients in Australia and New Zealand.

Dimensional's strategies are grounded in robust academic research, underpinned by a sound and consistent philosophy and implemented in a rational, structured and efficient way.

The firm serves more than 450 institutional clients around the world. Individual investors generally can access Dimensional's funds only through a select group of fee-based financial advisors.

## What's the thinking behind it?

Global financial research in recent decades has shown that the expected return of a broadly diversified portfolio is overwhelmingly determined by three risk factors. It follows, therefore, that as a portfolio is tilted toward these higher risk factors, the expected return is increased.

These three factors are:

1. **MARKET** Shares or equities have higher expected returns than bonds or fixed interest.
2. **SIZE** Small company stocks have higher expected returns than large company stocks.
3. **PRICE** Lower-priced "value" stocks have higher expected returns than higher-priced "growth" stocks.

The Mosaic International Equity Trust combines the benefits of diversification across the entire equity market, while tilting to those small and value stocks that offer higher expected returns. Additionally, the trust does this in a way that aims to keep costs low and is mindful of the tax effects and costs of trading.

## How is the portfolio implemented?

### Free from index constraints

Because Dimensional does not index, we can practice patient trading, focusing on price rather than time of execution, which can mitigate the effects of momentum and lead to lower trading costs. The result is a core holding closer to the desired allocation which can reduce or eliminate the dependence on satellite holdings.

### Broader market representation

Dimensional's engineering and trading expertise help give the Mosaic Strategic International Equity Trust a broader and more efficient exposure to the risk factors that drive higher expected returns.

## Strengths

- **TILTS TO SMALL AND VALUE:** The strategy seeks to hold every stock in the defined eligible universe, but in weights that favour both small cap and value exposures. In measuring value, additional factors may be considered such as intangible assets, cash flow, earnings, economic conditions and developments in the issuer's industry.
- **QUALITATIVE FILTERS:** Dimensional employs filters designed to remove stocks from the investment universe that have risk characteristics other than those being targeted. These include companies in bankruptcy, holdings companies, stocks below a defined size limit, and stocks that lack sufficient liquidity for cost-effective trading.
- **LIQUIDITY MANAGEMENT:** Liquidity risk, particularly in the small cap portion of the portfolio, is mitigated by constructing diversified portfolios of securities that hold relatively small positions in any single company.
- **TAX MANAGEMENT:** Dimensional seeks to maximise the after-tax value of an investment by managing the portfolio in a manner that aims to defer the realisation of net capital gains where possible and to manage dividend income. The Trust adopts a long term buy and hold strategy designed to reduce transaction costs and keep portfolio turnover low.

## Benefit summary

- Provides access to the broad market
- Tilts to the factors that drive higher expected returns
- Constructed to be tax efficient
- Patient and low-cost trading

## Operational

APIR Code	DFA0007AU
Fund Inception	17 December 2008
Net Assets (\$Mil) 31 Dec 2011	642
Management Fee	0.340%
Actual Management Costs <sup>1</sup>	0.42%
Management Costs Cap	0.47%
Distribution Freq.	6 monthly (Jun, Dec)
Transaction cost allowance	± 0.15%
Custodian	JP Morgan

1. The actual management cost is for the 12 month period to 30 June 2011 and has been obtained from the annual report and other calculations for the Trust for that period.

### DISCLOSURE AND DISCLAIMER

This material is provided for information only. No account has been taken of the objectives, financial situation or needs of any particular person. To the extent this material may be considered to constitute general financial product advice, investors should, before acting on the advice, consider the appropriateness of the advice, having regard to the investor's objectives, financial situation and needs. This is not an offer or recommendation to buy or sell securities or other financial products, nor a solicitation for deposits or other business, whether directly or indirectly. A Product Disclosure Statement (PDS) for the Trust, under which offers to invest are made, can be downloaded from [www.mosaiccpa.com.au](http://www.mosaiccpa.com.au) or can be obtained from your Investor Service. Investors should consider the current PDS in deciding whether to invest in the Trust, or to continue to hold their investments in the Trust. Unless an exemption applies, anyone wishing to accept the offer in the PDS will need to complete the application form accompanying the PDS. Note that the performance presented is historical and is no guarantee of future performance.

Mosaic Portfolio Advisors Limited ABN 13 108 747 637 AFSN 275 101 took over from DFA Australia Limited as Responsible Entity of the Trust in December 2011.

Mosaic Portfolio Advisers Limited - ABN 13 108 747 637 - AFSN 275101

Terrace House 3, 249 Coronation drive, Milton Queensland 4064 Telephone: 07 3834 7111 [www.mosaiccpa.com.au](http://www.mosaiccpa.com.au)