

Sector: Consumer Discretionary
Sub-Industry: Education Services

Quantitative Evaluations

S&P Quality Ranking : NR

S&P Fair Value Rank: 5+



Fair Value Calc: \$44.70 (Undervalued)

S&P Investability Quotient Percentile



CPLA scored higher than 79% of all companies for which an S&P Report is available.

Volatility: High



Technical Evaluation: BEARISH

Since July, 2011, the technical indicators for CPLA have been BEARISH.

Relative Strength Rank: Weak



Investment Strategy

Key financial variables to consider in assessing the investment merits of an industrial company are the following:

Sales: What is the trend? Is future sales growth expected to be greater than the past 5-year and 9-year growth average? Accelerating sales growth ultimately provides the fuel behind earnings growth.

Net Margin: As a key measure of company profitability, a rising net margin assesses management capability to wring out more net income from incremental sales.

% LT Debt to Capitalization: A rising percentage implies greater financial risk, all else being equal. Rising debt leverage without a concomitant rise in Return on Equity should raise warning signals of potential cash flow problems. Percentages above 40%-50% should also be considered a warning.

% Return on Equity: A key performance measurement of capital efficiency assesses what investment returns management can earn on a company's existing capital base. A sustained percentage above 20% is considered above average.

Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Year	5 Year	9 Year
Sales	27.34	23.44	23.17	NA
Net Income	43.38	39.90	43.49	NA

Ratio Analysis (Average)

Net Margin	14.36	12.56	11.04	8.00
% Return on Equity	31.15	25.58	24.37	NA

Revenues/Earnings Data Fiscal year ending Dec. 31

Revenues (Million \$)	2011	2010	2009	2008	2007	2006
	1Q	111.4	101.2	76.43	65.25	52.82
2Q	106.4	105.2	80.10	66.05	53.92	43.52
3Q	--	105.0	83.57	65.24	55.53	43.90
4Q	--	114.7	94.54	75.76	63.96	50.60
Year	--	426.1	334.6	272.3	226.2	179.9

Earnings per Share (\$)	2011	2010	2009	2008	2007	2006
	1Q	0.90	0.89	0.49	0.31	0.23
2Q	0.99	0.86	0.56	0.37	0.28	0.25
3Q	--	0.80	0.58	0.34	0.29	0.25
4Q	--	1.09	0.88	0.66	0.51	0.39
Year	--	3.64	2.51	1.66	1.33	0.89

Next earnings report expected: Late October

Historical GAAP earnings are as reported.

Key Stock Statistics

Average Daily Volume	0.196 mil.	Beta	0.55
Market Capitalization	\$0.523 Bil.	Trailing 12 Month EPS	\$3.78
Institutional Holdings (%)	107	12 Month P/E	9.1
Shareholders of Record	30	Current Yield (%)	Nil

Value of \$10,000 Invested five yrs Ago : **NA**

Please read the required disclosures and Reg. AC certification on the last page of this report.

This report was prepared by Standard & Poor's Quantitative Services.

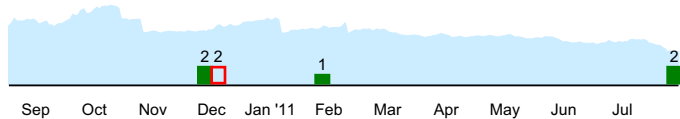
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Wall Street Opinions/Average (Mean) Opinion: Hold

	No. of Ratings	% of Total	1 Mo. Prior	3 Mo. Prior
Buy	2	12	2	2
Buy/Hold	0	0	1	1
Hold	15	88	15	15
Weak Hold	0	0	0	0
Sell	0	0	0	0
No Opinion	0	0	0	1
Total	17	100	18	19

Insider Moves

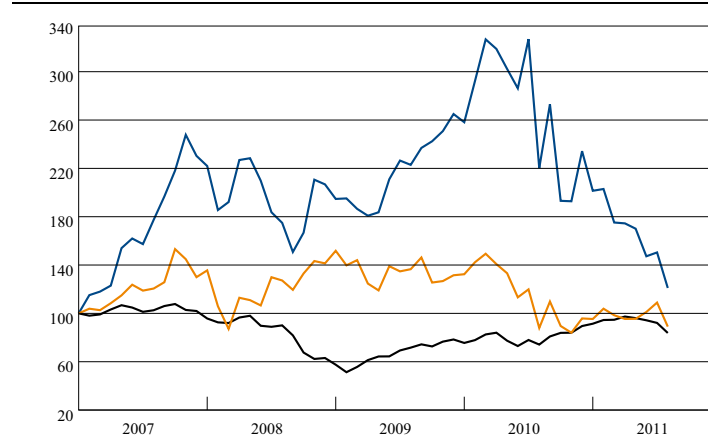
Insider Buys Insider Sells Price History



Dividend Data

No Dividend Data Available

Stock Performance



	Company(%)	Industry(%)	S&P 1500(%)
YTD Return	-48.3	-7.1	-6.4
One Year Return	-54.1	-11.4	9.5
Three Year Return (% Annualized)	-14.4	-12.1	-2.5
Five Year Return (% Annualized)	--	0.5	-1.0
Value of \$10,000 Invested 5 Years Ago	NA	\$10,261	\$9,527

Company Financials Fiscal year ending Dec. 31

Per Share Data & Valuation Ratios (\$)	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Tangible Book Value	12.79	10.99	8.45	9.03	5.86	2.41	NA	NA	NA	NA
Cash Flow	4.73	3.36	2.37	1.90	1.71	1.40	2.09	0.77	-1.67	NA
Earnings	3.64	2.51	1.66	1.33	0.89	0.86	1.62	0.39	-3.70	NA
Dividends	Nil	Nil	Nil	NA	Nil	NA	NA	NA	NA	NA
Payout Ratio	Nil	Nil	Nil	NA	Nil	NA	NA	NA	NA	NA
Prices:High	98.01	77.78	69.81	NA	26.68	NA	NA	NA	NA	NA
Prices:Low	51.66	45.15	34.78	NA	20.00	NA	NA	NA	NA	NA
P/E Ratio:High	27	31	42	NA	25	NA	NA	NA	NA	NA
P/E Ratio:Low	14	18	21	NA	19	NA	NA	NA	NA	NA

Income Statement Analysis (Million \$)

Revenue	426	335	272	226	180	149	118	81.8	49.6	NA
Operating Income	114	78.5	52.4	39.8	26.0	21.3	16.3	8.61	-2.66	NA
Depreciation	18.5	14.6	12.3	9.77	8.20	6.47	5.45	4.18	3.11	NA
Interest Expense	NA	NA	NA	NA	Nil	Nil	NA	NA	NA	NA
Pretax Income	97.0	66.3	44.2	34.9	22.3	17.2	10.6	4.50	-5.67	NA
Effective Tax Rate	NA	36%	35%	35%	40%	40%	NM	2.31%	NA	NA
Net Income	61.2	42.7	28.8	22.8	13.4	10.3	18.8	4.39	-5.67	NA

Balance Sheet & Other Financial Data (Million \$)

Cash	193	172	124	144	87.7	72.1	50.0	41.2	NA	NA
Current Assets	218	194	144	166	101	85.9	60.3	45.3	NA	NA
Total Assets	263	232	180	200	129	107	80.0	55.4	NA	NA
Current Liabilities	40.8	37.3	30.8	36.4	31.4	32.1	22.4	17.8	NA	NA
Long Term Debt	NA	NA	NA	NA	0.01	Nil	NA	NA	NA	NA
Common Equity	209	184	141	157	93.7	5.85	-8.56	-29.0	NA	NA
Total Capital	211	184	141	157	96.1	72.1	57.6	37.2	NA	NA
Capital Expenditures	25.5	16.4	14.4	16.1	15.4	9.08	8.99	4.35	3.86	NA
Cash Flow	79.7	57.2	41.0	32.6	21.6	16.7	24.2	8.57	-2.56	NA
Current Ratio	5.3	5.2	4.7	4.6	3.2	2.7	2.7	2.6	NA	NA
% Long Term Debt of Capitalization	Nil	Nil	Nil	Nil	0.0	Nil	Nil	Nil	NA	NA
% Net Income of Revenue	14.4	12.8	10.6	10.1	7.5	6.9	16.0	5.4	NM	NA
% Return on Assets	24.8	20.8	15.2	13.8	11.4	11.0	27.7	NA	NA	NA
% Return on Equity	31.2	26.3	19.3	18.2	26.9	NM	NM	NA	NA	NA

Data as orig. reptd; bef. results of disc opers/spec. items. Per share data adj. for stk. divs. as of ex-div date. NA-Not Available. NM-Not Meaningful. NR-Not Ranked.

Office: 225 South Sixth Street, Capella Tower 9th Floor, Minneapolis, MN, 55402
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Pres: D. Bushway

Dir: J. K. Gilligan, M. N. Greene, M. A. Linton, M. L. Lomax, J. G. Miller, S. G. Shank, A. M. Slavitt, D. W. Smith, J. W. Taylor, D. Tukua
CFO & SVP: S. L. Polacek
COO: E. A. Nordin

General Counsel, Secy & SVP: G. W. Thom
Investor Contact: Heide Erickson(612-977-5172)
Founded: 1991
Domicile: Delaware
Employees: 2,968

Sub-Industry Outlook

In August 2010, we reduced our fundamental outlook for the Education Services sub-industry to negative from neutral. The operating performances of many U.S.-based for-profit educators had been recovering over the past couple of years, aided largely by an emphasis on different student demographics and degree programs, more focus on enrollment staffs, and executive changeovers. However, the sub-industry is now facing much closer regulatory scrutiny, as the U.S. Department of Education is in the process of putting new regulations in place for the education industry. Although factors and regulations affecting foreign educators might be different than those being contended with in the U.S., our outlook is based solely on domestic educators, as we do not have any foreign educators in our analytical coverage.

For-profit educators offer degrees in areas such as business, information technology and nursing, and diploma programs in trade areas. These schools are attended by individuals who are typically attracted by flexible class schedules, as well as by their ability to conduct learning through online programs.

Following a couple of years of much improved operating results, many U.S. for-profit educators have recently been showing their first signs of highly diminished performance, and we see this trend continuing over the coming year. We think the less favorable outcomes have stemmed mostly from new regulations being put in place by the Department of Education. Although "gainful employment" regulations that were finalized in June 2011 turned out to be less severe than those originally proposed, we still believe this rule will be the most challenging of the group of newly created

regulations. Under the final gainful employment rule, schools would become ineligible for Title IV student loans if former students failed three separate repayment and debt-to-income tests three times in a four-year period. The regulations are that at least 35% of former students are paying down their loans, and are spending less than 12% of their total income and 30% of discretionary income on loan payments. However, we believe that under any circumstances, last year's release of regulatory data showing very low repayment rates among for-profit educators (although full data was not released and a number of educators have contested the findings) will force many sub-industry members to greatly adjust their admissions model. In that regard, several educators who have begun to implement adjustments have been seeing major downturns in new students.

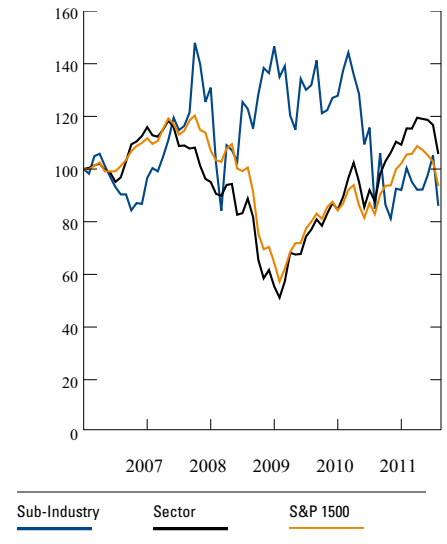
The S&P Education Services Index was up 16.5% in 2011 through July 15, versus a 5.0% rise for the S&P 1500.

--Michael W. Jaffe

Stock Performance

GICS Sector: Consumer Discretionary
Sub-Industry: Education Services

Based on S&P 1500 Indexes
Month-end Price Performance as of 07/29/11



NOTE: All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)

Sub-Industry : Education Services Peer Group*: Based on market capitalizations within GICS Sub-Industry

Peer Group	Stock Symbol	Stk.Mkt. Cap. (Mil. \$)	Recent Stock Price(\$)	52 Week High/Low(\$)	Beta	Yield (%)	P/E Ratio	Fair Value Calc.(\$)	Quality Ranking	S&P IQ %ile	Return on Revenue (%)	LTD to Cap (%)
Capella Education	CPLA	523	34.39	82.95/32.61	0.55	Nil	9	44.70	NR	79	14.4	NA
ATA Inc ADS	ATAI	223	10.00	13.09/2.80	0.70	Nil	NM	NA	NR	61	NA	NA
Ambow Education Hldg Ltd ADS	AMBO	408	5.73	14.40/4.56	NA	Nil	NM	NA	NR	74	15.3	3.2
Amer Public Education	APEI	763	42.79	49.29/23.84	0.47	Nil	25	44.00	NR	76	15.1	NA
Archipelago Learning	ARCL	226	8.89	12.95/8.01	NA	Nil	99	NA	NR	6	5.9	40.4
Cambium Learning Group	ABCD	121	2.75	3.98/2.48	NA	Nil	NM	NA	NR	15	NA	54.6
China Distance Education ADS	DL	86	2.52	5.48/1.85	0.95	Nil	NM	NA	NR	68	NA	NA
ChinaCast Education	CAST	249	5.00	7.99/4.06	1.11	Nil	21	NA	NR	14	14.0	4.4
ChinaEdu Corp ADS	CEDU	95	6.03	8.00/4.62	0.13	Nil	17	NA	NR	82	9.8	NA
Grand Canyon Education	LOPE	697	15.74	23.26/12.26	0.68	Nil	16	18.20	NR	47	11.5	14.0
K12 Inc	LRN	956	26.78	39.74/22.76	0.86	Nil	64	24.40	NR	20	5.6	0.3
Learning Tree Intl	LTRE	111	8.26	12.29/7.69	1.21	Nil	27	NA	B-	72	3.4	NA
Lincoln Educational Svc	LINC	232	10.27	19.89/9.73	0.72	9.7	4	NA	NR	20	10.9	20.4
National American University Hldg	NAUH	247	9.29	11.83/4.57	NA	1.3	24	NA	NR	38	9.7	NA
Noah Education Hldgs ADS	NED	71	1.90	2.78/1.57	1.64	Nil	NM	NA	NR	31	0.8	NA

NA-Not Available NM-Not Meaningful NR-Not Rated. *For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.

S&P Analyst Research Notes and other Company News**August 12, 2011**

Capella Education Co. announced the retirement of Michael Offerman, EdD, Capella's president emeritus and chancellor. Dr. Offerman has held numerous positions at Capella University over the last 10 years, most notably serving as president from 2001 to 2007. His retirement will be effective as of the end of September. Dr. Offerman will remain Capella University's president emeritus.

July 27, 2011

Capella Education Co. reported unaudited consolidated earnings results for the second quarter and six months ended June 30, 2011. For the quarter, the company's revenues were \$106,400,000 compared to \$105,157,000 a year ago. Operating income was \$23,903,000 compared to \$22,482,000 a year ago. Income before income taxes was \$24,375,000 compared to \$23,010,000 a year ago. Net income was \$15,379,000 compared to \$14,574,000 a year ago. Net income attributable to the company was \$15,515,000 or \$0.99 per diluted share compared to \$14,574,000 or \$0.86 per diluted share a year ago. For the six months, the company's revenues were \$217,754,000 compared to \$206,390,000 a year ago. Operating income was \$46,370,000 compared to \$45,697,000 a year ago. Income before income taxes was \$47,367,000 compared to \$46,723,000 a year ago. Net income was \$29,879,000 compared to \$29,736,000 a year ago. Net income attributable to the company was \$30,124,000 or \$1.89 per diluted share compared to \$29,736,000 or \$1.75 per diluted share a year ago. Net cash provided by operating activities was \$45,011,000 compared to \$43,494,000 a year ago. Capital expenditure was \$12,962,000 compared to \$14,039,000 a year ago. For the third quarter ending Sept. 30, 2011, revenue is expected to decline 2.5% to 4.0% and total enrollment is expected to decline by about 6% to 8% compared to third quarter 2010. The operating margin is anticipated to be approximately 13% to 14% of total revenue for the third quarter of 2011.

July 25, 2011

On July 18, 2011, Sandra Taylo resigned from Board of Directors of Capella Education Co. Ms. Taylor, who joined the Board in 2006, is leaving to devote more time to other recently expanded professional commitments.

April 27, 2011

Capella Education Co. reported unaudited consolidated earnings results for the first quarter ended March 31, 2011. For the quarter, the company's revenues increased 10.0% to \$111.4 million compared to \$101.2 million in the first quarter of 2010. Operating income was decreased by 3.2% to \$22.5 million compared to \$23.2 million for the same period in 2010. Net income attributable to the company was \$14.6 million compared to \$15.2 million for the same period in 2010. Diluted net income per share attributable to the company was \$0.90 compared to \$0.89 for the same period in 2010. Excluding charges related to the workforce reduction, diluted net income per share attributable to the company was \$0.97. The company's results were slightly above expectations with respect to total year-over-year enrollment growth and revenue growth. Net cash provided by operating activities was \$23.5 million compared to \$28.8 million in the same period a year ago, a decrease of 18.3%. Income before income taxes was \$22.99 million compared to \$23.71 million reported a year ago. Capital expenditures were \$4.9 million compared to \$4.62 million reported a year ago. On adjusted basis, the company reported operating income of \$24.33 million, income before income taxes of \$24.85 million and net income attributable to the company of \$15.78 million. The first quarter operating income margin was well ahead of its expectations as a result of the company's employees embracing the challenge to proactively manage discretionary expenses, lower than anticipated bad debt expense and the timing of certain other expenses. For the second quarter ending June 30, 2011, revenue is expected to be flat to up 2% and total enrollment is expected to decline by about 1% to 3% compared to second quarter 2010. The operating margin is anticipated to be approximately 20.5% to 21.5% of total revenue for the second quarter of 2011. Depreciation and amortization will continue to increase throughout 2011 due to the investments that the company have made over the past several years.

March 7, 2011

Capella Education Co. announced that it has appointed Deb Bushway as interim president, and Mike Offerman as chancellor. Prior to being named interim president, Bushway served as Capella's provost and vice president for academic affairs. She will continue to serve as Capella's chief academic officer. Prior to

being named chancellor, Offerman served as Capella's president emeritus. As chancellor, Offerman will serve as an advisor to Gilligan and Bushway.

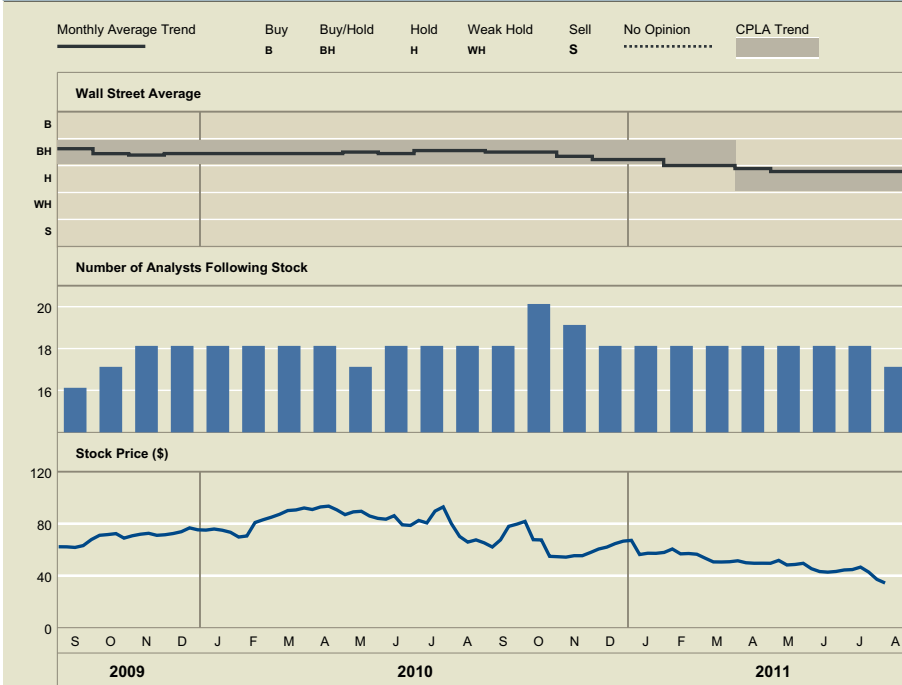
February 16, 2011

Capella Education Co. reported unaudited consolidated earnings results for the fourth quarter and year ended December 31, 2010. For the three months, revenues increased 21.3% to \$114.7 million, compared to \$94.5 million in the fourth quarter of 2009. Operating income increased by 23.4% to \$28.3 million, compared to \$22.9 million for the same period in 2009. Net income attributable to company for the fourth quarter of 2010 was \$18.1 million, compared to net income attributable to company \$15.0 million for the same period in 2009, an increase of 20.3%. Diluted net income per share was \$1.09, compared to \$0.88 for the same period in 2009. Income before income taxes was \$28.805 million against \$23.403 million of previous year period. For the fiscal year ended December 31, 2010, revenues increased by 27.3% to \$426.1 million, compared to \$334.6 million for the same period in 2009. Operating income for 2010 was \$95.0 million or 22.3% of revenue, compared to \$63.9 million or 19.1% of revenue during 2009. Net income attributable to company was \$61.3 million or \$3.64 per weighted average number of diluted shares outstanding compared to net income attributable to company of \$42.7 million or \$2.51 per share for 2009. Cash flow from operations for 2010 was \$88.4 million compared to \$69.1 million in 2009, an increase of 28.0%. Income before income taxes was \$97.039 million against \$66.306 million of previous year. Capital expenditures were \$25.481 million against \$16.436 million of 2009. For the first quarter ending March 31, 2011, operating margin is anticipated to be approximately 17 to 18% of total revenue for the first quarter of 2011, including charges of approximately \$2 million.

February 15, 2011

DOWN 7.84 to 55.50... CPLA posts \$1.09 vs. \$0.88 Q4 EPS on 21% revenue rise. Notes new enrollment growth fell 10.7% from Q4 2009. Says it is now operating in an uncertain environment, driven by weaker demand for higher education, regulatory uncertainty and increased competition for high quality learners. Expects to reduce non-faculty workforce by about 8%; take \$2M charge in Q1.

Analysts' Recommendations



Of the total 18 companies following CPLA, 17 analysts currently publish recommendations.

	No. of Ratings	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	2	12	2	2
Buy/Hold	0	0	1	1
Hold	15	88	15	15
Weak Hold	0	0	0	0
Sell	0	0	0	0
No Opinion	0	0	0	1
Total	17	100	18	19

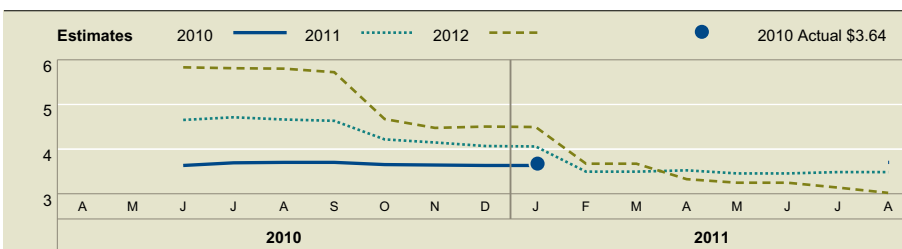
Wall Street Consensus Opinion

HOLD

Companies Offering Coverage

- BMO Capital Markets-us
- Barrington Research
- Battle Road Research
- Bofa Merrill Lynch
- Citi
- Credit Suisse - North America
- First Analysis Securities Corp
- Gabelli & Company
- Jpmorgan
- Morgan Stanley
- Oppenheimer & Co.
- Piper Jaffray
- RBC Capital Markets
- Robert W. Baird & Co., Inc.
- Sterne, Agee & Leach
- Stifel Nicolaus & Company, inc.
- UBS (us)
- William Blair & Company, L.L.C.

Wall Street Consensus Estimates



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2012	3.02	3.56	1.95	17	11.4
2011	3.49	3.69	3.29	12	9.9
2012 vs. 2011	▼ -13%	▼ -4%	▼ -41%	▲ 42%	▲ 15%
Q3'12	0.55	0.67	0.34	11	62.5
Q3'11	0.60	0.69	0.55	17	57.3
Q3'12 vs. Q3'11	▼ -8%	▼ -3%	▼ -38%	▼ -35%	▲ 9%

Wall Street Consensus vs. Performance

For fiscal year 2011, analysts estimate that CPLA will earn \$3.49. For the 2nd quarter of fiscal year 2011, CPLA announced earnings per share of \$0.99, representing 28% of the total annual estimate. For fiscal year 2012, analysts estimate that CPLA's earnings per share will decline by 13% to \$3.02.

A company's earnings outlook plays a major part in any investment decision. Standard & Poor's organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years. This graph shows the trend in analyst estimates over the past 15 months.

Glossary

S&P Quality Ranking - Growth and stability of earnings and dividends are deemed key elements in establishing S&P's quality ranking for common stocks, which are designed to capsule the nature of this record in a single symbol. It should be noted that, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+	Highest	B	Lower
A	High	B-	Below Average
A-	Above Average	C	Lowest
B+	Average	D	In Reorganization
NR	Not Ranked		

S&P Fair Value Rank - Using S&P's exclusive proprietary quantitative model, stocks are ranked in one of five groups, ranging from Group 5, listing the most undervalued stocks, to Group 1, the most overvalued issues. Group 5 stocks are expected to generally outperform all others. A positive (+) or negative (-) Timing Index is placed next to the Fair Value ranking to further aid the selection process. A stock with a (+) added to the Fair Value Rank simply means that this stock has a somewhat better chance to outperform other stock with the same Fair Value Rank. A stock with a (-) has a somewhat lesser chance to outperform other stocks with the same Fair Value Rank. The Fair Value rankings imply the following: 5-Stock is significantly undervalued; Fair Value Rank. A stock with a (-) has a somewhat lesser chance to outperform other stocks with the same Fair Value Rank. The Fair Value rankings imply the following: 5-Stock is significantly undervalued; 4-Stock is moderately undervalued; 3-Stock is fairly valued; 2-Stock is modestly overvalued; 1-Stock is significantly overvalued.

Funds From Operations (FFO) - FFO is Funds from Operations and equal to a REIT's net income, excluding gains or losses from sales of property, plus real estate depreciation.

Fair Value Calculation - The current price at which a stock should sell today as calculated by S&P's computers using our quantitative model based on the company's earnings, growth potential, return on equity relative to the S&P 500 and its industry group, price to book ratio history, current yield relative to the S&P 500, and other factors.

Investability Quotient (IQ) - The IQ is a measure of investment desirability. It serves as an indicator of potential medium-to-long-term return and as a caution against downside risk. The measure takes into account variables such as technical indicators, earnings estimates, liquidity, financial ratios and selected S&P proprietary measures.

**Standard & Poor's IQ Rationale:
Capella Education**

	Raw Score	Max Value
Proprietary S&P Measures	5	115
Technical Indicators	17	40
Liquidity/Volatility Measures	18	20
Quantitative Measures	62	75
IQ Total	102	250

Volatility - Rates the volatility of the stock's price over the past year.

Technical Evaluation - In researching the past market history of prices and trading volume for each company, S&P's computer models apply special technical methods and formulas to identify and project price trends for the stock.

Relative Strength Rank - Shows, on a scale of 1 to 99, how the stock has performed versus all other companies in S&P's universe on a rolling 13-week basis.

Global Industry Classification Standard (GICS) - An industry classification standard, developed by Standard & Poor's in collaboration with Morgan Stanley Capital International (MSCI). GICS is currently comprised of 10 Sectors, 24 Industry Groups, 67 Industries, and 147 Sub-Industries.

Dividends on American Depositary Receipts (ADRs) and American Depositary Shares (ADSs) are net of taxes (paid in the country of origin).

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