Lonsec

Recommended

ISSUE DATE 18-04-2023

Product Review
Optimix Wholesale Property Securities Trust B

About this Review

ASSET CLASS REVIEWED	PROPERTY AND INFRASTRUCTURE
SECTOR REVIEWED	AUSTRALIAN LISTED PROPERTY
SUB SECTOR REVIEWED	MULTI-MANAGER
TOTAL FUNDS RATED	3

About this Fund

ASIC RG240 CLASSIFIED	NO
FUND REVIEWED	OPTIMIX WHOLESALE PROPERTY SECURITIES TRUST B
APIR CODE	LEF0101AU
PDS OBJECTIVE	THE TRUST AIMS TO ACHIEVE RETURNS (BEFORE FEES, CHARGES AND TAXES) THAT EXCEED THE S&P/ ASX 300 A-REIT ACCUMULATION INDEX ('THE INDEX'), OVER PERIODS OF FIVE YEARS OR MORE.
INTERNAL OBJECTIVE	TO OUTPERFORM THE BENCHMARK BY 1.0% P.A. BEFORE FEES OVER ROLLING FIVE-YEAR PERIODS.
STATED RISK OBJECTIVE	LESS THAN 5.0% P.A. TRACKING ERROR OVER ROLLING FIVE-YEAR PERIODS.
DISTRIBUTION FREQUENCY	QUARTERLY
FUND SIZE	$24.8M (31 MARCH 2023)
FUND INCEPTION	01-04-2002
ANNUAL FEES AND COSTS (PDS)	0.97% P.A.
RESPONSIBLE ENTITY	ONEPATH FUNDS MANAGEMENT LIMITED

About the Fund Manager

FUND MANAGER	ONEPATH FUNDS MANAGEMENT LIMITED
OWNERSHIP	100% OWNED BY INSIGNIA FINANCIAL LTD (ASX: IFL)
ASSETS MANAGED IN THIS SECTOR	$147.3BN (31 DEC 2022 - TOTAL AUM OF MULTI-ASSET)
YEARS MANAGING THIS ASSET CLASS	29

Investment Team

PORTFOLIO MANAGER	LIAM WILSON
INVESTMENT TEAM SIZE	3
INVESTMENT TEAM TURNOVER	LOW-MODERATE
STRUCTURE / LOCATION	PM / SYDNEY & MELBOURNE

Investment process

STYLE	MULTI-MANAGER – CORE
BENCHMARK	S&P/ASX 300 A-REIT ACCUMULATION INDEX
A-REITS RANGE	75-100%
LISTED PROPERTY SECURITIES EXCLUDING A-REITS	0-15%
CASH LIMIT	10.0%
TYPICAL NUMBER OF MANAGERS	2

Fund rating history

APRIL 2023	RECOMMENDED
MAY 2022	RECOMMENDED
APRIL 2021	INVESTMENT GRADE

What this Rating means

The **'Recommended'** rating indicates that Lonsec has strong conviction the financial product can generate risk adjusted returns in line with relevant objectives. The financial product is considered an appropriate entry point to this asset class or strategy.

Strengths

- The Trust is managed by an experienced and well-led investment team.
- Increased breadth of resources and tools in particular manager research, asset allocation, performance analytics, governance and implementation teams.
- The Manager implements a robust and consistently applied investment process underpinning underlying manager selection and portfolio construction functions.
- Integration of the broader investment team has been progressing well to further enhance the Manager's investment capabilities.

Weaknesses

- Although the value proposition is strong, the Trust's fee load is relatively high in consideration of the investment objective.
- The Fund has underperformed its benchmark and peers over the medium and longer term.

Fund Risk Characteristics

	LOW		MODERATE		HIGH
BUSINESS SUSTAINABILITY RISK		●			
CAPITAL VOLATILITY				●	
SECURITY CONCENTRATION RISK		●			
SECURITY LIQUIDITY RISK		●			

Risk categories are based on Lonsec's qualitative opinion of the risks inherent in the financial product's asset class and the risks relative to other financial products in the relevant Lonsec sector universe.

BIOmetrics

Aggregated risks

	1	2	3	4	5	6	7
STD RISK MEASURE							●

A Standard Risk Measure score of 7 equates to a Risk Label of 'Very High' and an estimated number of negative annual returns over any 20 year period of 6 or greater. This is a measure of expected frequency (not magnitude) of capital losses, calculated in accordance with ASFA/FSC guidelines.

	LOW	MODERATE	HIGH
RISK TO INCOME		●	

ANALYST: ISRIN KHOR | APPROVED BY: ALEC LEUNG

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Features and benefits

	LOW		MODERATE		HIGH
COMPLEXITY		●			
ESG		●			

Fee profile

	LOW		MODERATE		HIGH
FEES VS. UNIVERSE					●
FEES VS. ASSET CLASS				●	

Fee BIOmetrics are a function of expected total fee as a percentage of expected total return.

What is this Fund?

- The OptiMix Wholesale Property Securities Trust – Class B Units (the 'Trust') is an active, multi-manager strategy that invests in a selection of specialist Australian Property Securities fund managers. The Trust's objective is to outperform the S&P/ ASX 300 A-REIT Accumulation Index ('the Index') by 1.0% p.a. before fees over a period of five years.
- OnePath Funds Management Limited ('the Manager') is part of the group of companies and related bodies comprising Insignia Financial Limited. The Trust is managed by the IOOF investment team. IOOF adopts a Multi-Manager investment style, taking an active approach. IOOF's investment philosophy is guided by a number of key principles which have foundations in academic research; active managers can outperform sector benchmarks over the long-term, in-depth research and analysis can provide superior insight and provide the potential for outperformance, and investment style can have a significant impact on performance.
- The Manager aims to build a style neutral Multi-Manager portfolio where security selection of the underlying funds is the primary source of excess return. The Manager aims to meet its objective by holding a small number of high conviction Australian Property Securities fund managers with different yet complementary investment styles.
- Given the concentrated nature of the A-REIT universe, underlying fund manager's portfolios are expected to have a high degree of commonality. In addition, the Trust is expected to have a highly concentrated portfolio compared to other asset classes. Active Share (a measure of the difference between the portfolio and the index) is expected to be in the 20-30% range, again reflective of the concentrated nature of the investable universe.
- The Fund's PDS dated 30 September 2022 disclosed the Annual Fees and Cost ('AFC') totaling 0.97% p.a.. This value comprises (1) Management Fees and Costs of 0.93% p.a., (2) Performance Fee of 0.0% p.a., and (3) Net Transaction Costs of 0.04% p.a. In-line with RG97, some fees and costs have been estimated by the issuer on a reasonable basis. Actual fees and costs may vary to these estimates.
- The Fund charges buy/sell spread set at 0.28%/0.17%. These spreads can be subject to change, most notably during periods of market volatility, and can be sourced from the Manager's website.

Using this Fund

This is General Advice only and should be read in conjunction with the Disclaimer, Disclosure and Warning on the final page.

- Lonsec notes that the Manager has produced a Target Market Determination (TMD) which forms part of its design and distribution arrangements for the Trust. Lonsec has collected the TMD that has been provided by the Manager and notes that this should be referred to for further details on the Target Market Summary Description of Target Market and Review Triggers.
- As a 'long' only A-REIT product, the Trust forms part of the growth component of a portfolio. The Trust is suitable for investors with at least a five-year investment horizon.
- While the Manager will seek to invest in listed securities that deliver reliable long-term cash flows, the Trust's returns are also subject to equity market risk, which means that movements (both positive and negative) in the share prices of the underlying securities in the portfolio will affect the Trust's returns. Investors should therefore be aware that there is the risk of capital loss being incurred on the investment.
- Lonsec notes that in general, Australian listed property securities funds exhibit relatively high levels of concentration risk, reflecting the concentrated nature of the benchmark.

Suggested Lonsec risk profile suitability

SECURE	DEFENSIVE	CONSERVATIVE	BALANCED	GROWTH	HIGH GROWTH
	●	●	●	●	●

For guidance on appropriate asset allocations and risk profiles, refer to the latest Lonsec Strategic Asset Allocation Review and Risk Profile Definitions on our website.

Changes Since Previous Lonsec Review

- Effective July 2022, Dan Farmer was appointed as the Chief Investment Officer ('CIO') for the combined heritage IOOF, MLC and OnePath multi-manager businesses. The investment team is structured with responsibilities broadly segmented by Portfolio Construction, Portfolio Enablement and Special Capabilities functions. A number of team member responsibilities will be transitioned in a measured way over time.
- In June 2022, James Tayler was appointed as Head of Responsible Investment.
- In August 2022, Myooran Mahalingam resigned from the Manager and Liam Wilson took over as Portfolio Manager for the MLC Global Equities portfolios, in addition to already being the PM for IOOF and OptiMix Global Equities portfolios.
- More recently, there have been additional investment team changes effective 12 September 2022 which include:
  - — Paul Crisci departed the Manager and Peter Sumner was appointed as Portfolio Manager for the Australian Equities and A-REIT portfolios;
  - — Simon Elimelakh, Head of Investment Portfolio Analytics, transitioned to a contracting role. Furthermore, the analysts previously reporting

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through to Elimelakh now report to Daniel Ackland, Investment Analytics Manager;
  - David Djukanovic, Head of Exposure Management and Trading, leads a team of five including Head of Derivatives, Clifford Bayne, who reports directly to Djukanovic.
- In January 2023, Insignia Financial entered into a binding share sale agreement to divest its remaining 45% equity stake in JANA to JANA's management team. JANA would become a wholly management-owned business following the transaction. The completion of this transaction is expected to occur in early 2023. Lonsec notes, no changes in terms of JANA asset consulting services provided to the investment team.

Lonsec Opinion of this Fund

People and resources

- Insignia Financial Limited ('Insignia Financial', ASX code: IFL) is a leading provider of wealth management services including superannuation, platform administration and investment management, with over $285.1bn assets under management and administration as 31 December 2022. Following the completion of the acquisition of MLC Wealth ('MLC') from National Australian Bank (ASX Code: NAB) in May 2021, Lonsec believes there are meaningful synergies realised from the breadth of resources, investment and risk management tools and significant collective industry experience of the combined businesses. The investment team members continue to collaborate effectively to manage their respective products.
- Effective 4 July 2022, Dan Farmer was appointed as the Chief Investment Officer ('CIO') for the combined heritage IOOF, OnePath and MLC multi-manager businesses. Lonsec believes that Farmer possesses the appropriate experience and skillset to lead the team and has skilfully navigated the significant changes arising from the MLC/Insignia Financial Ltd merger. Farmer previously was CIO of the IOOF investment management division and prior to this role, he was the Portfolio Manager for the Australian equities portfolios. Prior to joining the Insignia Financial, Farmer was Senior Executive Investments at Telstra Super. Furthermore, succession planning efforts also saw the appointment of Stanley Yeo as Deputy CIO and Head of Equities in 2021. Moreover and subsequent to the investment team restructure occurring in 2022, Yeo was appointed to Head of Strategy and Equities.
- The Trust is managed by Liam Wilson who is the appointed Portfolio Manager since 2016. While not a property specialist, Lonsec considers Wilson to have a strong background in Australian equity strategies. Providing further comfort is the continuing support of the wider investment team in manager research and asset class decisions, including Simon Gross, Head of Property and Mark D'Arcy-Bean, Asset Manager. Lonsec notes that individuals within the investment team have the requisite skills, knowledge and experience to manage their asset class domains effectively and therefore Lonsec continues to maintain its conviction in the team.
- The team is well-resourced consisting of 46 people in total, including Farmer and Yeo. The investment team has been recently restructured with responsibilities broadly segmented by Portfolio Construction, Portfolio Enablement and Special Capabilities functions. A number of team members' responsibilities will be transitioned in a measured way over time. While the senior team member departures are disappointing, Lonsec believes the reporting lines, roles and responsibilities remain clearly defined under the current structure with team integration progressing well.
- Lonsec views key person risk associated with Wilson as low given the strong support and backup structure implemented.
- Lonsec considers the alignment of interest to investors to be moderate. 60% of the remuneration of the investment teams is directly linked to the performance of the multi-manager range of funds, which is heavily weighted to three and five year returns and can be taken as cash, salary sacrifice to superannuation or a combination of the above. The bonuses have a deferral component which promotes further alignment across the team.

Research and portfolio construction

- Overall, Lonsec considers the manager research process to be detailed and transparent. The Manager's research process integrates both quantitative and qualitative factors. The quantitative process is used to establish specific risk/return objectives at both the Trust and sector level and also to assist in screening, modelling and identifying managers that in aggregate have the attributes to construct a blended portfolio to meet a specific return and risk target.
- The Manager's research process aims to establish a narrow universe of funds that have been filtered by various criteria including the team's house views on suitable styles of managers for given asset classes. The Manager relies on the services of an external asset consultant, Mercer, when formulating individual strategies, and ad-hoc advice in strategic asset allocation and strategic tilting. Lonsec views Mercer is well-equipped to provide guidance and advice to the team. Combined with the team's sector specialist model, Mercer's MRB has allowed the Manager to undertake research across a broader range of underlying managers and strategies. While Lonsec has a positive view of the depth and breadth of Mercer's domestic and global manager coverage, Lonsec is seeking stability at Mercer following an increased turnover within Mercer's Manager Research Boutique (MRB) over recent years.
- Furthermore, Lonsec notes the investment team also has access to the asset consulting services of JANA. As the broader team integration continues to progress, Lonsec will be better able to assess JANA's input in the Manager's investment process. Lonsec will continue to monitor the team's relationship with JANA in future reviews following the binding share sale agreement to divest Insignia Financial's remaining 45% equity stake in JANA to JANA's management team.
- Pleasingly, IOOF has a well-developed list of designated backup managers in the event of an

adverse scenario eventuating (i.e., key Portfolio Manager departing). Lonsec looks favourably on multi-manager strategies having well-formulated contingency plans, believing it to be consistent with industry 'best practice'.

- IOOF believes that traditional Tactical Asset Allocation (TAA) can be a source of unrewarded risk to investors. Instead, a 'Strategic Tilting' framework is employed, where the Trust may deviate from the aggregate underlying investment manager positions to capture price adjustments associated with mean reversion back towards the long-term average. These opportunities arise when a market has moved to an extreme (over or undervaluation). Lonsec is supportive of this approach, believing it may provide a basis for improving the Trust's risk/return outcome.

ESG Integration

- Lonsec's ESG integration assessment considers how rigorous, robust and structured the ESG process for the Trust is as well as how well it integrates into the overall investment process and the Manager's overall policy and reporting framework. The assessment is not intended to assess the underlying holdings of the Trust's portfolio or the Manager's adherence to any form of impact, green / sustainable or ethical standards.
- At the corporate level Lonsec views the Manager's overall ESG policy framework and disclosure as lagging peers. The Manager has an articulated commitment to their integration of ESG within their investment process with evidence in their public positioning and policy framework. The Responsible Investment policy together with the proxy voting policy is freely available on the firm's website. The level of disclosure with respect to the proxy voting policy and outcomes is slightly behind peers. The proxy voting policy lacks depth compared to peers and reporting on voting outcomes is publicly available, although rationales for dissenting votes is not provided. The engagement approach is explained within the Responsible Investment policy, however, is considered generic compared to peers. No reporting on engagement outcomes is publicly available.
- The Manager has indicated that their Responsible Investment style is "ESG Integration" and as such that they take Environmental, Social and Governance factors into consideration when assessing investment opportunities. With a primary ESG style of "Stewardship" Managers will usually focus their ESG strategy on Engagement and Voting as the key tool in managing their ESG risks. While stewardship approaches are common across most Managers, they can form the key ESG strategy employed by some Managers. Due to the qualitative nature of this style Lonsec highlights the need for Managers to provide clear and detailed reporting on both engagement and voting activities and recommends investors review the Trust's stewardship reporting where available.
- Lonsec's review of ESG integration for Multi Asset Funds such as this, reviews only the ESG components of the selection of underlying strategies or managers. It does not review the ESG integration at the level of each of the underlying funds or strategies.
- The Manager clearly incorporates an ESG element in their manager selection process. Managers must have ESG policies in place and adhere to other minimum ESG based investment standards. Documentation requirements are appropriate. While there is no monitoring of the ESG characteristics of the underlying stocks performed, ongoing monitoring of the policies of the underlying managers is performed on at least an annual basis. Proxy voting is delegated to the underlying Managers however no clear voting guidelines on how that voting should be considered is issued by the Manager.
- There are no signs that company engagement on ESG issues is a component of the Manager's current investment approach for this Fund.
- While ESG does not form a component of the Managers broader compliance framework, Lonsec looks very favourable on the level of transparency the Manager provides into portfolio holdings. Voting on the Trust is not controlled by the Manager limiting the Trust's ability to vote in alignment with its own analysts views or investment/sustainability priorities.
- In June 2022, James Tayler was appointed as Head of Responsible Investment. Lonsec expects Tayler's appointment to expand the scope of the Manager's ESG integration through time.

Risk management

- Lonsec has been satisfied with the structure of the risk management functions embedded within the investment process. While continually evolving, the Manager has integrated compliance systems that enable underlying mandates to be implemented to ensure compliance with their predefined guidelines.
- Underlying managers are typically accessed via separately managed accounts enabling IOOF to tailor mandates to its requirements, e.g., maximum stock bet limits or maximum cash holdings. Lonsec considers this a positive structure as it can facilitate tighter portfolio construction, better product design control, the opportunity for better pricing, improved tax efficiency for investors, and the ability to manage implementation and transitions more efficiently.
- IOOF closely monitors manager portfolios and weightings on a daily basis and investigates daily any excess return outliers exceeding the 99% confidence level. In Lonsec's opinion, ongoing mandate monitoring is very important within the Multi-Manager structure, as it is just as critical for underlying managers to be adhering to their investment process as it is that the process is of high quality.
- The Product Operational Accounting and the Office of the Responsible Entity undertake operational due diligence on potential investment managers and undertake annual reviews of the operational risks associated with employed managers. Lonsec views this positively as it reduces the workload of Portfolio Managers and improves specialisation.
- The team is continuing to improve the transparency of the underlying portfolios and has added these portfolios into Bloomberg PORT and FactSet.

Fees

- The Fund's fee comprises of management fee of 0.93% p.a., an estimated performance fee of 0.0% p.a., and net transaction costs of 0.04% p.a. Lonsec considers the total fee load for the Fund (AFC of 0.97% p.a.) as high relative to peers.

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Product

- The Fund is a relatively vanilla Australian property securities multi-manager strategy. Hence Lonsec does not consider it to be operationally challenging to implement. Additionally, the Manager employs high quality 'tier 1' service providers.
- The Fund is a registered managed investment scheme (MIS) for which Onepath Funds Management Limited (the 'RE'), a related entity. The RE is responsible for operating and managing the MIS, holds an AFSL and as such is required to comply with its AFSL and RE obligations as outlined under the Corporations Act. Lonsec notes the RE has built experience in operating and managing a number of schemes over an extended period of time.
- The Trust has been in outflow over the short-to-medium term which heightens the potential for wind-up risk if this trend was to materially accelerate. That said, Lonsec acknowledges that the Trust is already large scale with the Manager remaining fully committed to this product.

Performance

- The internal objective of the Trust is to outperform the S&P/ ASX 300 A-REIT Accumulation Index ('the Index') by 1.0% p.a. (before fees) over rolling five-year periods. Lonsec considers this objective to be modest given the Trust's fee load.
- To 28 February 2023, the Fund has produced a return, net of fees, of 0.4% p.a. and 4.5% p.a., over a three and five year period, respectively. The Fund's performance has broadly been below the peer median and benchmark over these time periods. As such the Fund has not its investment objective.
- The Fund's volatility (as measured by standard deviation) was higher than peers over both time periods. This has lead to risk-adjusted return (as measured by Sharpe ratio) lower than peers over a three and five year period to 30 November 2022.
- The Fund's worst drawdown has been larger than the peer median over three and five years to 28 February 2023.

Overall

- Lonsec has maintained the Trust's **'Recommended'** rating at its recent review. The rating reflects the high regard and conviction for the experience and calibre of the broader investment team. Further, lead Portfolio Manager, Liam Wilson is considered sufficiently skilled and experienced to manage the Trust effectively. The rating is also underpinned by Lonsec's positive view of the Trust's robust and repeatable investment process. The increased resourcing from the combined heritage IOOF, OnePath and MLC businesses, provides further depth of expertise within investment management, asset allocation and risk management.
- Lonsec notes the Trust's overall fee load is considered high. The Fund has underperformed its benchmark and peers over the medium and longer term. Lonsec seeking performance improvement in the Fund to maintain the conviction in the strategy.

People and Resources

Corporate overview

Insignia Financial Ltd ('Insignia Financial') is a wealth management company offering products and services across, financial advice and distribution, portfolio and estate administration, and investment management.

Insignia Financial is listed on the Australian Stock Exchange ('ASX'). As of 31 December 2022, Insignia Financial had $285.1bn in Funds Under Management and Administration.

These services are operated through a suite of brands including IOOF, Shadforth, Lonsdale, Bridges Financial Services, Consultum Financial Advisers, M3 Financial Services and RI Advice.

Size and experience

NAME	POSITION	EXPERIENCE INDUSTRY / FIRM
DANIEL FARMER	CIO	27 / 13
LIAM WILSON*	PORTFOLIO MANAGER	20 / 17
STANLEY YEO#	HEAD OF STRATEGY AND EQUITIES	23 / 13

* Lead Portfolio Manager# Primary back-up

The Investment Team is structured along specialist lines.

Liam Wilson is the Trust's lead portfolio manager and is primarily responsible for undertaking portfolio construction and manager selection functions for the OnePath/OptiMix multi-asset portfolios. He is also involved in the manager research process across global equities asset class. Wilson previously held responsibilities for Australian and international equity and fixed income fund manager research and market analysis, including implementation of INGIM overlay strategies within multi-manager portfolios. Wilson has over 19 years of financial markets experience. He is supported by the investment team of asset class specialists and portfolio managers.

The Portfolio Manager conducts qualitative and quantitative research and provides overall data support and recommendations to the five-member Investment Management Committee ('IMC'). The IMC ultimately considers and approves asset allocation decisions and manager appointments.

The IMC meets bi-monthly or more frequently if required, and comprises of Anthony Hodges (Chairman and External Member), Denise Allen and Mary-Anne Nunan (External Members), Daniel Farmer (CIO), and Stanley Yeo (Head of Strategy and Equities). Osvaldo Acosta has been appointed as Secretary.

Back-office functions are performed by IOOF's Investment Operations Team. Compliance monitoring, custody, unit pricing, registry, and financial reporting functions are outsourced to various parties including IOOF and JP Morgan; while transition management and implementation are performed by a panel of transition managers including Citi, Macquarie, UBS, and State Street.

Remuneration

The investment team is rewarded with a combination of base salary and variable bonus. Remuneration of the investment teams is directly linked to the performance of the multi-manager range of funds. Typically, 60% of

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a team member's variable remuneration is linked to the performance of the funds with 20% linked to broader product development initiatives and the remaining 20% related to behaviours and risk metrics. Variable remuneration is heavily weighted to longer-term performance, with 85% based on three and five year returns, and can be taken as cash, salary sacrifice to superannuation or a combination of the above.

Asset Consultant

IOOF appointed Mercer as its primary external asset consultant in July 2017 and MLC has a long standing relationship with JANA (JANA was previously a fully owned subsidiary of NAB. Insignia Financial Ltd sold its remaining minority share to JANA in January 2023). Post IOOF's acquisition of MLC, the broader Insignia Financial multi manager business benefit from consultancy and research services provided by both Mercer and JANA. These services include manager research and consultancy services when performing due diligence on prospective and currently appointed underlying managers, designing neutral benchmarks, stress testing, strategic tilting advice and performing various other risk management functions.

In addition to Mercer and Jana, Neuberger Berman assists in Alternative's research. Neuberger Berman is an 80-year old private employee-owned investment manager. The firm manages equities, fixed income, private equity and hedge fund portfolios for institutions and advisors. With offices in 36 cities worldwide, Neuberger Berman's team employs more than 2,400 professionals and manages more than US$402bn in assets under management as at December 2021.

Research Approach

Overview

RESEARCH PHILOSOPHY	BLENDED QUALITATIVE AND QUANTITATIVE RESEARCH
TARGET MANAGER	HIGH QUALITY BETA AND ALPHA MANAGERS, BOTH ESTABLISHED AND BOUTIQUE.
NO. OF MANAGERS IN UNIVERSE	UNLIMITED
NO. OF MANAGERS ACTIVELY RESEARCHED	ALL MANAGERS RESEARCHED BY MERCER
RESEARCH INPUTS	VARIOUS – MANAGER MEETINGS, ASSET CONSULTANT, ETC.

IOOF's integrated quantitative and qualitative investment process aims to establish a narrow universe of funds that have been filtered by various criteria including IOOF's house views on suitable styles of managers for given asset classes and managers rated highly by Mercer. Qualitative research then focuses on the firm's background and history, the key people and resources, investment style and strategy, portfolio construction, and constraints.

Screening of Managers

IOOF places a strong emphasis on active risk budgeting when in the Portfolio Construction process, and therefore identifies the type of managers/mandates required to fulfill particular roles within the available tracking error budget. As such, managers who would be unlikely to fulfill a certain role within the portfolio will be screened out. This approach allows IOOF to minimize the universe of products to a manageable size rather than considering all available managers in each asset class. For example, IOOF's house view on Australian equities is that well-resourced active managers, with a strong alignment of interest between investment staff and investors with relatively low funds under management, are most likely to outperform, and so will dedicate the research effort to these types of managers as opposed to the entire Australian equity universe.

IOOF also has access to Mercer's Global Investment Manager Database ('GIMD') to enhance the scope of their research capability and as an additional tool for filtering to identify the most suitable funds. GIMD is an online database that encapsulates information ranging from manager research notes, historical performance statistics, ideas emerging in other markets, and economic research on approximately 5,300 managers and 26,000 funds.

Typically, IOOF will focus its research on managers rated B+ or higher by Mercer. However, the discovery of managers may be sourced through any source including Mercer, directly by IOOF, through existing networks and contacts with other industry participants, such as managers, consultants or superannuation plan operators. The IOOF investment team are encouraged to have a wide opportunity set for investment ideas.

Research focus

The list of potential managers identified as research priorities by the screening process will then be subject to additional research by the IOOF team before they can be included in a portfolio. This 'double' layer of manager research typically ensures that final funds in the portfolios have undergone a rigorous review process.

IOOF undertakes a mix of both qualitative and quantitative research. From a qualitative perspective, IOOF considers factors such as the firm's background and history, financial position, the calibre of key decision-makers and the depth of available resources, investment strategy and style, idea generation and portfolio construction processes, and implementation constraints. The types of quantitative analysis conducted will include various types of performance, return and style-based analytics, various types of portfolio holdings-based attribution, and risk factor analytics.

Portfolio Construction

Overview

BENCHMARK	S&P/ ASX 300 A-REIT ACCUMULATION INDEX
RETURN OBJECTIVE (INTERNAL)	BENCHMARK PLUS 1% P.A. (BEFORE FEES) OVER ROLLING FIVE-YEARS
RISK OBJECTIVE (INTERNAL)	< 5.0% P.A. TRACKING ERROR
INVESTMENT STYLE	MULTI-MANAGER
NUMBER OF MANAGERS	2
TOTAL NUMBER OF SECURITIES	38
OBSERVED ACTIVE SHARE	25%

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IOOF's primary objective with respect to the determination of manager weightings is to achieve a style-neutral portfolio free from any undesired systematic style, capitalisation, or other factor biases relative to the relevant benchmark. Manager weightings are also determined via an assessment of contribution to total active risk to ensure no one manager has a disproportionate expected contribution. However, a manager's contribution to total active risk is not considered in isolation but with reference to the correlation of its excess returns with other managers and the objective of the product.

To summarise the actual portfolio construction process, in the first instance, active risk and return targets are set for the Trust's risk profile. The tracking error or risk budget is then apportioned between allowable asset classes based on IOOF's house views of the available risks and opportunities. Finally, managers are selected and blended to fill the risk budget, with each manager's contribution to risk being commensurate with their expected contribution to the alpha target. The number and style of managers within each asset class are also pre-determined according to IOOF's house view.

Manager blending is conducted following both qualitative and quantitative assessments. The qualitative analysis includes a comparative analysis of each manager, and the diversification benefits they offer. Quantitative analysis includes factors such as correlation, historical returns, style biases, capitalisation analysis, regression analysis, and various risk analytics.

Prior to submitting a manager recommendation to the IMC, the recommendation is peer-reviewed by the Investment Manager Peer Review Group. This group consists of senior investment professionals (Chief Investment Officer and Portfolio Managers) that are ultimately responsible for the review of manager proposals before being formally considered by the IMC. This ensures any manager proposal to the IMC has been rigorously peer-reviewed as a means of quality control and to minimise individual bias and subjectivity. It is also a means to consider the manager's proposal in a total portfolio context.

The following summarises the underlying managers within the Trust as of 31 March 2023. Consistent with IOOF's aim of broad style neutrality, there is a selection of managers with varying investment styles.

- SG Hiscock
- Renaissance

Risk Management

Risk limits

SEPARATE RISK MONITORING	YES
A-REITS	75-100%
LISTED PROPERTY SECURITIES EXCLUDING A-REITS	0-15%
CASH LIMIT	10%

All underlying managers are subject to constraints as specified in an investment management agreement. Most underlying managers are accessed via separately managed accounts. This enables IOOF to tailor mandates to its requirements, for example, maximum stock exposure limits or maximum cash holdings.

The risk tools employed by IOOF include Bloomberg, Factset, and BARRA. Risk analysis is also completed by Mercer, whenever a change to the portfolio is proposed.

Risk monitoring

The IOOF investment manager monitoring process consists of a number of prescribed stages. This includes the review of monthly investment reports, review of quarterly manager questionnaires, formal quarterly manager interviews, quarterly manager review notes, ongoing quantitative performance analytics, and ongoing review of external research. Quarterly Manager Questionnaires cover not only risk and performance but also any changes or developments in people or processes. Formal manager interviews (and site visits where practical) are also conducted on an ad-hoc basis where required.

Manager weightings are monitored on a daily basis and are rebalanced on an ongoing basis using cashflows. Using cashflows in this way means that active rebalancing of the portfolio is rarely required which minimises turnover and transaction costs/tax implications.

Product Operational Accounting and the Office of the Responsible Entity works with the Investment Team to review and assess the operational capabilities of all manager appointments.

This team also monitors, reviews and assesses the operational risks associated with employed Investment Managers on an annual basis.

Operational due diligence includes a review of the systems, policies, processes, and resources managers have in place to monitor and manage operational risk exposures. Reviews typically focus on the below areas:

- Professional indemnity insurance
- Auditing Practices (with reference to GS007 requirements)
- Organisational structures
- Business Continuity Management
- Policy Summaries
- Risk Management Approaches
- Investment Compliance
- Breaches & Incidents

Implementation

Portfolio allocations are monitored daily and re-balanced as necessary (subject to a tolerance range of +/-3% at the asset class level and +/-5% at the manager level). Cashflows are actively used to rebalance the portfolio on an ongoing basis, so the tolerance bands are rarely breached. Cashflows are allocated using a proprietary cashflow management system which allows for straight through processing to underlying investment managers.

External transition managers are appointed from a panel at 'arm's length' to ensure that objectivity is maintained. Custody, unit pricing, registry and financial reporting functions are outsourced to various parties including IOOF and JP Morgan.

Currency Management

The Manager has discretion in what portion of its underlying portfolio will be hedged back to the Australian Dollar. Consequently, returns will often be partially affected by movements in the Australian Dollar versus other currencies globally.

Optimix Wholesale Property Securities Trust B

Currency hedging will typically take place within the underlying mandates, as opposed to a currency hedging overlay on the aggregate portfolio.

Risks

An investment in the Trust carries a number of standard investment risks associated with investment markets. These include economic, market, political, legal, tax and regulatory risks. Investors should read the PDS before making a decision to invest or not invest. Lonsec considers the major risks to be:

Market risk

Investment returns are influenced by the performance of the market as a whole. This means that your investments can be affected by things like changes in interest rates, investor sentiment, and global events, depending on which markets or asset classes you invest in and the timeframe you are considering.

Security and investment-specific risk

Within each asset class and each fund, individual securities like mortgages, shares, fixed interest securities, or hybrid securities can be affected by risks that are specific to that investment or that security. For example, the value of a company's shares can be influenced by changes in company management, its business environment, or profitability. These risks can also impact the company's ability to repay its debt.

Other risks

Please refer to the Trust's PDS for more details on items identified by the Responsible Entity and Manager including Liquidity Risk, Counterparty Risk, Legal and Regulatory Risk.

Optimix Wholesale Property Securities Trust B

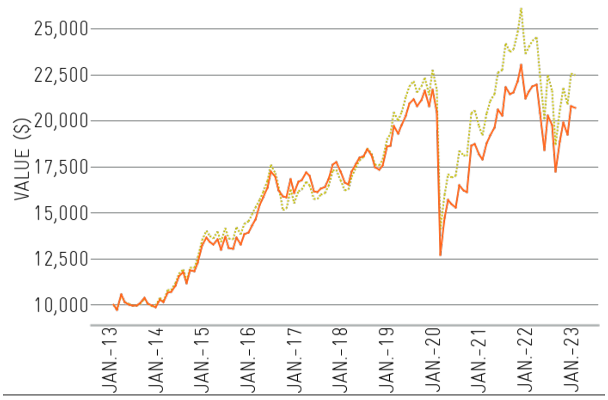
Quantitative Performance Analysis - annualised after-fee % returns (at 28-2-2023)

Performance metrics

	1 YR		3 YR		5 YR		10 YR	
	FUND	PEER MEDIAN	FUND	PEER MEDIAN	FUND	PEER MEDIAN	FUND	PEER MEDIAN
PERFORMANCE (% PA)	-4.03	-6.20	0.41	1.28	4.46	6.31	7.56	8.26
STANDARD DEVIATION (% PA)	25.69	27.06	31.37	29.75	25.02	23.83	19.49	18.60
EXCESS RETURN (% PA)	2.35	0.17	-0.80	0.07	-2.25	-0.41	-0.88	-0.18
OUTPERFORMANCE RATIO (% PA)	50.00	50.00	41.67	41.67	35.00	40.00	35.83	43.33
WORST DRAWDOWN (%)	-21.29	-22.73	-37.93	-34.21	-41.36	-36.96	-41.36	-36.96
TIME TO RECOVERY (MTHS)	NR	NR	15	14	17	15	17	15
SHARPE RATIO	-0.23	-0.29	-0.01	0.02	0.14	0.22	0.30	0.35
INFORMATION RATIO	0.78	0.10	-0.19	0.05	-0.64	-0.29	-0.27	-0.13
TRACKING ERROR (% PA)	3.01	1.81	4.09	2.26	3.55	2.01	3.29	1.51

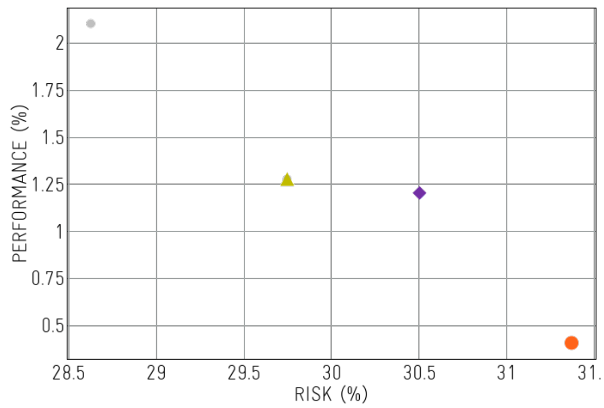
PRODUCT: OPTIMIX WHOLESALE PROPERTY SECURITIES TRUST B
LONSEC PEER GROUP: PROPERTY AND INFRASTRUCTURE - AUSTRALIAN LISTED PROPERTY - MULTI-MANAGER
PRODUCT BENCHMARK: S&P/ASX 300 A-REIT TR INDEX AUD
CASH BENCHMARK: BLOOMBERG AUSBOND BANK BILL INDEX AUD
TIME TO RECOVERY: NR - NOT RECOVERED, DASH - NO DRAWDOWN DURING PERIOD

Growth of $10,000 over 10 years



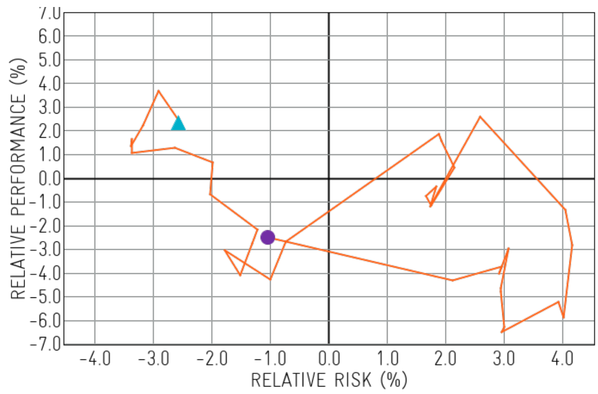
OPTIMIX WHOLESALE PROPERTY SECURITIES TRUST B
S&P/ASX 300 A-REIT TR INDEX AUD

Risk-return chart over three years



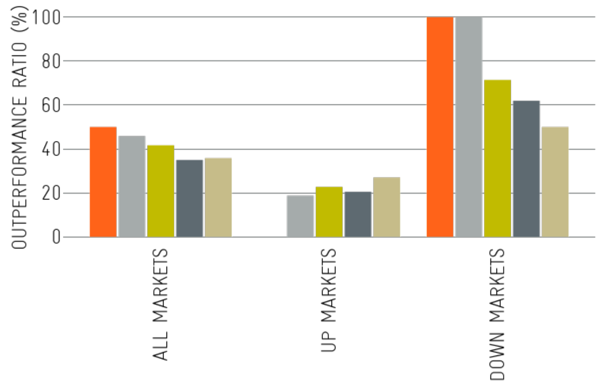
OPTIMIX WHOLESALE PROPERTY SECURITIES TRUST B
S&P/ASX 300 A-REIT TR INDEX AUD
PEER MEDIAN
PEERS

Snail trail



START (02-2020) END (02-2023)

Outperformance consistency



1Y 2Y 3Y 5Y 10Y

Optimix Wholesale Property Securities Trust B

Glossary

Total return 'Top line' actual return, after fees

Excess return Return in excess of the benchmark return

Standard deviation Volatility of monthly Absolute Returns

Tracking error Volatility of monthly Excess Returns against the benchmark (the Standard Deviation of monthly Excess Returns)

Sharpe ratio Absolute reward for absolute risk taken (outperformance of the risk free return (Bank Bills) / Standard Deviation)

Information ratio Relative reward for relative risk taken (Excess Returns / Tracking Error)

Worst drawdown The worst cumulative loss ('peak to trough') experienced over the period assessed

Time to recovery The number of months taken to recover the Worst Drawdown

Snail Trail A trailing 12-month relative performance and relative risk measurement over the benchmark. The trail is generated using a 12-month rolling window over the specified period

About Lonsec

Lonsec Research Pty Ltd (Lonsec) is an investment research house with specialist areas of expertise, that was originally established in 1994 and the current entity was registered on 23 June 2011. From 1 July 2011, Lonsec became a fully owned subsidiary of Lonsec Fiscal Holdings Pty Ltd, a privately owned entity with a multi-brand strategy of providing leading financial services research and investment execution. Lonsec believes that professional financial advisers need informed opinions on the best investment strategies and financial products to provide real value for their clients. To meet this need, Lonsec has in place an experienced research team, which draws on a robust research process to undertake in-depth assessment of managed fund products.

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