



MLC Wholesale Horizon 1 Bond Portfolio

MLC0669AU Author: Chris Serpesedes Published: 01 May 2025

Data is provided by the manager at 30 Jun 2024, and currency in AUD, unless otherwise stated

Refer to glossary for definition of the rating

Product Review

About this Product

Investment manager	MLC Asset Management Services Limited
Benchmark	Bloomberg AusBond Bank Bill Index AUD + 0.50%
Product structure	Managed Fund
Product size	\$35.09m
Inception date	Dec 2005
Asset class	Fixed Interest
Sector	Specialised Income
Peer group	Multi-Manager
Rated peers	1

Product Characteristics

Business Life Cycle	Mature
Product Wind-Up Risk	High
Key Person Risk	Low
Tenure of Decision Makers	Medium
Complex (RG240)	No
Strategy Remaining Capacity	High
ESG Approach	Risk or Value
Peer Relative Fees and Costs	Below Median

Annual Fees and Costs (% p.a.)

Management fees & costs	0.50
Performance fee costs	0.00
Net Transaction Costs	0.00
Buy/Sell Spread	0.05/0.05
Annual fees and costs	0.50

Source: FE fundinfo, PDS Date: 30/Sep/2024

Strengths

- The Fund is managed by an experienced and well-led investment team.
- Breadth of resources and tools pertaining to manager research, asset allocation, performance analytics, governance and implementation teams.
- Robust and consistently applied investment process underpinning underlying manager selection and portfolio construction.
- Integration of the broader investment team has been progressing well to further enhance the Manager’s investment capabilities.

Weaknesses

- The complexity of managing an extensive breadth of heritage products with varying objectives, but this is being managed by the continued alignment of asset class building blocks and objectives.
- Although there are processes in place, using a related party creates the potential for conflicts of interest, which remains a watchpoint.
- Underperformance against the Product Benchmark over the medium and long term.
- At the present levels of AUM, the Fund has increased wind-up risk over the medium term.

Product Opinion

The Fund has maintained its 'Recommended' rating. This rating reflects the high regard and conviction in the experience and calibre of the broader investment team and their ability to execute the investment process. The continued consolidation of the heritage businesses provides depth of expertise across the investment process.

However, the Fund has underperformed the Product Benchmark across the medium and long term. Although there are processes in place, the utilisation of related party capabilities and perceived conflicts remains a watchpoint. The Fund also harbours high levels of wind-up risk over the medium term, given its low AUM base.

Lonsec Rating Model

Rating key: ●●● Above ●●● In-line ●●● Below

Factor	Peer Rating	YoY Score Change
Business	●●●	—
Team	●●●	—
Process	●●●	—
ESG	●●●	—
Product	●●●	↓
Fees	●●●	↑
Performance	●●●	—

Allocation Profile

Core		
Satellite		
	Low Complexity	High Complexity

Return Profile

Income		
Capital		
	Defensive	Growth

### Key Facts

#### Key Objectives

Investment objective	The Fund aims to provide a return higher than its benchmark (before fees) over two-year periods. The return is also expected to be higher than cash investments. At the same time, the Fund aims to preserve capital over one-year periods.
Internal return objective	To outperform cash by 0.5% p.a. to 1.0% p.a. (After Fees).
Internal risk objective	None
Non-financial objective	None

#### Asset Allocation (%) (as at 31/12/2024)

International Equities	-
Australian Fixed Interest	46.39
Global Fixed Interest	40.16
Alternative Assets	-
Cash	13.45
<b>Total</b>	<b>100.00</b>

Source: FE fundinfo

#### Rating History

13-Feb-2024	Recommended
21-Apr-2023	Investment Grade
21-Apr-2022	Investment Grade

#### Product Distribution Profile

Frequency	Quarterly
Last Missed Distribution	None
Number of Missed Distributions in the last 5 years	0
AMIT Election	Yes
TOFA Election	No

#### Top 10 Holdings (as at 31/12/2024)

	Weight (%)
BBG017CXR784 WSTP 3.8 05/20/25 5/25	1.030
AUSTRALIA & NEW ZEALAND BANKING GROUP LTD 0.0% FEB-27	0.720
WESTPAC BANKING CORP 0.0% DEC-26	0.660
NATIONAL AUSTRALIA BANK	0.610
COMMONWEALTH BANK OF AUSTRALIA FRN 13/01/28 AUD250000	0.540
NATIONAL AUSTRALIA BANK LIMITED FRN 24/08/26 AUD200000	0.440
BENTHAM ASSET MANAGEMENT	0.400
APLLO 2024-1 A FRN 24-13/JUL/55	0.380
NATIONAL AUSTRALIA BANK NATIONAL AUSTRALIA BANK	0.340
AUSTRALIA AND NEW ZEALAND BANKING MTN REGS	0.280

Source: FE fundinfo

#### Target Market Determination

Produced by issuer	Yes
Provided to Lonsec	Yes

#### Performance Analysis - annualised after fees at 31/12/2024

	1 Year	Median	2 Year	Median	3 Year	Median	5 Year	Median
Performance (% p.a)	6.32	-	6.34	-	3.40	-	2.23	-
Standard deviation	1.15	-	1.40	-	1.87	-	2.00	-
Excess return (% p.a)	1.35	-	1.66	-	-0.29	-	-0.25	-
Outperformance ratio (% p.a)	75.00	-	66.67	-	52.78	-	56.67	-
Worst drawdown (%)	-0.17	-	-0.17	-	-2.90	-	-3.57	-
Time to recovery (mths)	1	-	1	-	8	-	9	-
Sharpe ratio	1.62	-	1.55	-	0.11	-	0.12	-
Information ratio	1.20	-	1.22	-	-0.19	-	-0.14	-
Tracking error (% p.a)	1.13	-	1.37	-	1.58	-	1.82	-

**Lonsec Peer Group:** Fixed Interest - Specialised Income - Multi-Manager

**Product Benchmark:** Bloomberg AusBond Bank Bill Index AUD + 0.50%

**Cash Benchmark:** Bloomberg AusBond Bank Bill Index AUD

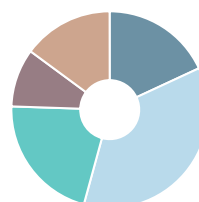
**Time to recovery:** NR - Not recovered, dash - No drawdown during period

### Business ●●●

#### Facts

Investment Manager	MLC Asset Management Services Limited
Ultimate Parent Company	Insignia Financial Limited
Headquarters	Melbourne
Inception Date	Apr 1992
% Staff Ownership	0-10%

#### AUM



- Australian Equities 18.1%
- Australian Fixed Interest 36.2%
- Global Equities 21.3%
- Listed Property 9.6%
- Other 14.9%

#### Governance

% Independent board members	100
% Female board members	67
Independent chair	Yes
CEO as Chair	No
Separate Audit Committee	Yes

#### Metrics

Total AUM	\$214.00b
Investment Management Headcount	200
Investment Professionals	49
Sales & Service	50
Distributor	Internal

#### Who is the Manager?

The Manager is part of the Insignia Financial Group of companies, comprising Insignia Financial Ltd and its related bodies corporate ('Insignia Financial'), which is listed on the Australian Stock Exchange (ASX code: IFL). Insignia Financial is a leading provider of wealth management services, including superannuation, platform administration, and investment management. The Manager has a long history in multi-asset investing, with a total funds under management and administration ('FUMA') of \$301.00b as at June 2024. Over recent years, the Manager has expanded their business through acquisitions and integration of the heritage IOOF, OnePath and MLC multi-manager businesses.

### Lonsec Opinion

#### Profitability

The Manager is a large, profitable, and well-capitalised business. The Manager is a leading Australian wealth management service provider and one of the largest Australian multi-managers in the multi-asset universe. The Manager is in a strong financial position at these levels of AUM with consistent profitability in recent times. The Manager also has a diversified asset base with a broad range of client types, which enhances the profitability profile.

#### Business Track record

The Manager has a long and respected heritage in multi-asset investing. The Manager has a considerable track record in managing multi-asset, superannuation and passive strategies. The Manager has expanded their business through acquisitions and has demonstrated success in integrating the heritage IOOF, OnePath and MLC multi-manager businesses in recent years, which is viewed positively.

#### Business Ownership

The Manager is 100% owned by ASX-listed Insignia Financial Limited (ASX: IFL) with a market capitalisation of \$3.08b as at January 2024. The senior members of the organisation own equity in the business, which is viewed positively and promotes alignment endeavours. That said, the business ownership from employees is estimated at 0-10% which is relatively in line with other multi-asset peers.

#### Business Governance

The Manager has demonstrated multiple layers of compliance and risk monitoring, with oversight from multiple trustee boards, external board directors and separate audit committees. The Manager has not reported any regulatory findings in recent years.

### Team ●●●

#### Key Decision Makers (KDM)

	Primary function	Dedicated to strategy	Appointed to strategy	Industry/Mgr exp. (yrs)	Exp. in PM roles (yrs)
Osvaldo Acosta	Portfolio Management	No	2016	24/8	24
Mark Nordio	Portfolio Management	No	2019	31/6	31
Daniel Farmer	CIO	No	2013	28/14	28

#### KDM Change\*

No changes.

\* Last 3 years

#### Profile

Size	2
Structure	Decentralised
Turnover	Medium

#### Alignment

KDM equity held in manager	No
KDM co-investment in strategy	No
Performance-Based bonus	Yes
Long term incentive plan	No

#### Resources

	Number	Average Years Experience
Key decision makers	3	28
Portfolio Managers	23	25
Hybrid portfolio manager/analysts	-	-
Dedicated analysts	11	14
Dedicated dealers	5	19
Quantitative	-	-
ESG/Sustainability	1	29
Macro	-	-
Investment Specialists	6	22

#### Who is the Team?

The Fixed Income Team is overseen by Osvaldo Acosta and Mark Nordio, who are ultimately responsible for overseeing the Fund. They are supported by the broader MLC Asset Management Investment Team ('Investment Team'), which consists of 49 members in total, with responsibilities broadly segmented by Portfolio Construction, Portfolio Enablement and Special Capabilities functions.

The key decision makers responsible for asset allocation across all portfolios are supported by the Sector Portfolio Management ('SPM') team for sector-specific manager research, the Derivatives team and the Investment Portfolio Analytics team. The investment team is also able to leverage the asset consultant capabilities of JANA in their research function.

The MLC Investment Committee ('MLC IC' or 'IC') is responsible for overseeing and approving all investment decisions in the Fund including inclusions and exclusions of underlying managers. The MLC IC comprises two independent members, six executives, and one executive chair with CIO, Dan Farmer being one of the IC members.

### Team (continued) ●●●

#### Lonsec Opinion

##### Skill

Acosta is a capable investor with the ability to manage a multi-manager portfolio throughout the investment cycle. Nordio is a seasoned investor and acts as the primary backup PM with substantial industry experience. Furthermore, Acosta and Nordio are supported by the broader team and asset consultant, with all investment proposals requiring approval from the respective investment committees across the MLC and IOOF heritage businesses. The senior team members, including CIO, Dan Farmer, are highly experienced with the appropriate skillset to manage the multi-asset and single-sector portfolios.

There are meaningful synergies realised from the breadth of resources and significant collective industry experience of the combined businesses. The integration of the broader investment team has provided further depth of expertise within investment management, asset allocation and risk management capabilities.

##### Team Size

The fixed income team is relatively small and solely comprises Acosta and Nordio. The wider investment team is well-resourced and is considered one of the largest teams compared to single-sector, multi-manager peers. The team resourcing has benefited from the combination of the heritage IOOF, OnePath and MLC businesses in previous years. The investment team also leverages the research capabilities of its asset consultant, which enhances the team's resourcing and supports the broader research offering. The broader investment team continues to experience some residual turnover given the continued consolidation between the heritage businesses.

##### Track Record/Co-Tenure

The senior members have long co-tenures at their respective heritage businesses. Although the co-tenure of the combined investment team is still developing following the acquisition, the team's integration is progressing well with continued stability. Moreover, the combined heritage businesses can leverage the large scale and resources available to the investment team. The IC members have remained largely the same through the consolidation process and have a long cumulative co-tenure.

##### Alignment

The alignment of interest to investors is considered to be stronger than peers. The majority of the remuneration is directly linked to the three to five-year performance of the multi-manager range of funds, with a deferral component that promotes further alignment across the team. The broader Insignia organisation represents a fully aligned remuneration structure across the different businesses after the FY23 review.

##### Key Person Risk

The Key Person Risk ('KPR') is considered to be lower and centered primarily on the key decision makers due to their extensive experience and leadership of investment strategies. Positively, the risk is partially mitigated by the team-based decision-making approach, extensive resources and the utilisation of the deeply resourced asset consultant capabilities.

Process ●●●

What is the Investment Process?

The Fund is a single-sector, multi-manager product emphasising manager skill and quality within the portfolio. The portfolio provides a highly diversified exposure to domestic and global short-duration credit, global sub investment grade credit and cash-enhanced building blocks. The Manager constructs portfolios with the belief that active manager selection via qualitative and quantitative analysis will generate long-term outperformance. The Manager internally evaluates fundamental factors with the aim of adding value to benchmark returns.

The Sector Portfolio Management ('SPM') team constructs the asset classes predominantly using external managers. External managers are sourced using external databases, market contacts and advice from the asset consultant. The internal team undertakes its manager's research but has the asset consultant's input.

Investment governance is enacted through the Investment Committee (IC), which oversees all major aspects of the investment process and requires IC approval at key points, such as external manager changes.

The Fund's investment guidelines and risk limits ensure the portfolio maintains appropriate diversification. The managers are selected based on their contribution to the pre-defined active risk in conjunction with their alpha generation potential.

Lonsec Opinion & Supporting Facts

Philosophy and Universe

Investment Style	Multi-Manager, Single Sector
Sector Exposure	Active
Available Universe	Actively Managed Funds (Fixed Income Multi-Manager Products - Australian IG Credit, Global Multi-Sector Credit, Securitised Credit, IG Credit, High Yield, Inflation Linked Bonds, Emerging Market Debt, and Cash)

The fully diversified investment approach of combining high-quality active managers to provide optimal returns in the long term and passive management to lower costs and active risk in certain asset classes fully reflects the philosophy and risk and return objectives. The single-sector strategies aim to deliver a repeatable investment portfolio that generates superior risk-adjusted returns over the longer term.

The Manager believes in a style-neutral approach that amplifies exposure to manager skill and quality at the aggregate level. In doing so, the Manager employs their discretion in managing factors such as credit and duration based on their belief around market outlook and in managing their risk positions. The objective is to create a diversified set of return drivers across various credit building blocks spanning domestic and global short duration as well as global sub investment grade credit.

The philosophy is predicated on the belief that active managers can outperform sector benchmarks and that in-depth research can enhance alpha generation. The research efforts leverage the broader organisation's substantial scale and blend both quantitative and qualitative research to deliver alpha through the cycle.

Research Process

Idea generation	Investment Team, Asset Consultants, Economic Research, Third-Party Resourcing
Annual manager meetings	200
Managers actively tracked	40
External consultant	JANA

The Manager implements a robust and consistently applied research process underpinning manager selection and portfolio construction functions. The Manager internally evaluates traditional fundamental factors such as macroeconomic, credit and policy considerations when setting the risk profile. The external manager research process, which considers both quantitative and qualitative factors, is detailed and transparent. The process leverages the investment team's scale and combined heritage businesses. The process aims to create a narrow universe of managers who have been stringently filtered for their suitability.

There is an ongoing flow of ideas from the individual sector specialists who are responsible for constructing the portfolio, portfolio managers and their consultant, JANA. The underlying funds have undergone multiple layers of oversight from the investment team, asset consultants, with the IC ultimately approving the manager inclusions. The depth and breadth of JANA's asset allocation capabilities and manager coverage are viewed positively. The Manager has access to sophisticated tools and systems to manage these multi-manager portfolios.



### Process (continued) ●●●

#### Portfolio Construction

Portfolio decision making	PM based
Typical security numbers	Not Applicable
Use of mandates	Yes
Use of alternatives	No
Allocation to related/affiliated exposure	Yes

The Fund is constructed via active manager selection while maintaining meaningful active security and sector positioning. The active risk and return targets are set, and 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 Manager also utilises derivatives to supplement the process as an exposure and risk management tool, with encouraging results. The foreign currency exposures are largely hedged back to Australian dollars.

The underlying managers are typically accessed via separately managed accounts, enabling the Manager to tailor mandates to its requirements. In addition, this structure can facilitate tighter portfolio construction, efficient implementation, better product design control, better pricing opportunity and improved tax efficiency for investors.

The Manager has displayed buy/sell discipline in manager selection, where funds have undergone a rigorous review process by the MLC and JANA investment teams and have received approval from the IC. That said, the underlying manager mix currently employs related-party managers. The utilisation of related-party capabilities may potentially compromise objectivity in the decision-making process, although the Manager has demonstrated the willingness to terminate related-party capabilities where warranted.

#### Capacity Management

The capacity is not a material consideration given the nature of the underlying fixed income exposures within the portfolio.

#### Investment Risk Management

Monitoring external to investment team	Yes
Frequency of monitoring	Monthly
Primary risk management system	FactSet and Barra
Security / issuer limit (min./max)	5% (For Non-Government Securities)
Sector / segment limits (min./max)	Duration (+/-1 Years against Benchmark) and Sub-IG Credit (10% Soft Limit)
Max illiquid	20% (Maximum)
Cash Allocation (Typical, Max.)	Not Specified

The structure of the risk management functions is well embedded within the investment process. Although the process is continually evolving given the broader organisational consolidation, the Manager has integrated compliance systems that enable ongoing monitoring of underlying mandates to be implemented to ensure compliance with their predefined guidelines. The Manager closely monitors manager portfolios and weightings on a daily basis and investigates any excess return outliers exceeding the 99% confidence level, which adds rigour.

The monitoring and compliance functions conducted by separate teams are considered to be thorough and at the higher end of the peer group. The Fund's investment guidelines, well-defined asset class ranges and limits are well-suited to ensuring the portfolio maintains appropriate diversification.

The Fund may use interest rate derivatives for pure risk management purposes and is not designed to generate alpha.

ESG ●●●

Manager Positioning - Product

Responsible investment style	ESG Integration
ESG approach	Risk or Value
Sustainability thematic	Low Carbon or Climate
Non-financial objective	None

What is the Manager's ESG approach for this product?

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 "Risk or Value", Managers will determine inclusion based on the balance of overall risk (including ESG risk) and potential return. As a result, this approach may mean that lower quality ESG companies may be included if the return potential is sufficient, and this may conflict with some clients' perceptions of what a strong ESG process would deliver.

Lonsec Opinion & Supporting Facts

Overview

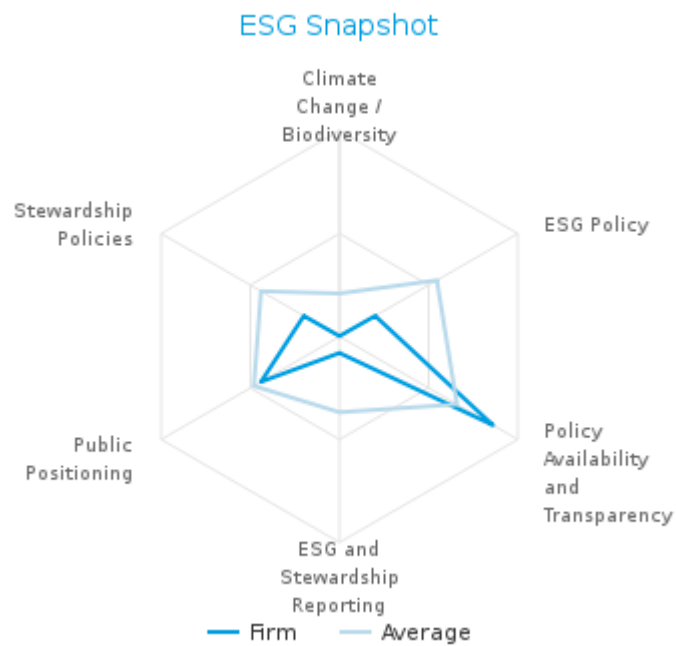
ESG Process Score	ModLow
Responsible Investment strategy risk: Clarity, measurability & reporting	N/A

Product Level Approach

While there may be elements of ESG integration undertaken in underlying asset classes, there is no clear ESG structure at the overall portfolio level, with no ESG committee, minimum ESG requirements for underlying assets or required styles of ESG integration. The Manager does, however, incorporate climate risk into their capital market assumptions for this product. While this fund does apply screens at the overall portfolio level, systems for monitoring, on a look-through basis, are not evident. While the Manager has some minimum documentation requirements for Manager selection, there are limited requirements as to incorporating ESG elements into its manager selection process. There are no minimum standards or policy requirements.

Strategy: Clarity, Measurability & Reporting

This product does not make any specific claim to being a sustainable, ethical or impact offering. As such, an alignment review for the product is not required, thus, the product's risk of misalignment has been assessed as N/A.



Manager Level Approach

The Manager's overall ESG policy framework and disclosure lag behind their peers. The Manager is committed to integrating ESG within their investment process with evidence of public positioning and policy framework. The responsible investing, proxy voting, and engagement policies are available on the firm's website. However, the level of disclosure concerning proxy voting policy and engagement policy is considered behind that of peers, with both policies lacking depth, which is reflected in their Stewardship Policies score. While reporting on voting outcomes is broadly in line with peers, no reporting on engagement outcomes is publicly available.



### Product ●●●

#### Service Providers

Responsible entity	MLC Investments Limited
Investment manager	MLC Asset Management Services Limited
Sub-investment manager	N/A
Custodian	NAB Asset Servicing
Administrator	MLC Investments Limited
Fund Auditor	KPMG
Change in Key Providers? (Over last 12 months )	No

#### Product Details

Product size	\$35.09m
Fund 12-month net flows	Negative
Distribution model	Internal
Buy/sell spreads	0.05/0.05
Net transaction costs	0.00
Product type	Managed Fund
Use of derivatives	Yes
Currency hedged	Fully
Types of derivatives	Forwards, Futures and Swaps

#### What is the Product Structure?

The Fund is a multi-manager, single-sector unit fund that provides exposure to a diversified range of fixed income, credit securities via several underlying managers. The Fund is a registered managed investment scheme ('MIS') for which MLC Asset Management Services Limited is the responsible entity (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 Opinion

#### Service Providers

The Manager employs high quality 'tier 1' service providers. The RE has built experience in operating and managing a number of schemes over an extended period of time and is expected to have a governance framework in place to deal with any perceived conflicts of interest.

#### Operational 'Red Flags'

Given the Fund's typical investment universe of fixed income securities, the investment strategy is not operationally challenging to implement. However, the Fund has an allocation to credit and high yield securities that may exhibit lower liquidity during stressed markets. There have been no regulatory findings lodged over the previous 12 months.

#### Wind-up Risks

At the current level of AUM, there is a material level of wind-up risk given the current level of assets with outflows in recent years. As such, there is a watchpoint on the Fund's AUM in future reviews.

Fees

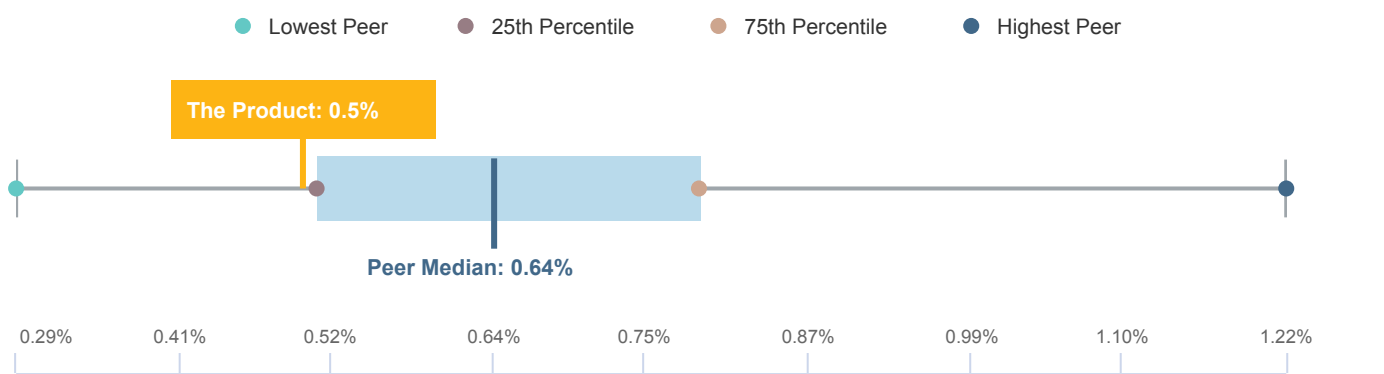
Annual Fees and Costs (% p.a.)		Performance Fees	
Management fees & costs	0.50	Applicable	No
Performance fee costs	0.00		
Net Transaction Costs	0.00		
Buy/Sell Spread	0.05/0.05		
Annual fees and costs	0.50		

Source: FE fundinfo, PDS Date: 30/Sep/2024

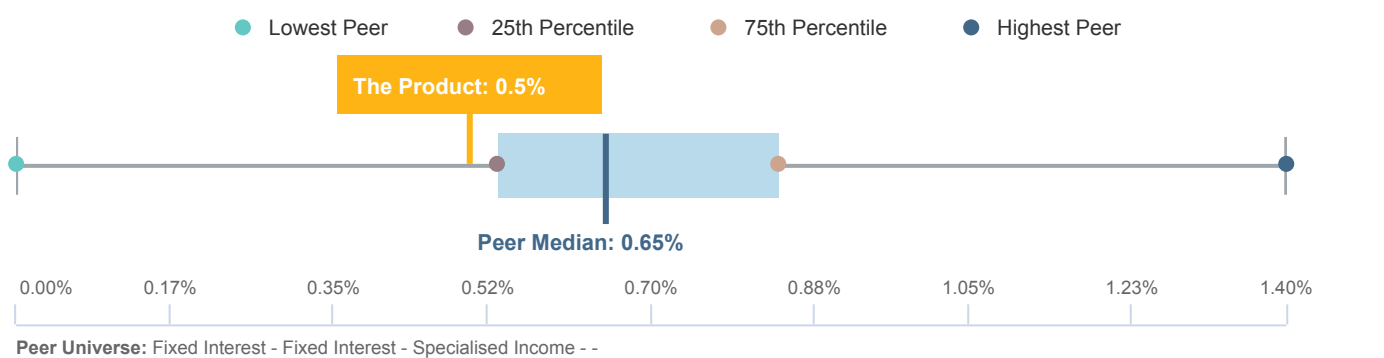
Fees Explained

The Fund does not have a suitable number of multi-manager peers, so the fees are compared against the broader Specialised Income peer group. The Fund applies a flat management fee with a bid/offer spread. No performance fees are applied by the Fund directly. The Fund, however, can pass on a performance fee if the underlying managers within the strategy charge performance fees.

Management Fees and Costs Peer Comparison



Annual Fees and Costs Peer Comparison



Lonsec Opinion

Annual Fees and Costs

The Fund's annual fees and costs are low relative to the peer median.

Fairness

The Fund represents a relatively standalone exposure, given that its available universe solely comprises credit managers. The Fund's fairness is considered to be moderate, as it represents a lower fee load whilst accessing a highly diversified credit portfolio that comprises various sub-asset classes and highly active managers. The Fund's investment objectives target a relatively lower level of alpha on an after-fees basis, which is lower than peers.

Performance data is as at 31 December 2024

### Performance ●●●

#### Performance Summary

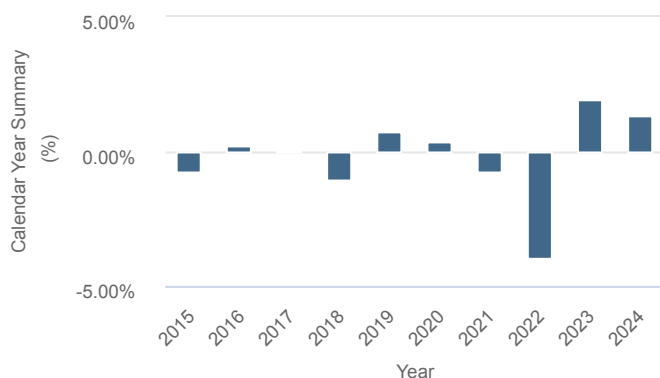
PDS return objective	The Fund aims to provide a return higher than its benchmark (before fees) over two-year periods. The return is also expected to be higher than cash investments. At the same time, the Fund aims to preserve capital over one-year periods.
Internal return objective	To outperform cash by 0.5% p.a. to 1.0% p.a. (After Fees)
Internal risk objective	N/A
Product benchmark	Bloomberg AusBond Bank Bill Index AUD + 0.50%
Lonsec peer group	Multi-Manager

#### Alpha Generation

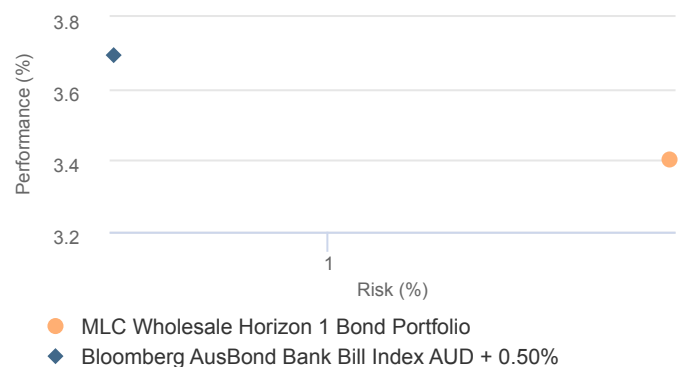
The Fund does not have a suitable number of multi-manager peers, so performance is compared against the Manager's investment objectives. The Fund utilises a Composite Benchmark of 42% Bloomberg AusBond Credit 0+ Year Index AUD, 30% AusBond Bank Bill Index and 28% Bloomberg Global Corporate TR Index (AUD Hedged). However, the Lonsec Performance Analysis Tables and Charts utilise the Bloomberg AusBond Bank Bill Index AUD + 0.50% as the Product Benchmark for comparability purposes.

The Fund's alpha generation has been moderate, as the Fund has failed to outperform the Product Benchmark over the medium and long term, albeit with short-term outperformance. The Fund has achieved its investment objective at present. Further, the Fund has outperformed its Composite Benchmark across all rolling periods, which enhances the alpha generation.

#### Calendar Year Excess Return



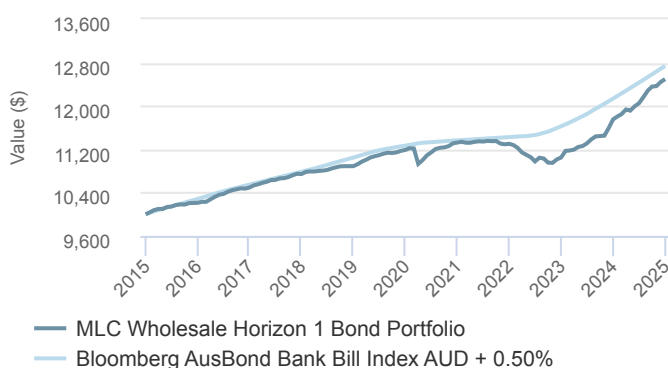
#### 3 Year Risk and Return



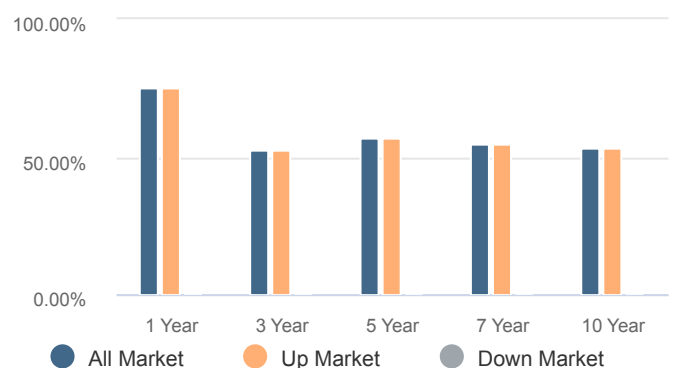
#### Alpha Consistency

The Fund's alpha consistency has been moderate. The Fund has delivered outperformance relative to the Product Benchmark over the short term, whilst marginally underperforming over the medium and long term. The Fund has outperformed its PDS and internal investment objectives in recent years, albeit with underperformance over the medium and long term. The Fund has consistently outperformed its Composite Benchmark, which enhances the alpha consistency.

#### Growth of \$10,000 Over 10 Years



#### Returns Consistency



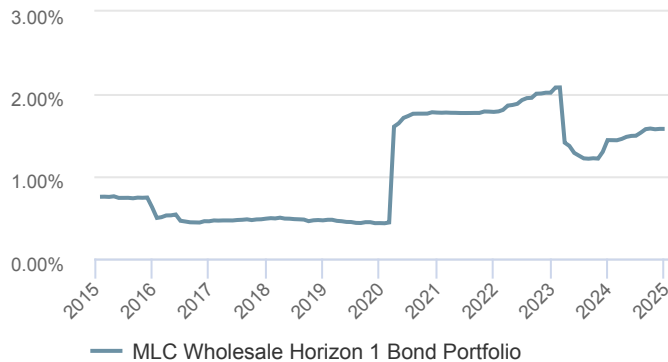
Performance data is as at 31 December 2024

### Performance (continued) ●●●

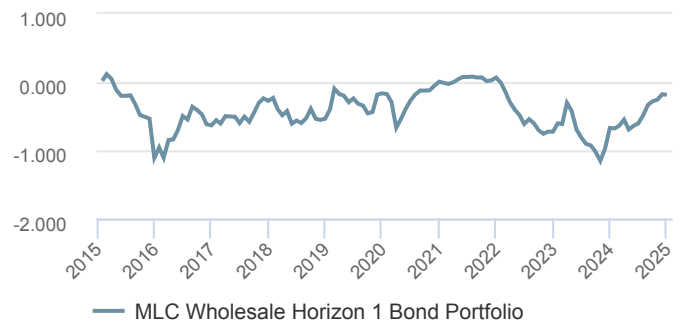
#### Benchmark Relativity

The Fund's tracking error has been low in absolute terms across all rolling periods. The Fund's information ratio has consistently been sub-zero over the medium and long term, which indicates a low reward for activeness in absolute terms. The Fund's information ratio has improved in recent years, given the outperformance compared to the Product Benchmark.

##### 3 Year Rolling Tracking Error Over 10 Years



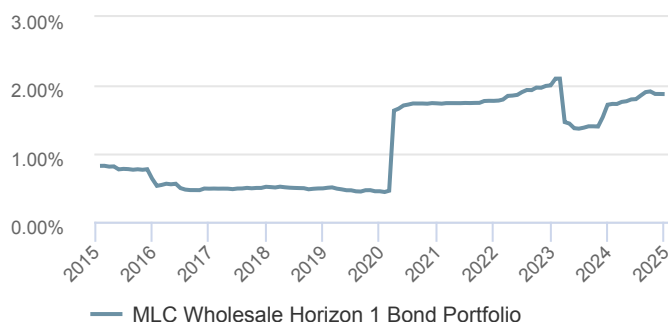
##### 3 Year Rolling Information Ratio Over 10 Years



#### Return Volatility

The Fund's volatility (as measured by standard deviation) has been low in absolute terms, which is in line with the broader fixed income asset class. The Fund's Sharpe Ratio has been particularly strong in recent years, albeit with muted long-term numbers given the Product Benchmark underperformance over the medium and long term.

##### 3 Year Rolling Standard Deviation Over 10 Years



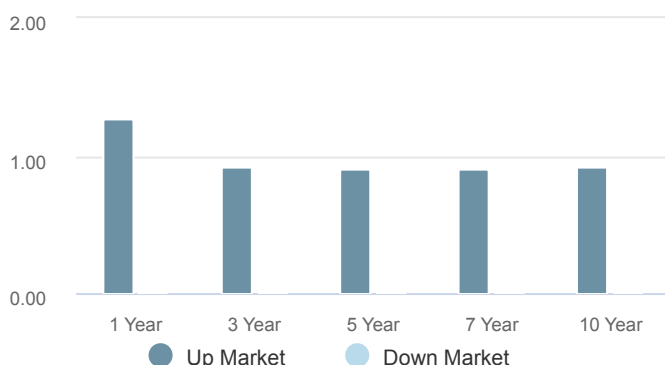
##### 3 Year Rolling Sharpe Over 10 Years



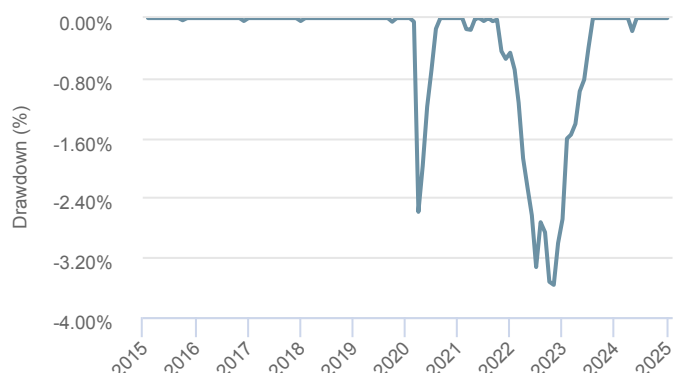
#### Product Defensiveness

The Fund has experienced small drawdowns in recent years, however, the medium and long-term numbers have been higher relative to other fixed income strategies. That said, the underlying exposures comprise credit managers, which are expected to have higher levels of drawdowns during periods of market stress.

##### Market Capture Ratio



##### Drawdowns



## Ratings

**'Highly Recommended'** rating indicates that Lonsec has very strong conviction the product can meet its investment objectives.

**'Recommended'** rating indicates that Lonsec has strong conviction the product can meet its investment objectives.

**'Investment Grade'** rating indicates that Lonsec has conviction the product can meet its investment objectives.

**'Approved'** rating indicates that Lonsec believes the product can meet its investment objectives.

**'Not -Approved'** rating indicates that Lonsec does not believe the product can meet its investment objectives.

**'Closed / Wind Up'** status is applied when the product has been closed.

**'Fund Watch'** status is applied when a rating is under review due to the occurrence of a significant event relating to the product.

The **'Redeem'** rating indicates Lonsec no longer has sufficient conviction that the product can meet its investment objectives.

The **'Screened Out'** rating indicates Lonsec was unable to attain sufficient conviction that the product can meet its investment objectives.

**'Discontinued Review'** status is applied where a product issuer withdraws the product from the review process prior to completion, for any reason other than the product being closed or unavailable to investors.

The **'Ceased Coverage'** status is applied when a rated product is withdrawn from the research process by the product issuer.

## General

**Climate Change / Biodiversity:** the extent to which a manager has a leading climate and biodiversity policies.

**ESG and Stewardship Reporting:** the transparency, accessibility and usefulness of a manager's reporting.

**ESG Policy:** the strength of commitment to ESG as ascertained by a review of a manager's ESG policies.

**Excess return:** Return in excess of the benchmark return.

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

**Key decision maker (KDM):** A nominated investment professional who has portfolio decision making discretion for a Fund, e.g. 'buy' or 'sell' decisions.

**Market capture ratio:** A product's performance during either 'up' or 'down' market trends relative to an index.

**Policy Availability / Transparency:** the ease of public access to, and transparency of, a manager's overall ESG policy suite.

**Public Positioning:** the resolve of a manager's commitment to ESG as ascertained by their public positioning.

**Returns consistency:** The proportion of a product's monthly outperformance during a period relative to the benchmark when it was rising, falling and in aggregate.

**Sharpe ratio:** Excess return earned for additional volatility experienced when holding riskier assets versus risk-free asset.

**Standard deviation:** Volatility of monthly Absolute Returns.

**Stewardship Policies:** the strength of a manager's proxy voting and engagement policies with respect to ESG.

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

**Total return:** 'Top line' actual return, after fees.

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

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

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## Lonsec Research FSG Financial Services Guide

This Financial Services Guide (FSG) has been prepared and issued by Lonsec Research Pty Ltd ABN 11 151 658 561 (Lonsec Research, we, us, our), holder of Australian Financial Services Licence (AFSL) No. 421445, to assist you in determining whether to use our financial services and products. This is an important document, and you should read it carefully. The contents of this FSG are general information only and does not take into account your personal needs or objectives. Lonsec Research provides no warranty as to the suitability of the services of this FSG for any particular person.

### 1.1 What is a Financial Services Guide?

This FSG's purpose is to provide you with important information regarding services offered by Lonsec Research. You should read this FSG prior to using our services. This document was prepared to inform you about:

- who we are and our contact details;
- the financial services we provide;

- the remuneration that may be paid to us and other persons in relation to the financial services we provide;
- how we deal with conflicts of interest; and
- how we deal with complaints

### 1.2 About Lonsec Research and its related parties

ASX listed Generation Development Group Limited (ABN 90 087 334 370) is the parent company of Lonsec Holdings Pty Ltd (ABN 41 151 235 406) (Lonsec Holdings). Lonsec Research is a wholly owned subsidiary of Lonsec Holdings Pty Ltd (ABN 41 151 235 406) (Lonsec Holdings) and provides in-depth, investigative investment research across a broad range of listed and unlisted investments. Other subsidiaries of Lonsec Holdings include SuperRatings Pty Ltd (ABN 95 100 192 283), Implemented Portfolios Pty Limited (ABN 36 141 881 147) and Lonsec Investment Solutions Pty Ltd (ABN 95 608 837 583). All employees of the Lonsec group entities, including Lonsec Research, are employed by Lonsec Fiscal Pty Ltd (ABN 94 151 658 534).

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### 1.3 What kind of financial services can Lonsec Research provide?

Lonsec Research is authorised under its Australian Financial Services Licence to provide general financial product advice to retail and wholesale clients on the following types of financial products:

- securities
- deposit and payment products limited to basic product products
- derivatives
- interests in managed investment schemes including investor directed portfolio services
- superannuation
- retirement savings accounts
- foreign exchange products
- life products including:
  - investment life insurance products as well as any products issued by a Registered Life Insurance Company that are backed by one or more of its statutory funds; and
  - life risk insurance products as well as any products issued by a Registered Life Insurance Company that are backed by one or more of its statutory funds;

Lonsec Research is also authorised to deal in a financial product by arranging for another person to apply for, acquire, vary, or dispose the above types of products for or by retail and wholesale clients.

### 1.4 Provision of general advice

Any advice that Lonsec Research provides is of a general nature and does not take into account your personal financial situation, objectives or needs. You should, before acting on the information, consider its appropriateness having regard to your own financial objectives, situation and needs and if appropriate, obtain personal financial advice on the matter from a financial adviser.



## Lonsec Research FSG (continued)

Before making a decision regarding any financial product, you should obtain and consider a copy of the relevant Product Disclosure Statement or offer document from the financial product issuer.

### 1.5 How Lonsec Research is paid

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### 1.6 How do we manage our compensation arrangements?

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#### Complaints Manager

Level 39, 25 Martin Place

Sydney NSW 2000

Tel: 1300 826 395

Email: [complaints@lonsec.com.au](mailto:complaints@lonsec.com.au)

An individual may request further information about Lonsec Research's internal complaints handling procedure at any time. If an individual is not satisfied with the outcome of their complaint or has not received a response within 30 days from Lonsec Research, the individual can complain to the Australian Financial Complaints Authority (AFCA). AFCA provides an independent dispute resolution service and can be contacted on:

**Online:** [www.afca.org.au](http://www.afca.org.au)

**Email:** [info@afca.org.au](mailto:info@afca.org.au)

**Phone:** 1800 931 678

**Mail:**

Australian Financial Complaints Authority

GPO Box 3

Melbourne, Victoria, 3001.

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