



MLC Wholesale Inflation Plus — Conservative Portfolio

MLC0921AU Author: Chris Serpesedes Published: 30 Apr 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	CPI + 2.00%
Product structure	Managed Fund
Product size	\$133.58m
Inception date	Oct 2013
Asset class	Multi-Asset
Sector	Variable Growth Assets
Growth/defensive split	Not Applicable
Peer group	Real Return
Rated peers	26

Product Characteristics

Business Life Cycle	Mature
Product Wind-Up Risk	Low
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	0.74
Performance fee costs	0.10
Net Transaction Costs	0.03
Buy/Sell Spread	0.10/0.10
Annual fees and costs	0.87

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 analysis, governance and implementation teams.
- Robust and consistently applied investment process underpinning 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 processes are in place, using a related party creates the potential for conflicts of interest, which remains a watchpoint.
- The complexity of managing an extensive breadth of heritage products with varying objectives, although this is managed by the continued alignment of asset class building blocks and investment objectives.
- The Fund has not met its inflation plus return target over most periods.

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.

The Fund has not consistently delivered on its CPI-plus investment objective over the medium to longer term. There remains an extensive breadth of heritage products with various objectives, although these continue to be aligned. Although there are processes in place, the utilisation of related party capabilities and perceived conflicts remains a watchpoint.

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	Aims to deliver a return of 2.0% p.a. above inflation (after management costs), subject to limiting the risk of negative returns over three-year periods.
Internal return objective	To deliver a return of 2.0% p.a. above inflation (after management costs), subject to limiting the risk of negative returns over three-year periods.
Internal risk objective	N/A
Non-financial objective	None

#### Asset Allocation (%) (as at 30/06/2024)

	SAA Benchmark %	Min %	Max %	Current Allocation %
Australian Equities	0.00	0.00	30.00	10.59
International Equities	0.00	0.00	40.00	17.99
Listed Infrastructure	0.00	0.00	20.00	2.52
Australian Fixed Interest	0.00	10.00	80.00	27.07
Global Fixed Interest	0.00	10.00	80.00	29.85
Alternative Assets	0.00	0.00	45.00	8.27
Cash	0.00	0.00	50.00	3.72
Others	0.00	10.00	80.00	0.00
Total				100.00

#### Product Distribution Profile

Frequency	Semi-Annually
Last Missed Distribution	N/A
Number of Missed Distributions in the last 5 years	0
AMIT Election	Yes
TOFA Election	No

#### Rating History

06-Feb-2024	Recommended
20-Apr-2023	Recommended
11-Apr-2022	Recommended

#### 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)	7.73	9.26	8.12	8.12	5.10	2.87	4.57	4.30
Standard deviation	2.93	4.13	3.16	4.90	3.41	5.62	3.15	5.78
Excess return (% p.a)	3.31	2.29	2.88	0.84	-1.64	-5.60	-1.14	-3.41
Outperformance ratio (% p.a)	66.67	58.33	58.33	54.17	47.22	44.44	48.33	48.33
Worst drawdown (%)	-1.47	-1.57	-1.47	-3.29	-2.84	-6.46	-3.44	-8.84
Time to recovery (mths)	3	3	3	2	2	19	4	-
Sharpe ratio	1.11	1.04	1.25	0.84	0.56	-0.07	0.82	0.50
Information ratio	1.07	0.51	0.88	0.18	-0.44	-0.93	-0.33	-0.50
Tracking error (% p.a)	3.09	4.26	3.28	4.96	3.73	5.86	3.45	5.99

**Lonsec Peer Group:** Multi-Asset - Variable Growth Assets - Real Return

**Product Benchmark:** CPI + 2.00%

**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	75
% Female board members	25
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)
Daniel Farmer	CIO	No	2021	28/14	28
Kerry Gill	Portfolio Management	No	2013	22/19	22
Ben McCaw	Portfolio Management	No	2013	20/16	20
Grant Mizens	Portfolio Management	No	2013	18/18	18
Stanley Yeo	Portfolio Management	No	2021	24/14	24

#### KDM Change\*

No changes.

\* Last 3 years

#### Profile

Size	49
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	5	22
Portfolio Managers	21	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 broader MLC Asset Management Investment Team ('Investment Team') 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

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. McCaw and Mizens are viewed as having specialised derivatives knowledge, which is a key feature of the real return strategies' dynamic asset allocation approach.

##### Team Size

The investment team is well-resourced and is one of the largest teams in the multi-asset space. 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 consultants, which enhances the team's resourcing and supports the broader research offering. The 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 centred 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 strategy utilises a flexible asset allocation approach, constructing the portfolio based on dynamic asset allocation ('DAA' or 'Strategic Tilting') with broad asset allocation ranges. In doing so, the Manager aims to outperform an inflation-plus target across most market conditions, with an emphasis on downside protection and smoother returns via the wider derivatives toolkit.

The asset allocation process solely utilises shorter-term active asset allocation using cyclical and fundamental insights to optimise portfolio positioning against the risk/return objectives. Each portfolio begins with the DAA, with input from an external asset consultant. The shorter-term asset allocations are adjusted using cyclical influences such as economic, valuation, and policy insights to optimise risk-adjusted returns.

The Manager applies two core frameworks for the shorter-term asset allocation process: the Valuation, Fundamental, Policy, Dynamics ('VFPD') model and the Investment Futures Framework. VFPD provides short to medium-term asset class views based mainly on fundamentals, while the Investment Futures Framework uses forward-looking, scenario-based modelling to assess asymmetric risks and returns. These approaches guide decisions through market cycles, endeavouring to keep portfolio positioning responsive to market changes.

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 asset allocation or external manager changes.

### Lonsec Opinion & Supporting Facts

#### Philosophy and Universe

Investment Style	Real-Return (Multi-Manager)
Asset Allocation Approach	Dynamic Asset Allocation
Sector Exposure	Extensive utilisation of Derivatives in conjunction with Passive and Actively Managed Funds (Across various asset classes)
Available Universe	Equities, Fixed Income, Unlisted Assets and Alternatives

The investment approach is based on dynamic asset allocation via a flexible asset allocation overlayed on asset sectors that are actively managed and aimed to deliver target real returns whilst emphasising capital preservation. The strategy adopts broad asset allocation ranges rather than static targets, which, when actively managed, are expected to help manage downside risk and maximise risk-adjusted returns above inflation across market environments. In doing so, the Manager prioritises a smoother return profile rather than higher volatility returns and invests in active sector managers whose primary focus is security selection. The strategy utilises highly active managers across diversified asset classes spanning traditional and non-traditional assets with a distinct emphasis on alternatives. The philosophy is consistent with the Fund's risk and return objectives.

#### Research Process

Idea generation	Investment Team, Asset Consultants, Economic Research, Inflation and Investor Behaviour
SAA review frequency	Not Utilised
DAA/TAA signals	Investment Cycle, Economic Data, Valuation and Behavioural Factors
Managers actively tracked	500
External consultant	JANA

The Manager implements a robust and consistently applied investment process underpinning manager selection and portfolio construction functions. The research process is reasonably intuitive and employs an active 'Strategic Tilting' framework, which is expected to improve the risk/return outcome for investors. The DAA process enhancements via the VFPD framework are viewed positively as they provide a disciplined and dynamic framework for asset class assessment.

The manager research process, which considers both quantitative and qualitative factors, is considered to be detailed and transparent. The Manager makes use of their deep resourcing and asset allocation breadth, which allows access to a wide range of investment opportunities to deliver wider sources of alpha.

There is an ongoing flow of ideas from the individual sector specialists who are responsible for constructing the individual sleeves of the portfolio, portfolio managers and their consultant, JANA. The underlying funds have undergone a review and multiple layers of oversight from the investment team, asset consultants, with the MLC IC ultimately approving the manager inclusions. The depth and breadth of JANA's manager coverage and asset allocation capabilities 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	Team based
Approach to benchmark	Benchmark Agnostic
Targeted tracking error	Not Specified
Typical number of managers	45
Use of mandates	Yes
Use of alternatives	Yes
Use of unlisted assets	Yes
Allocation to related/affiliated exposure	Yes

The portfolio is constructed with a dynamic asset allocation approach with wider asset allocation ranges to allow for flexibility in implementation. The building blocks are tailored to a real-return objective, with the MLC Derivatives and Strategy Team implementing a highly active approach with a high fee budget. The strategy is considered to be adequately diversified given the breadth of asset classes and sources of alpha, including unlisted assets and alternatives. The strategy utilises an expanded derivatives toolkit to complement the dynamic asset allocation ranges and supplement the strategic overlay process as an exposure and risk management tool, with encouraging results.

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 MLC 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

Although the AUM is considered large, the Fund is a highly diversified multi-manager structure, which reduces the risk of capacity constraints.

#### Investment Risk Management

Monitoring external to investment team	Yes
Frequency of monitoring	Monthly
Primary risk management system	FactSet and Barra
Security Limits (Min./Max.)	N/A
Rebalancing bands	+/-2% Bands (Soft)
Max illiquid	20%
Gross exposure range	N/A

The structure of the risk management functions is well embedded within the investment process. The risk management process is a staple of the portfolio construction process via the scenario-based framework. This directly feeds into the asset allocation framework and ensures that risk analysis and stress testing are at the forefront of portfolio construction.

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 daily 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.

### 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?

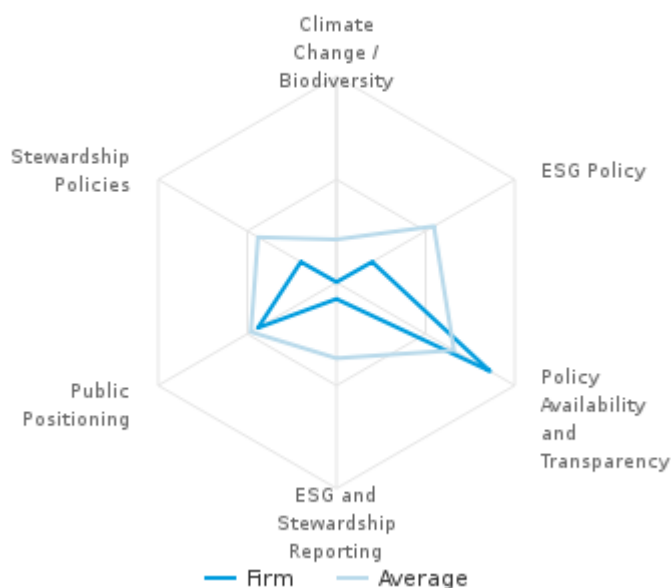
The Manager has indicated that their Responsible Investment style is "ESG Integration" and as such that they take Environmental, Social, and Governance factors into consideration when assessing investment opportunities. With a primary ESG style of "Risk or Value", Managers will determine inclusion based 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

#### ESG Snapshot



#### 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	\$133.58m
Fund 12-month net flows	Negative
Distribution model	Internal
Buy/sell spreads	0.10/0.10
Net transaction costs	0.03
Product type	Managed Fund
Unlisted asset valuation frequency	Quarterly
Valuation externally audited	Yes

#### What is the Product Structure?

The Fund is a multi-asset, multi-manager strategy that invests across a range of growth and defensive asset classes 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'

The multi-manager strategy is not considered operationally challenging to implement. The Fund has allocations to other diversifying assets, including insurance-related investments, specialty finance and private assets, which are likely to increase the Fund's proportion of illiquid assets. However, the Manager has appropriate safeguards in place to manage illiquidity risk with defined limits.

#### Wind-up Risks

At the current levels of AUM, the Fund's wind-up risk is considered to be low given it is amongst the largest in the multi-manager, multi-asset universe. Further, there is strong support from Insignia's extensive distribution network which mitigates the wind-up risk.

Fees

Annual Fees and Costs (% p.a.)

Management fees & costs	0.74
Performance fee costs	0.10
Net Transaction Costs	0.03
Buy/Sell Spread	0.10/0.10
Annual fees and costs	0.87

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

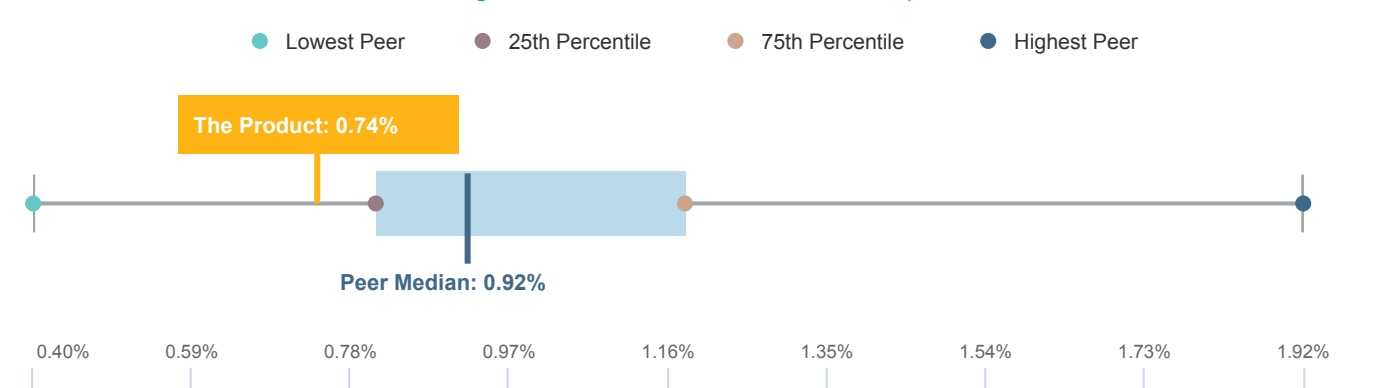
Performance Fees

Applicable	No
------------	----

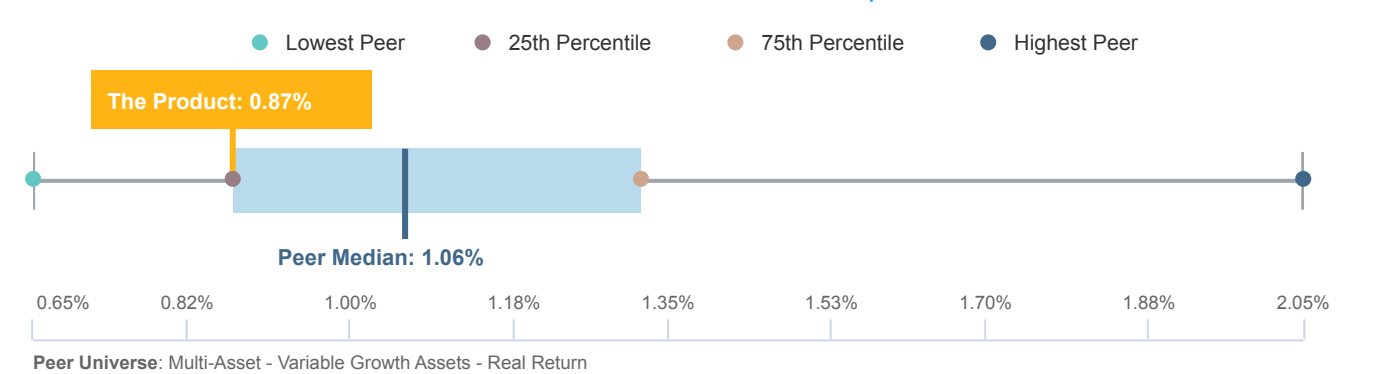
Fees Explained

The Fund applies a flat management fee, with transaction costs and 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 AFC is lower than the broader peer group median. However, the real return peer group is relatively broad with differing real-return targets.

Fairness

The fairness is relatively moderate with a fee load that is commensurate with the underlying exposure given the complexity of the tailored underlying building blocks and derivatives utilisation. The fairness is supported by the active approach to asset allocation whereby there is an emphasis on downside risk management with an expanded toolkit that aims to manage returns through various market environments.

Performance data is as at 31 December 2024

### Performance ●●●

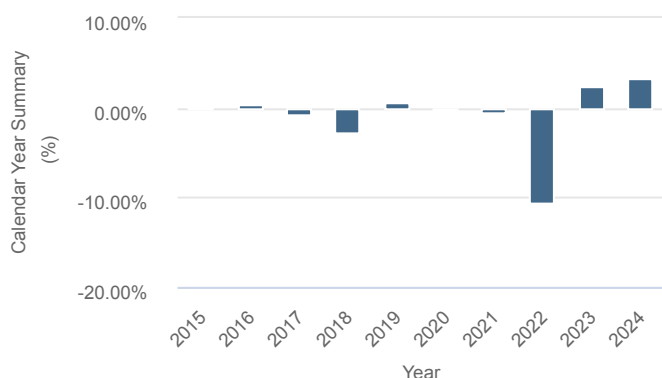
#### Performance Summary

PDS return objective	Aims to deliver a return of 2.0% p.a. above inflation (after management costs), subject to limiting the risk of negative returns over three-year periods.	
Internal return objective	To deliver a return of 2.0% p.a. above inflation (after management costs), subject to limiting the risk of negative returns over three year periods.	
Internal risk objective	N/A	
Product benchmark	CPI + 2.00%	
Lonsec peer group	Real Return	

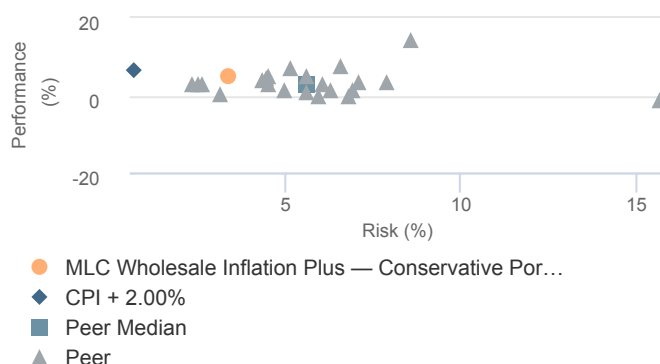
#### Alpha Generation

The Fund's alpha generation is relatively moderate as it has consistently outperformed the peer median over the medium and long term whilst underperforming over the short term. The Fund has exhibited the ability to outperform the CPI benchmark over the short term, although the medium and long-term numbers have been substantially affected by the CPI surges in recent years. The Fund has also exhibited persistent underperformance against its internal benchmark across the medium and long term, which weighs on alpha generation.

##### Calendar Year Excess Return



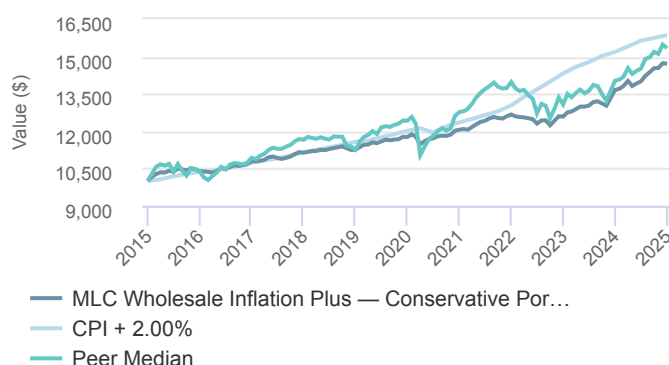
##### 3 Year Risk and Return



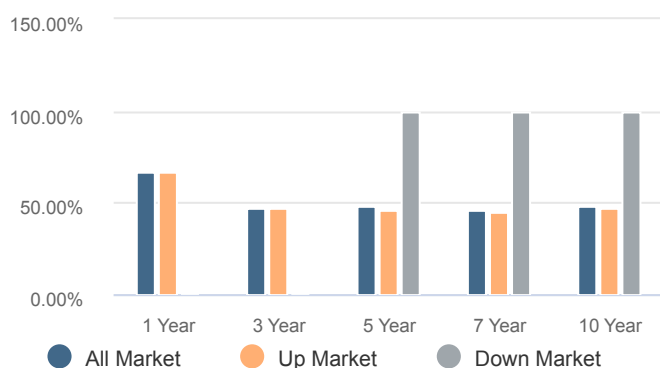
#### Alpha Consistency

The Fund's alpha consistency is relatively moderate as it has consistently outperformed the peer median over the medium and long term, whilst underperforming over the short term. The Fund has consistently outperformed in down-markets across the long term. The Fund's excess returns have been positive over the short term, whilst underperforming the CPI + 2.0% p.a. objective over the medium and long term. The inability to achieve the outperformance objective over the long term and the consistent underperformance against the internal benchmark have weighed on the alpha consistency.

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



##### Returns Consistency



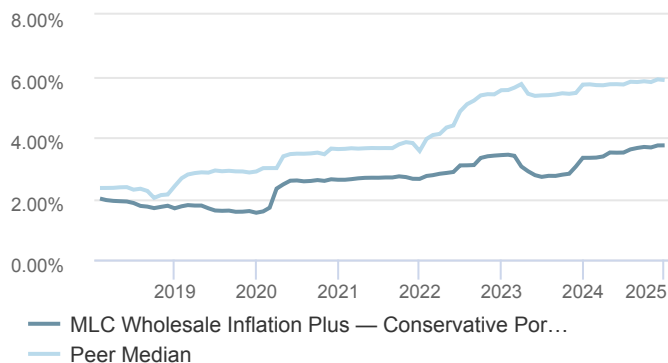
Performance data is as at 31 December 2024

### Performance (continued) ●●●

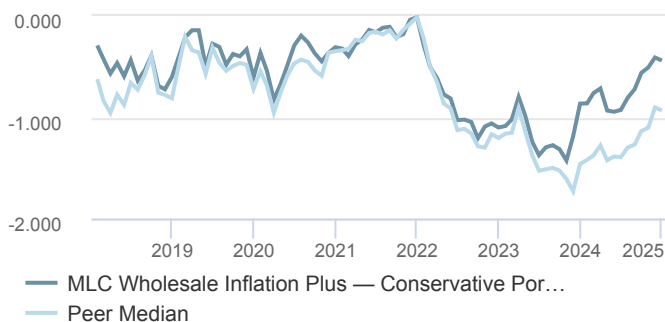
#### Benchmark Relativity

The Fund's tracking error is lower than the peer median across all rolling periods. The Fund's information ratio is higher than the peer median across all periods. However, the information ratio has been sub-zero across various periods. As such, the Fund's reward for its active risk assumed is relatively low in absolute terms, whilst being in line with peers.

##### 3 Year Rolling Tracking Error Over 7 Years



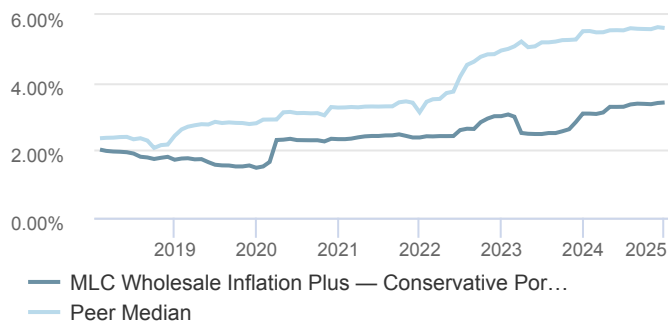
##### 3 Year Rolling Information Ratio Over 7 Years



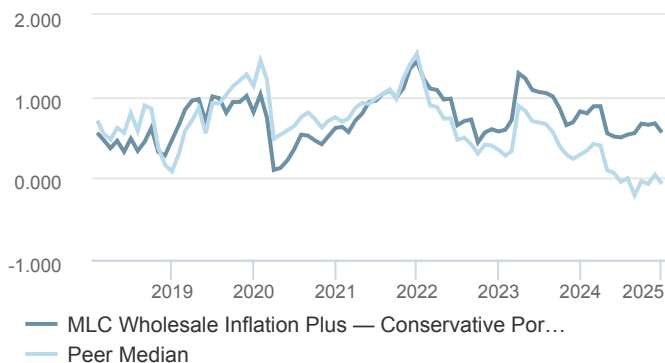
#### Return Volatility

The Fund's volatility (as measured by standard deviation) is lower than the peer median across all rolling periods. The Fund's Sharpe Ratio is higher than the peer median across all periods, as it has exhibited strong risk-adjusted returns relative to peers.

##### 3 Year Rolling Standard Deviation Over 7 Years



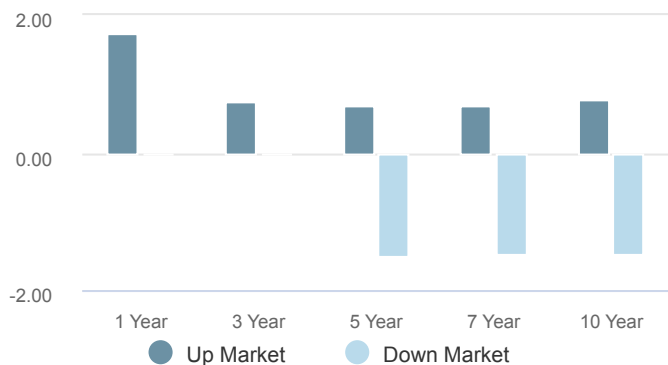
##### 3 Year Rolling Sharpe Over 7 Years



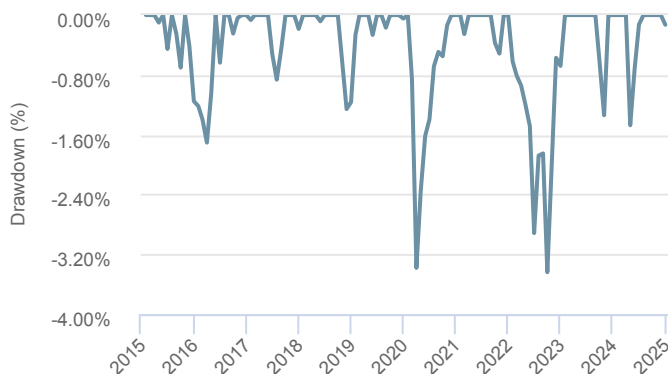
#### Product Defensiveness

The Fund's defensiveness has been well-managed through the cycle, as it has exhibited smaller drawdowns relative to the peer median across all periods. The Fund's time to recovery has been faster than the peer median across all rolling periods. As such, the Fund has exhibited higher defensiveness characteristics through the cycle.

##### 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.

## Lonsec Group Disclaimers

Issued by Lonsec Research Pty Ltd ABN 11 151 658 561 AFSL 421 445 (Lonsec, we/our) a subsidiary of Lonsec Holdings Pty Ltd (ABN 41 151 235 406) and (Lonsec Group). Generation Development Group Limited (ABN 90 087 334 370) is the parent company of Lonsec Group. This document is not a prospectus, any other form of disclosure document or product disclosure statement within the meaning of the Corporations Act 2001. Any advice contained in this document is General Advice only and has been prepared without taking into account investors' objectives, financial situation or needs. Prior to acting upon any information contained in this document, investors must do their own investigation and analysis of the appropriateness of the information or seek independent financial and/or tax advice, having regard to their objectives, financial situation and needs. Investors must consider reading any relevant Product Disclosure Statement (PDS) or offer document to assess the appropriateness of this advice in light of their own objectives before making a decision to obtain a financial product. Past performance is not a reliable indicator of future performance. © 2025 Lonsec Research. All rights reserved. You may not reproduce, transmit, disseminate, sell or publish this information without our written consent.

Except for any liability which cannot be excluded, no representation, warranty or undertaking, express or implied is made and no responsibility or liability is accepted by Lonsec Research, its directors, officers, employees and agents for any error or inaccuracy, misstatement or omission from this document or any loss or damage suffered by the recipient or any other person as a consequence of relying upon it.

Lonsec Research makes no representation, warranty or undertaking in relation to the accuracy, reasonableness or completeness of the information presented in this document which is compiled from information from public and third-party sources. We assume no obligation to update this document after publication. Lonsec Research provides this document for the exclusive use by the recipient to whom it is provided and should not be used or relied upon by any other person unless express permission is obtained from us. Additional fees and charges may apply. Please verify from the offer documents for the relevant financial product. In line with industry practice, returns may be estimated. To access verified returns please refer to the product issuer. This document may also contain third party material that is subject to copyright. To the extent that copyright subsists with a third party, it remains with the original owner and permission may be required to reuse the material.

## Lonsec Group Disclaimers (continued)

This document is not suitable for distribution to a retail investor. The product rated in this publication may have related financial products or be associated with other financial products and platforms. Our rating applies to the financial product outlined in this publication. You should seek professional advice before you make an investment decision on related or associated financial products and platforms. You should be aware that the mandate, fees, underlying investments, the issuers of the related and associated financial products and platforms may be different from the financial product specified in this publication.

## Disclosures

Lonsec Research does not hold the financial product(s) referred to in this document. The financial product issuer and/or Lonsec Research Representatives (and/or their associates) may from time to time have holdings in the financial product referred to in this document or in Generation Development Group (ABN 90 087 334 370). For the purposes of this report Lonsec Research considers such holdings not to be sufficiently material to compromise the rating or advice. Lonsec Research manages any potential conflict by implementing a comprehensive ratings process, information barriers and monitoring program. Lonsec Research receives a fee from the financial product issuer(s) for researching the financial product(s), using objective criteria. Lonsec Research's rating(s) outcome is not linked to the fee. Lonsec Research and its associates do not receive any other compensation or material benefits from product issuers or third parties in connection with the report. Lonsec Research's research process relies upon the participation of the financial product issuer(s). Should the financial product issuer(s) no longer participate in our research process, we reserve the right to withdraw the document at any time and discontinue future coverage. This is a summary of the research report, you can access the full research report via Lonsec Research. For information about our associations and/or relationships with the financial product issuers and General Development Group, please refer to our Conflicts of Interest Statement accessible here <https://www.lonsec.com.au/lonsec-group-conflicts-of-interest-statement/>

## 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).

### Contact Details

Lonsec Research Pty Ltd  
Level 39, 25 Martin Place  
Sydney NSW 2000  
Tel: 1300 826 395  
Email: [info@lonsec.com.au](mailto:info@lonsec.com.au)  
[www.lonsec.com.au](http://www.lonsec.com.au)

### 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

Lonsec Research receives fees from Fund Managers and/or financial product issuers for researching their financial product(s) using comprehensive and objective criteria. Lonsec receives subscriptions fees for providing research content to subscribers including financial advisers, fund managers and financial product issuers. Lonsec Research's fees are not linked to the financial rating outcome of a particular financial product. Lonsec Research fees are determined by private agreement with its clients depending on a number of criteria including the number of financial advisors who access Lonsec Research publications, the range of publications accessed and the complexity of a specific research assignment. Due to the specific nature of its charges, disclosure of Lonsec Research fees may not be ascertainable when you receive this FSG, but you are able to request this information in writing before a financial service is provided to you. The fees received by Lonsec Research do not have an effect on the inclusion (or otherwise) of a financial product in portfolios managed by Lonsec Investment Solutions; or in approved product lists as a result of Lonsec Investment Solutions consulting activities. We do not have any direct employees as all employees are contracted, for employment purposes, with Lonsec Fiscal, a subsidiary of Lonsec Holdings. All employees of Lonsec are paid a salary and may receive a discretionary bonus which is not guaranteed. Sales employees may have a sales commission plan, relevant for sales to Wholesale clients, as offered by Lonsec Research from time to time at its discretion.

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

Lonsec Research has Professional Indemnity insurance arrangements in place to compensate clients for loss or damage because of breaches of any relevant legislative obligations by Lonsec Research or its representatives which satisfy section 912B of the Corporations Act 2001.

### 1.7 What should you do if you have a complaint?

Lonsec Research's internal complaints handling process is designed to ensure that your concerns are treated seriously, addressed promptly and fairly. A complaint may be lodged either verbally or in writing and will be dealt with in strict confidence. If you have a complaint relating to Lonsec Research's products, services, its employees, the complaint should be addressed to:

#### 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.

### 1.8 Conflicts of Interest

Lonsec Research is aware of the inherent potential conflicts of interest associated with the provision of ratings and how we are remunerated for our services. There are a comprehensive set of policies, and procedures in place at Lonsec Holdings that apply to its subsidiaries including Lonsec Research. Information barriers (both permanent and temporary) consistent with our regulatory obligations under Regulatory Guide 79 are in place to manage either perceived or actual conflicts of interest. Employees of Lonsec also have to abide by Personal Trading and Gifts and Entertainment requirements and are trained on these requirements from time to time.

Lonsec Research review and rate products for Fund and Equity Managers who may from time to time have holdings within Generation Development Group Limited. Lonsec Research manages any potential conflict by disclosing to investors who access the research for these products and by implementing a comprehensive ratings process, information barriers and monitoring program. For further information on how Lonsec manages its conflicts refer to our Conflicts of Interest Statement accessible here <https://www.lonsec.com.au/lonsec-group-conflicts-of-interest-statement/>. For more information refer to Lonsec Research Ratings Methodology available on our platform iRate or by contacting us on 1300 826 395.

Lonsec Holdings has appointed Australian Retirement Trust Pty Ltd ABN 88 010 720 840, AFSL 228975 as the provider of default superannuation services to its Group employees. Lonsec Holdings appointment of Australian Retirement Trust is not an endorsement of, or opinion on, the Fund.

Australian Retirement Trust is a subscriber to our services and pays a fee to us for this subscription service. Australian Retirement Trust rating and report is issued by an analyst who is aware of Australian Retirement Trust's appointment as default superannuation fund provider but who does not have a personal investment in the fund.

This FSG was prepared on 1 August 2024.