



MLC MultiActive Capital Stable

IOF0094AU Author: Isrin Khor Published: 08 May 2024

Data is provided by the manager at 31 Jul 2023, and currency in AUD, unless otherwise stated

Refer to glossary for definition of the rating

Product Review

About this Product

| | |
|------------------------|---|
| Investment manager | IOOF Investment Services Ltd |
| Benchmark | Lonsec Strategic Multi-Asset (Traditional) 10% Growth Index |
| Product structure | Managed Fund |
| Product size | \$87.50m |
| Inception date | Apr 2008 |
| Asset class | Multi-Asset |
| Sector | 0-20% Growth Assets |
| Growth/defensive split | 16/84 |
| Peer group | Multi-Manager |
| Rated peers | 4 |

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 | 0.54 |
| Performance fee costs | 0.03 |
| Net Transaction Costs | 0.04 |
| Buy/Sell Spread | 0.05/0.06 |
| Annual fees and costs | 0.61 |

Source: FE fundinfo

Strengths

- The Fund 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.
- 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

- 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.

Product Opinion

The Fund has retained its 'Recommended rating' at the most recent review. The rating reflects the high regard and conviction for the experience and calibre of the broader investment team and the lead Portfolio Managers and the 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.

The complexity of managing an extensive breadth of heritage products with varying objectives is addressed by the continued alignment of asset class building blocks and objectives.

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 | To provide a low risk investment over the short to medium-term by investing predominantly in defensive assets, and to achieve a total return after fees in excess of the Trust's benchmark over a rolling three-year period. |
| Internal return objective | Outperform CPI by 1% per annum after fees each year. |
| Internal risk objective | Tracking Error between 0.50-1.0% p.a. over a rolling three-year time period. |
| Non-financial objective | None |

Asset Allocation (%)

| | SAA Benchmark % | Min % | Max % | Current Allocation % |
|------------------------------|-----------------|-------|-------|----------------------|
| Australian Equities | 5.00 | 0.00 | 20.00 | 5.40 |
| International Equities | 5.00 | 0.00 | 20.00 | 4.48 |
| Listed Property | 1.00 | 0.00 | 15.00 | 1.43 |
| Unlisted Property | 3.00 | 0.00 | 15.00 | 2.70 |
| Australian Fixed Interest | 21.00 | 15.00 | 45.00 | 18.42 |
| International Fixed Interest | 31.00 | 35.00 | 70.00 | 24.52 |
| Alternatives/Other | 2.00 | 0.00 | 15.00 | 2.46 |
| Cash | 32.00 | 15.00 | 45.00 | 21.91 |
| Other | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | | | | 100.00 |

Performance Analysis - annualised after fees at 31/10/2023

| | 1 Year | Median | 2 Year | Median | 3 Year | Median | 5 Year | Median |
|------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Performance (% p.a) | 2.81 | 2.16 | -0.48 | -2.02 | 1.20 | 0.98 | 2.77 | 2.24 |
| Standard deviation | 3.26 | 3.44 | 3.40 | 3.74 | 3.17 | 3.34 | 3.43 | 3.43 |
| Excess return (% p.a) | -0.26 | -0.91 | -1.06 | -2.59 | 0.15 | -0.07 | 0.94 | 0.40 |
| Outperformance ratio (% p.a) | 33.33 | 33.33 | 29.17 | 31.25 | 47.22 | 47.22 | 58.33 | 58.33 |
| Worst drawdown (%) | -1.85 | -2.13 | -5.49 | -7.37 | -5.58 | -7.73 | -5.58 | -7.73 |
| Time to recovery (mths) | NR | - | NR | - | NR | NR | NR | NR |
| Sharpe ratio | -0.26 | -0.43 | -0.79 | -1.04 | -0.08 | -0.13 | 0.42 | 0.20 |
| Information ratio | -0.20 | -0.55 | -0.88 | -1.18 | 0.12 | -0.03 | 0.57 | 0.14 |
| Tracking error (% p.a) | 1.31 | 1.58 | 1.20 | 1.63 | 1.26 | 1.35 | 1.63 | 1.63 |

Lonsec Peer Group: Multi-Asset - 0-20% Growth Assets - Multi-Manager

Product Benchmark: Lonsec Strategic Multi-Asset (Traditional) 10% Growth Index

Cash Benchmark: Bloomberg AusBond Bank Bill Index AUD

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

Product Distribution Profile

| | |
|--|-------------|
| Frequency | Semi-annual |
| Last Missed Distribution | None |
| Number of Missed Distributions in the last 5 years | None |
| AMIT Election | Yes |
| TOFA Election | No |

Rating History

| | |
|-------------|-------------|
| 21-Apr-2023 | Recommended |
| 30-Mar-2022 | Recommended |
| 15-Apr-2021 | Recommended |

Target Market Determination

| | |
|--------------------|-----|
| Produced by issuer | Yes |
| Provided to Lonsec | Yes |

Business



Facts

| | |
|-------------------------|------------------------------|
| % Staff Ownership | 0-10% |
| Inception Date | 01/01/1846 |
| Investment Manager | IIOF Investment Services Ltd |
| Ultimate Parent Company | Insignia Financial Ltd |
| Headquarters | Australia |

Governance

| | |
|-----------------------------|-----|
| % Independent board members | 60 |
| CEO as Chair | No |
| Seperate Audit Committee | Yes |
| % Female board members | 40 |
| Independent chair | Yes |

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 and the Manager has a long heritage in multi-asset investing. Insignia Financial had total assets under management of \$138.9bn as at 31 July 2023.

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 considered a leading Australian provider of wealth management services and is one of the largest Australian multi-managers in Lonsec's universe. The Manager is considered to be in a strong financial position at these levels of AUM.

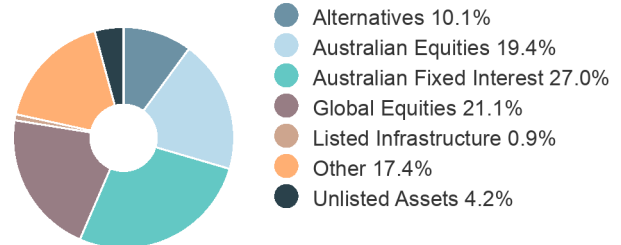
Business Track record

The Manager has a long and respected heritage in multi-asset investing. 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.

Metrics

| | |
|---------------------------------|-----------|
| Investment Management Headcount | 200 |
| Sales & Service | 50 |
| Total AUM | \$19,474m |
| Investment Professionals | 48 |
| Distributor | Internal |

AUM



Business Ownership

The Manager is 100% owned by ASX-listed IFL. The market capitalisation of IFL was \$1.5bn as at December 2023. Senior members own equity in the business, which is viewed positively.

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 | 2013 | 28/14 | 28 |
| Ben McCaw | Portfolio management | No | 2021 | 20/16 | 20 |
| Grant Mizens | Portfolio management | No | 2021 | 18/18 | 18 |
| Stanley Yeo | Portfolio management | No | 2013 | 24/14 | 24 |
| Kerry Gill | Fund Strategist | No | 2021 | 22/19 | 1 |

KDM Change*

No changes.

* Last 3 years

Profile

| | |
|-----------|---------------|
| Structure | Decentralised |
| Size | 48 |
| Turnover | Medium |

Alignment

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

Resources

| | Number | Average Years Experience |
|------------------------------------|--------|--------------------------|
| Key decision makers | 4 | 23 |
| Portfolio Managers | 21 | 27 |
| Hybrid portfolio manager/ analysts | | |
| Dedicated analysts | 24 | 19 |
| Dedicated dealers | 8 | 18 |
| Quantitative | 4 | 16 |
| ESG/Sustainability | 2 | 29 |
| Macro | | |
| Investment Specialists | 11 | |

Who is the Team?

The broader MLC Asset Management Investment Team ('Investment Team') consists of 48 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 Management Committee ('IMC') is responsible for overseeing and approving all investment decisions in the Fund including inclusions and exclusions of underlying managers. The IMC comprises of Anthony Hodges (Chairman, External member), Denise Allen, Mary-Anne Nunan (external), Dan Farmer, Stanley Yeo and Osvaldo Acosta.



Lonsec Opinion

Skill

The senior team members including CIO Dan Farmer, are highly experienced and have 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 Investment Team is well-resourced and is considered one of the largest teams compared to Lonsec peers. Resourcing has benefited from the combination of the heritage IOOF, OnePath and MLC businesses.

The Investment Team also leverages the research capabilities of its asset consultants which enhances the team's resourcing and provides support to the broader research offering.

Track Record/Co-Tenure

The senior members have long co-tenure at their respective heritage businesses. Although the co-tenure of the combined investment team is considered relatively short following the recent acquisitions, the team's integration has been progressing well with early encouraging signs of stability. Moreover, the combined heritage businesses can leverage the large scale and resourcing available to the investment team to assist in the transition process. The Investment Committee members have remained largely the same through the combinations and have a long co-tenure between them.

Alignment

The alignment of interest to investors is considered to be moderate and in line with 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 which promotes further alignment across the team.

Key Person Risk

Key person risk is considered to be low to moderate and centered primarily on the KDMs due to their extensive experience and leadership of investment strategies. Positively, the risk is partially mitigated by the team-based decision making approach and extensive resources and the utilisation of the deeply resourced asset consultant capabilities.

Process



What is the Investment Process?

The Manager conducts a formal annual review of the strategic asset allocation ('SAA'). Having identified an asset allocation that broadly meets the Trust's objectives, scenario testing is applied to review performance under various macroeconomic conditions. The recent enhancements to the SAA framework incorporate non-normal distribution, upside and tail risk modelling and associated climate change impacts and continued refinement to the scenario testing capabilities.

The Fund further employs a dynamic asset allocation ('DAA') process, or 'Strategic Tilting' whereby occasional deviations from SAA can be made when markets are at extremes.

The Sector Portfolio Management ('SPM') team is responsible for conducting research with input from JANA and Mercer. This 'double' layer of manager research typically ensures that final funds in the portfolios have undergone a rigorous review process. The Manager undertakes a mix of both qualitative and quantitative research on managers. All investment proposals need to be approved by the Investment Committee.

Lonsec Opinion & Supporting Facts

Philosophy and Universe

| | |
|---------------------------|--|
| Sector Exposure | Active |
| Available Universe | Cash and short-term securities, diversified fixed interest, property, Australian and International shares, alternatives defensive and alternatives growth. |
| Investment Style | Multi manager |
| Asset Allocation Approach | Strategic AA Dynamic AA |

The fully diversified investment approach of combining high quality active managers and taking active risk in certain asset classes to provide optimal returns in the long term reflects their philosophy and risk and return objectives.

Research Process

| | |
|---------------------------|--|
| Idea generation | Investment team, consultants, economic research |
| SAA review frequency | Annually |
| DAA/TAA signals | Investment cycle clock, Economic data, Valuation, Behavioural factors (sentiment, technical) |
| Managers actively tracked | 0 |
| External consultant | Mercer, JANA |

The Manager implements a robust and consistently applied investment process underpinning manager selection and portfolio construction functions. The large size of the investment team provides depth to the Manager's process. The SAA process is reasonably intuitive and employs an active 'Strategic Tilting' framework, which is expected to improve the risk/return outcome for investors. The manager research process which considers both quantitative and qualitative factors is considered to be detailed and transparent.

The Manager utilises Mercer and JANA when formulating individual strategies, and ad-hoc advice in SAA, strategic tilting and stress testing, which adds rigour to the process. There are ongoing flow of ideas from the individual sector specialists who are responsible for constructing the individual sleeves of the portfolio, portfolio managers and their consultants, Mercer and JANA. The depth and breadth of Mercer and 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. The manager research process which combines both quantitative and qualitative factors, is detailed and transparent.

Process (continued)



Portfolio Construction

| | |
|---|-----------------|
| Approach to benchmark | Benchmark aware |
| Typical number of managers | 40-50 |
| Use of unlisted assets | Yes |
| Allocation to related/affiliated exposure | Yes |
| Portfolio decision making | Team based |
| Targeted tracking error | 1.5%-2.0% |
| Use of mandates | Yes |
| Use of alternatives | Yes |

The Fund is considered adequately diversified given the breadth of asset classes and sources of alpha including unlisted assets and alternatives.

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 employs a strong buy/sell discipline in manager selection where funds have undergone a rigorous review process by the MLC, Mercer and JANA investment teams and received approval from the IMC. The Manager has in the past demonstrated the willingness to terminate related capabilities where warranted.

Capacity Management

Although the firmwide FUM is considered large, Lonsec does not have any concerns in terms of capacity given the wide opportunity set for multi-asset strategies.

Investment Risk Management

| | |
|--|-------------------|
| Rebalancing bands | +/-3% |
| Max illiquid | 30.00% |
| Monitoring external to investment team | Yes |
| Frequency of monitoring | Daily |
| Primary risk management system | Factset and Barra |
| Security Limits (Min./Max.) | N/A |
| Gross exposure range | N/A |

The structure of the risk management functions is well embedded within the investment process. While continually evolving, 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 underlying manager portfolios and weightings on a daily basis and investigates daily any excess return outliers exceeding the 99% confidence level.

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

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

What is the Manager's ESG approach?

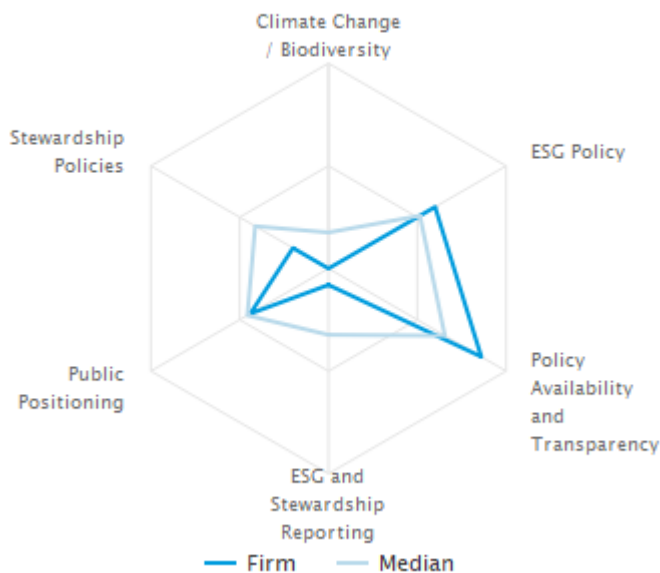
The Manager has indicated that their Responsible Investment style is "Ethical". Lonsec highlights that this ESG review is not a measure of how ethical the ultimate portfolio is but is an assessment of the process the Manager undertakes. With a primary ESG style of "Risk or Value" Managers will determine 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 perception 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

ESG integration assessment for multi asset funds such as this, reviews only the ESG components of the selection underlying strategies or managers, and not the ESG integration of each of the underlying funds or strategies. While the Manager does have some minimum standards for Manager selection and monitoring they are seen by Lonsec as being very light touch. 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 compliance framework, portfolio disclosure is leading.

Strategy: Clarity, Measurability & Reporting

This product does not make any specific claim to being a sustainable, ethical or impact offering. As such Lonsec does not apply its alignment review to the product and thus scores its risk of misalignment as N/A.

Manager Level Approach

The Manager's overall ESG policy framework and disclosure are significantly lagging peers. The Manager has articulated a commitment to the integration of ESG within their investment process, however, there is little evidence in their public positioning. The Manager does not appear to have ESG related policies publicly available, nor has the Manager provided any policy frameworks. No reporting on voting or engagement outcomes is publicly available.

Product



Service Providers

| | |
|---|------------------------------|
| Investment manager | IOOF Investment Services Ltd |
| Sub-investment manager | N/A |
| Custodian | J.P. Morgan |
| Administrator | IOOF Service Co |
| Responsible entity | IOOF Investment Services Ltd |
| Fund Auditor | KPMG |
| Change in Key Providers? (Over last 12 months) | No |

Product Details

| | |
|------------------------------------|--------------|
| Product size | \$87.50m |
| Fund 12-month net flows | Negative |
| Distribution model | Internal |
| Buy/sell spreads | 0.05/0.06 |
| Net transaction costs | 0.04 |
| 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 IOOF Investment Services Ltd 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 to be operationally challenging to implement.

The Fund has recently included allocations to other diversifying assets including private equity and insurance related investments, which are likely to increase the proportion of illiquid assets in the Fund. However, the Manager has appropriate safeguards in place to manage illiquidity risk.

Wind-up Risks

Although the Fund has experienced net outflows over the last 12 months, at current levels of AUM, the wind-down risk of the Fund is considered low.

Fees

Annual Fees and Costs (% p.a.)

| | |
|------------------------------|-------------|
| Management fees & costs | 0.54 |
| Performance fee costs | 0.03 |
| Net Transaction Costs | 0.04 |
| Buy/Sell Spread | 0.05/0.06 |
| Annual fees and costs | 0.61 |

Source: FE fundinfo

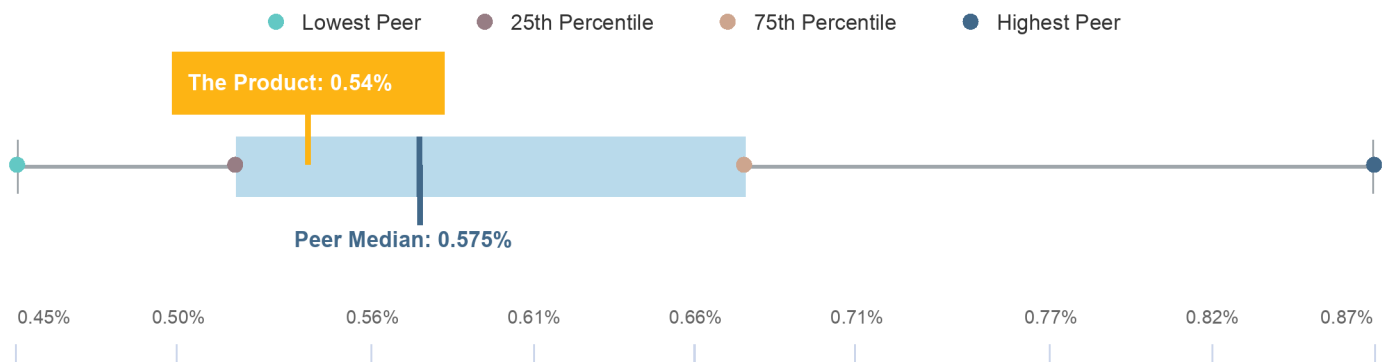
Performance Fees

| | |
|------------|----|
| Applicable | No |
|------------|----|

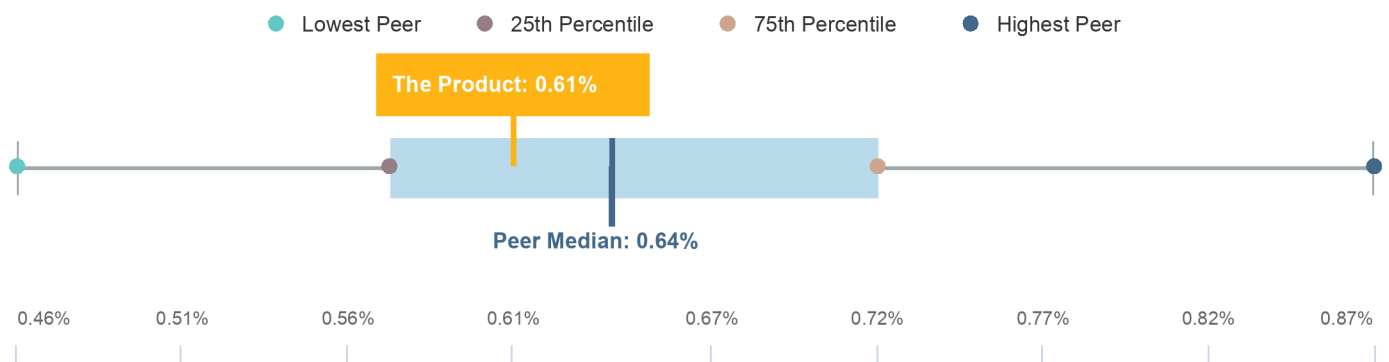
Fees Explained

The fees displayed in the table are based on the PDS dated 30 November 2023. There is no directly charged performance fee associated with this product, however some underlying external managers may charge performance fees which impact the Fund.

Management Fees and Costs Peer Comparison (31/07/2023)



Annual Fees and Costs Peer Comparison (31/07/2023)



Lonsec Opinion

Annual Fees and Costs

The annual fees and costs are considered marginally lower than the peer median.

Fairness

The fees are considered moderately fair given the active managers in the portfolio including additional asset classes such as direct property, insurance related investments and alternatives.

Performance data is as at 31 October 2023

Performance

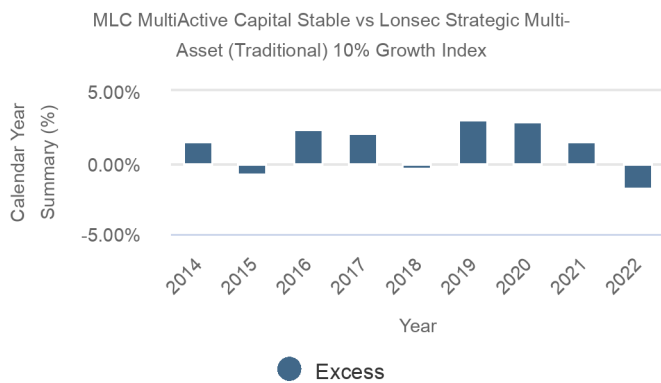
Performance Summary

| | |
|---------------------------|--|
| PDS return objective | To provide a low risk investment over the short to medium-term by investing predominantly in defensive assets, and to achieve a total return after fees in excess of the Trust's benchmark over a rolling three-year period. |
| Internal return objective | Outperform CPI by 1% per annum after fees each year. |
| Internal risk objective | Tracking Error between 0.50-1.0% p.a. over a rolling three-year time period. |
| Product benchmark | Lonsec Strategic Multi-Asset (Traditional) 10% Growth Index |
| Lonsec peer group | Multi-Manager |

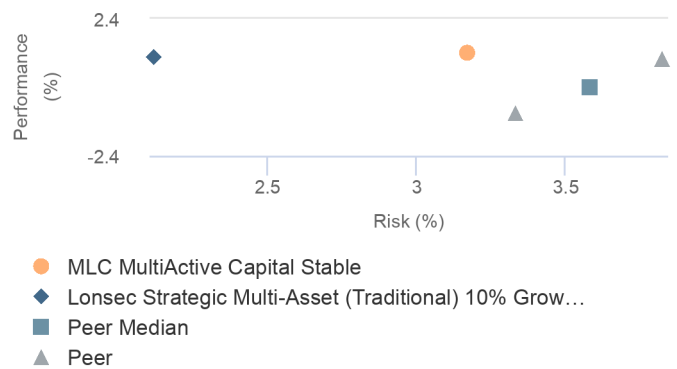
Alpha Generation

Over the medium term, the Fund has outperformed the composite benchmark but has not met its CPI+ target returns on a net fee basis. Against peers, the Fund has outperformed the peer median over the medium to longer term.

Calendar Year Excess Return



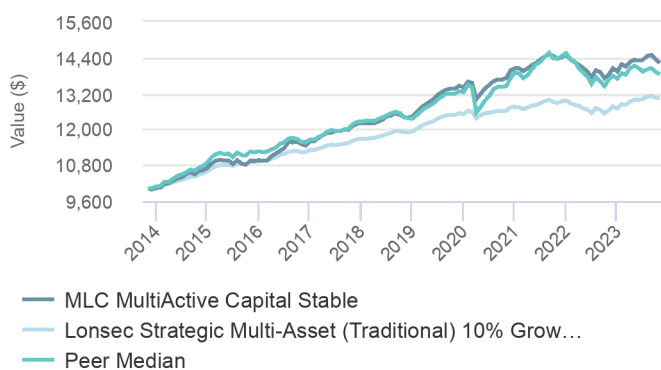
3 Year Risk and Return



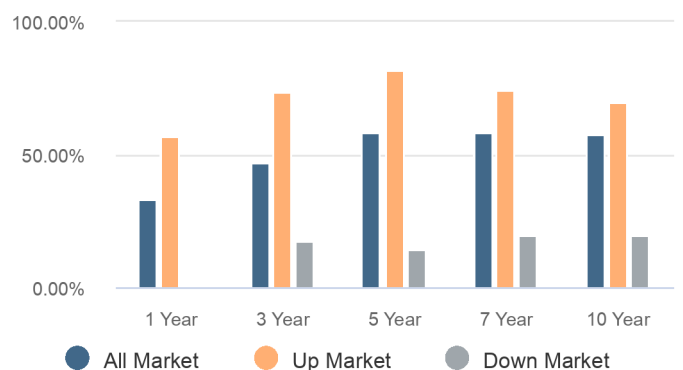
Alpha Consistency

Against peers, the Fund has consistently delivered in top and second quintile in most rolling periods. The Fund also has demonstrated higher consistency in outperforming during up markets.

Growth of \$10,000 Over 10 Years



Returns Consistency



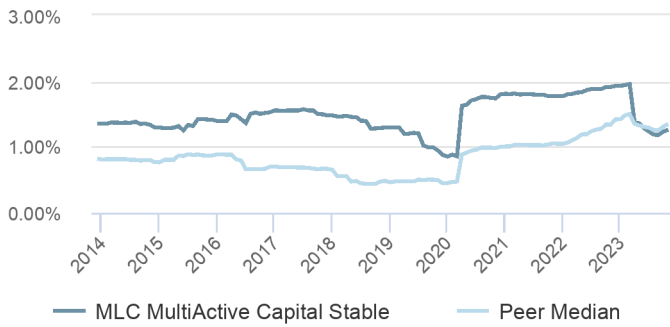
Performance data is as at 31 October 2023

Performance (continued)

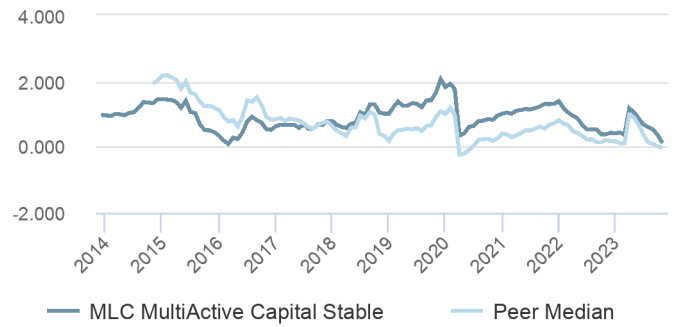
Benchmark Relativity

The Fund's tracking error has been higher than the peer median over the longer term, but has been below the peer median in recent years. The Fund's information ratio has also been above the peer median over the medium to longer term. As such, the level of activeness has been rewarded compared to peers.

3 Year Rolling Tracking Error Over 10 Years



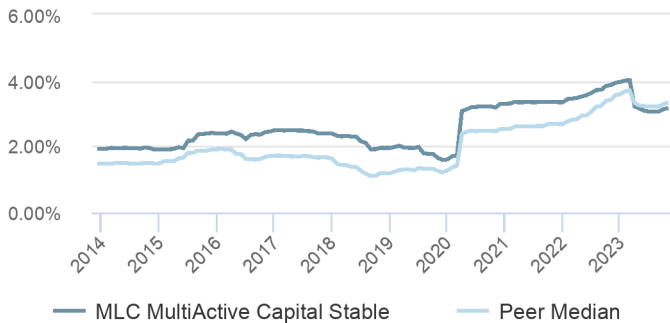
3 Year Rolling Information Ratio Over 10 Years



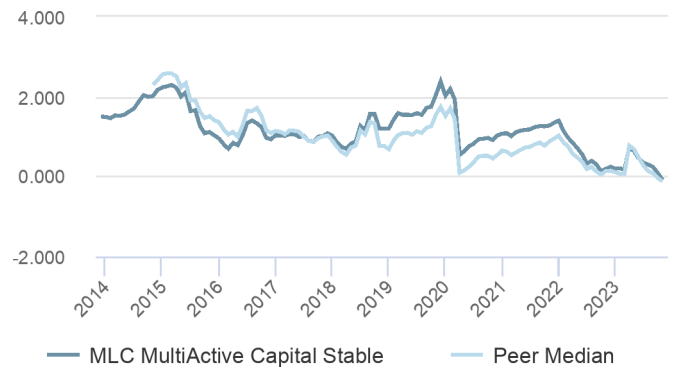
Return Volatility

The Fund has recorded volatility marginally lower than the peer median in recent years, but has been higher than the peer median over the longer term.

3 Year Rolling Standard Deviation Over 10 Years



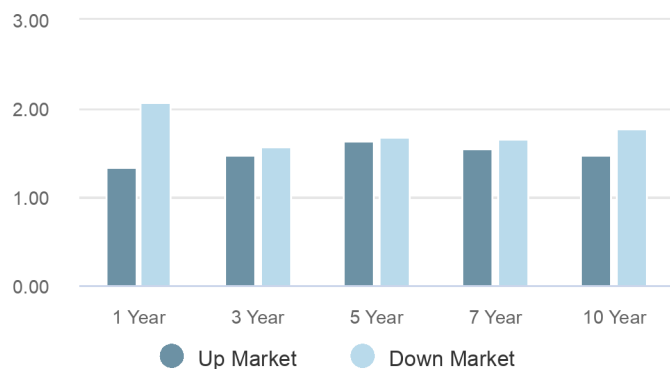
3 Year Rolling Sharpe Over 10 Years



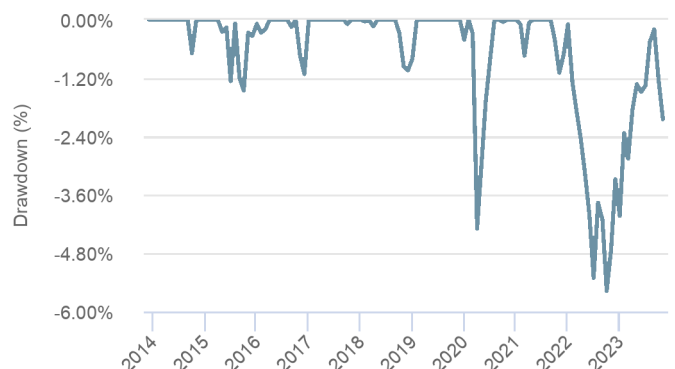
Product Defensiveness

The Fund has recorded drawdowns that were lower than the peer median over the medium to longer term, which demonstrates the Fund's defensive characteristics.

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

Lonsec Research

9 June 2023

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

Lonsec Research provides in-depth, investigative investment research across a broad range of listed and unlisted investments. Lonsec Research is a wholly owned subsidiary of Lonsec Holdings Pty Ltd (ABN 41 151 235 406) (Lonsec Holdings). 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

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Sydney NSW 2000

Tel: 1300 826 395

Email: info@lonsec.com.au

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. 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 FSG (continued)

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

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

Email: info@afca.org.au

Phone: 1800 931 678

Mail:

Australian Financial Complaints Authority
GPO Box 3
Melbourne, Victoria, 3001.

1.8 Conflicts of Interest

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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.

Generation Development Group Limited (ACN 087 334 370), a shareholder of Lonsec Holdings, is the parent company of Generation Life Ltd who issue a series of products rated by Lonsec Research. Lonsec Research manages this potential conflict by disclosing to investors accessing our research of Generation Life related products, and implementing our comprehensive ratings process, information barriers and monitoring program. For more information refer to Lonsec Research Ratings Methodology available on our platform iRate or by contacting us on 1300 826 395.

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This FSG was prepared on 9 June 2023.