



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) 90% Growth Index
Product structure	Managed Fund
Product size	\$840.00m
Inception date	Apr 2008
Asset class	Multi-Asset
Sector	81-100% Growth Assets
Growth/defensive split	88/12
Peer group	Multi-Manager
Rated peers	20

### 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	Above median

### Annual Fees and Costs (% p.a.)

Management fees & costs	0.91
Performance fee costs	0.35
Net Transaction Costs	0.05
Buy/Sell Spread	0.11/0.11
<b>Annual fees and costs</b>	<b>1.31</b>

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 manager selection and portfolio construction functions.
- Integration of the broader investment team that has been progressing well to further enhance the Manager's investment capabilities.

### Weaknesses

- Although there are processes 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, but this is being managed by the continued alignment of asset class building blocks and objectives.

## 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, 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	To provide capital growth over the long term by investing in a portfolio of predominantly growth assets with minimal defensive asset exposure, and to achieve a total return after fees in excess of the benchmark over rolling seven-year periods.
Internal return objective	CPI + 4.0% p.a. after fees over ten-year rolling periods.
Internal risk objective	Tracking Error between 2.0-2.5% p.a. over rolling seven-year periods.
Non-financial objective	None

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

	SAA Benchmark %	Min %	Max %	Current Allocation %
Australian Equities	31.00	15.00	45.00	29.66
International Equities	38.00	25.00	55.00	37.93
Listed Property	3.00	0.00	20.00	3.00
Unlisted Property	4.00	0.00	20.00	2.64
Unlisted Infrastructure	4.00	0.00	15.00	3.67
Australian Fixed Interest	2.50	0.00	25.00	3.49
Global Fixed Interest	7.50	0.00	25.00	7.67
Alternative Assets	12.00	0.00	35.00	11.94
Cash	2.00	0.00	15.00	0.00
Total				100.00

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

	1 Year	Median	2 Year	Median	3 Year	Median	5 Year	Median
Performance (% p.a)	14.35	15.09	12.64	14.32	5.68	5.89	7.96	7.76
Standard deviation	5.75	6.12	6.37	7.74	8.27	9.88	9.04	11.54
Excess return (% p.a)	-3.47	-2.73	-3.33	-1.65	-1.52	-1.31	-0.80	-1.01
Outperformance ratio (% p.a)	25.00	41.67	33.33	41.67	41.67	45.83	41.67	41.67
Worst drawdown (%)	-2.39	-2.44	-4.66	-5.87	-7.84	-11.00	-13.06	-18.46
Time to recovery (mths)	3	-	2	-	7	-	8	11
Sharpe ratio	1.72	1.77	1.33	1.33	0.30	0.28	0.66	0.50
Information ratio	-2.25	-1.21	-1.60	-1.09	-0.56	-0.64	-0.24	-0.42
Tracking error (% p.a)	1.54	1.74	2.08	1.96	2.71	2.18	3.28	2.54

**Lonsec Peer Group:** Multi-Asset - 81-100% Growth Assets - Multi-Manager

**Product Benchmark:** Lonsec Strategic Multi-Asset (Traditional) 90% 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-Annually
Last Missed Distribution	N/A
Number of Missed Distributions in the last 5 years	0
AMIT Election	Yes
TOFA Election	No

#### Rating History

08-May-2024	Recommended
21-Apr-2023	Recommended
30-Mar-2022	Recommended

#### Target Market Determination

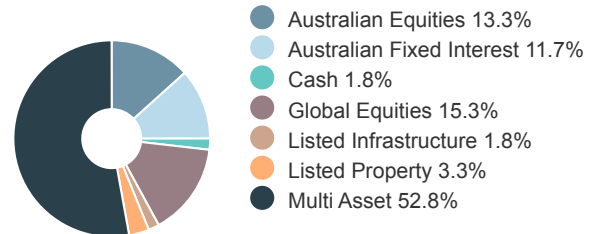
Produced by issuer	Yes
Provided to Lonsec	Yes

### Business ●●●

#### Facts

Investment Manager	IOOF Investment Services Ltd
Ultimate Parent Company	Insignia Financial Ltd
Headquarters	Australia
Inception Date	Jan 1846
% Staff Ownership	0-10%

#### AUM



#### Governance

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

#### Metrics

Total AUM	\$24.80b
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	2013	28/14	28
Kerry Gill	Portfolio Management	No	2021	22/19	22
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

#### 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 Investment Management Committee ('IMC' or 'IC') is responsible for overseeing and approving all investment decisions in the Fund, including inclusions and exclusions of underlying managers. The IMC comprises 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 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 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 asset allocation process combines strategic asset allocation ('SAA') with shorter-term active asset allocation ('DAA' or 'Strategic Tilting') using cyclical and fundamental insights to optimise portfolio positioning against the risk/return objectives. Each portfolio begins with the SAA, which is based on long-term capital market assumptions and scenario-based modelling set by the internal team, with input from an external asset consultant. The SAA is typically reviewed every two-to-three years. The shorter-term target asset allocations are adjusted using cyclical influences such as economic, valuation, and policy insights to add value relative to the SAA.

The Manager applies two core frameworks for the shorter-term target 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 SAA or external manager changes.

### Lonsec Opinion & Supporting Facts

#### Philosophy and Universe

Investment Style	Multi Manager
Asset Allocation Approach	Strategic Asset Allocation, Dynamic Asset Allocation
Sector Exposure	Passive and Actively Managed Funds (Across various asset classes)
Available Universe	Cash and Short-Term Securities, Diversified Fixed Interest, Property, Australian and International Shares, Alternatives Defensive and Alternatives Growth.

The investment approach is based on a well-defined SAA with a discretionary DAA overlay within clear growth/defensive boundaries, targeting highly active managers across diversified asset classes. The strategy represents the Manager's best ideas in manager selection and asset allocation across a broad spectrum of asset classes. Their philosophy is consistent with the risk and return objectives of the Fund. Exposures include traditional liquid asset classes in conjunction with alternatives and unlisted assets to maximise risk-adjusted returns.

#### Research Process

Idea generation	Investment Team, Consultants, Economic Research
SAA review frequency	Annually
DAA/TAA signals	Investment Cycle Clock, Economic Data, Valuation, Behavioral Factors (Sentiment, Technical)
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 SAA 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 IMC 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	Team based
Approach to benchmark	Benchmark Aware
Targeted tracking error	2.0%-2.5%
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 higher active exposure across various esoteric asset classes that results in a higher 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 Manager also utilises derivatives to 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's investment teams and have received approval from the IMC. 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	Daily
Primary risk management system	FactSet and Barra
Security Limits (Min./Max.)	N/A
Rebalancing bands	+/-3%
Max illiquid	30.00%
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.

#### 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?

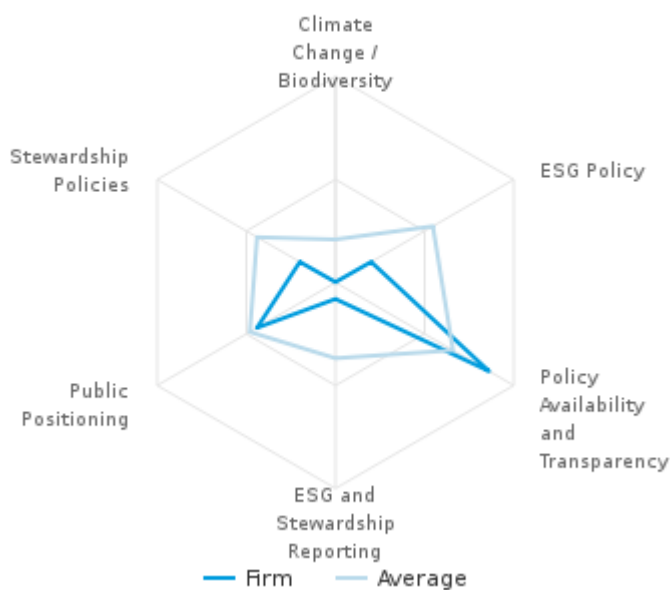
The Manager has indicated that their Responsible Investment style is "ESG Integration" and as such that they take Environmental, Social, and Governance factors into consideration when assessing investment opportunities. With a primary ESG style of "Risk or Value", Managers will determine inclusion based 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	IOOF Investment Services Ltd
Investment manager	IOOF Investment Services Ltd
Sub-investment manager	N/A
Custodian	J.P. Morgan
Administrator	IOOF Investment Services Limited
Fund Auditor	KPMG
Change in Key Providers? (Over last 12 months )	No

#### Product Details

Product size	\$840.00m
Fund 12-month net flows	Negative
Distribution model	Internal
Buy/sell spreads	0.11%/0.11%
Net transaction costs	0.05
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 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	0.91
Performance fee costs	0.35
Net Transaction Costs	0.05
Buy/Sell Spread	0.11/0.11
<b>Annual fees and costs</b>	<b>1.31</b>

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

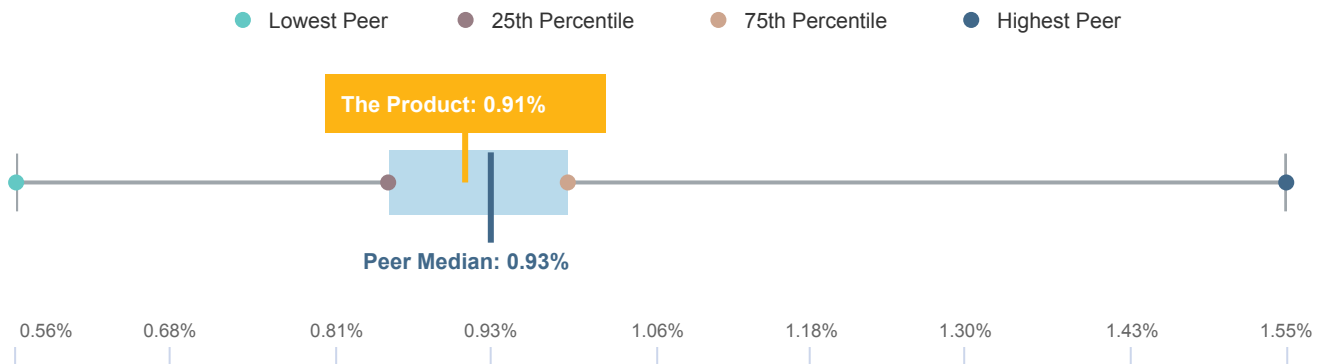
#### Performance Fees

Applicable	No
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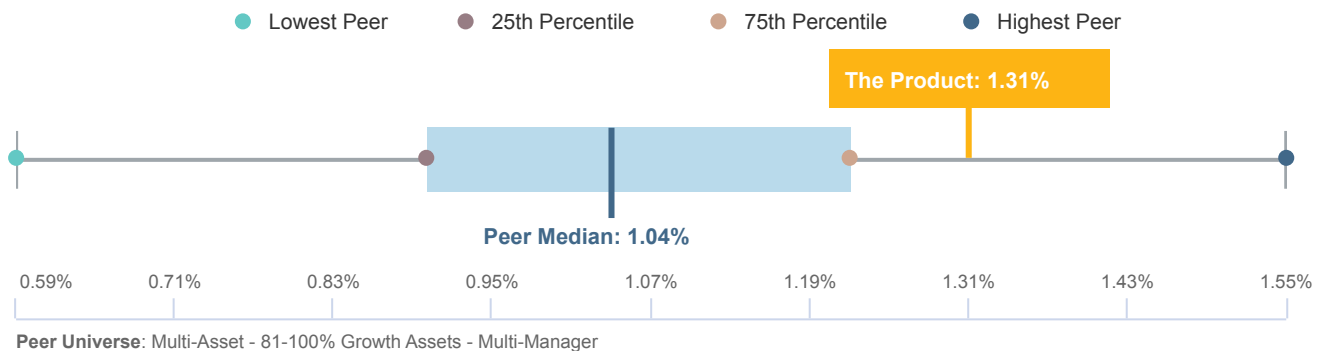
#### Fees Explained

The Fund applies a flat management fee, transaction costs 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 annual fees and costs are considered to be high compared to the peer median.

#### Fairness

The fees are considered fair given the Fund is invested with active managers including in asset classes such as direct property, insurance-related investments and alternatives, as well as a number of passive strategies to lower the costs.

Performance data is as at 31 December 2024

### Performance ●●●

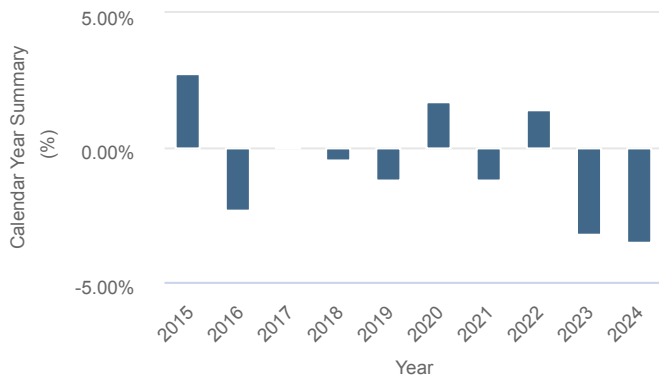
#### Performance Summary

PDS return objective	To provide capital growth over the long term by investing in a portfolio of predominantly growth assets with minimal defensive asset exposure, and to achieve a total return after fees in excess of the benchmark over a rolling seven-year period.
Internal return objective	CPI + 4.0% p.a. after fees over ten year rolling periods.
Internal risk objective	Tracking Error between 2.0% to 2.5% p.a. over rolling seven-year periods.
Product benchmark	Lonsec Strategic Multi-Asset (Traditional) 90% Growth Index
Lonsec peer group	Multi-Manager

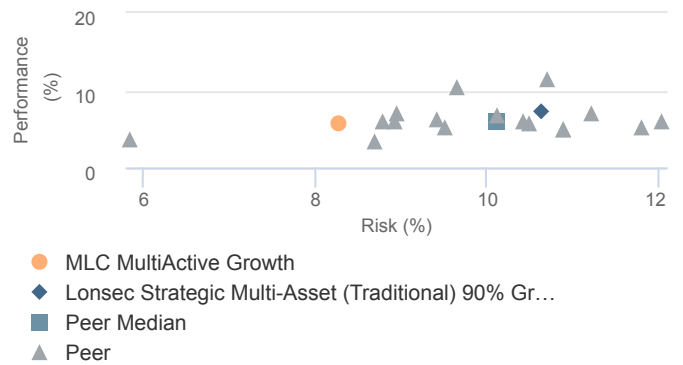
#### Alpha Generation

The Fund has exhibited a mixed alpha generation relative to peers. The Fund has consistently underperformed the peer median over the short term, whilst being in line over the medium and long term. The Fund has outperformed the CPI objective at present. However, the Fund has generally underperformed against the Lonsec Strategic Benchmark and the internal benchmark, which weighs on the alpha generation.

#### Calendar Year Excess Return



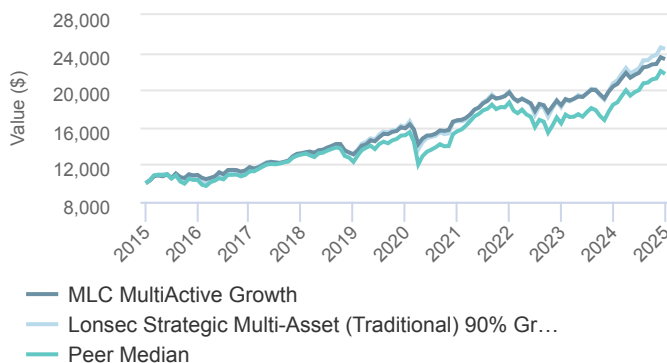
#### 3 Year Risk and Return



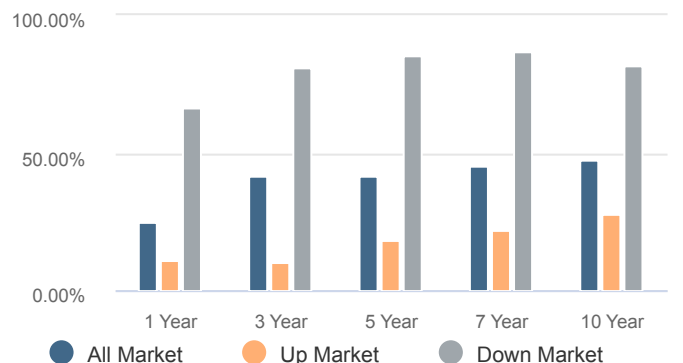
#### Alpha Consistency

The Fund has exhibited a relatively moderate consistency as it has delivered performance outcomes that are in line relative to the peer median. The Fund has exhibited a higher consistency in down-markets as it has delivered outperformance against the benchmark. The Fund has outperformed the CPI objective at present, whilst underperforming the Lonsec Strategic Benchmark and internal benchmark across various time periods.

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



#### Returns Consistency



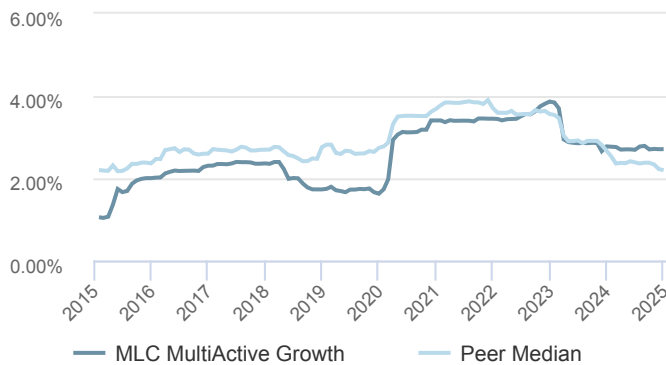
Performance data is as at 31 December 2024

### Performance (continued) ●●●

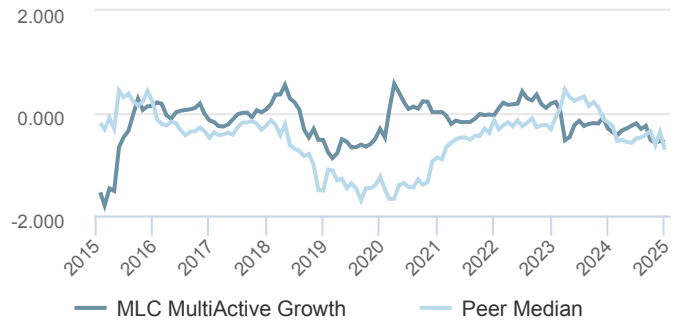
#### Benchmark Relativity

The Fund's tracking error has been broadly in line with the peer median across time. The Fund has achieved its tracking error objective at present. The Fund's information ratio has outperformed the peer median across the medium and long term. The Fund's information ratio has been sub-zero across most rolling time periods, indicating low reward for active risk but better than the peer median.

3 Year Rolling Tracking Error Over 10 Years



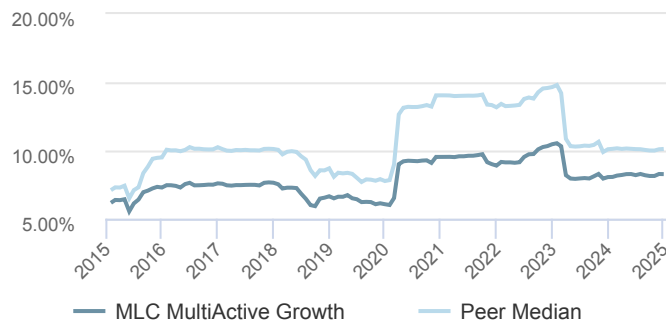
3 Year Rolling Information Ratio Over 10 Years



#### Return Volatility

The Fund has recorded volatility (as measured by standard deviation) that is lower than the peer median across all time periods. The Fund's Sharpe Ratio has been broadly in line with the peer median across all periods.

3 Year Rolling Standard Deviation Over 10 Years



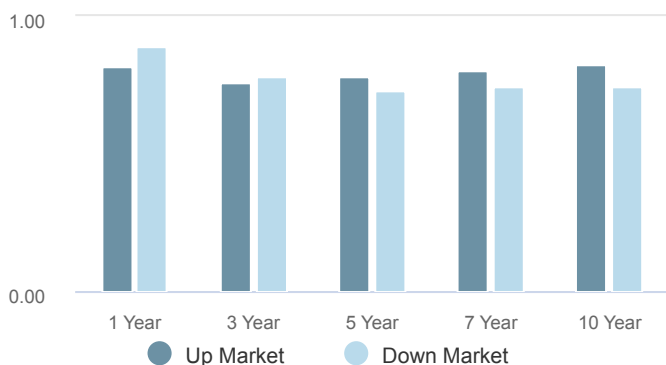
3 Year Rolling Sharpe Over 10 Years



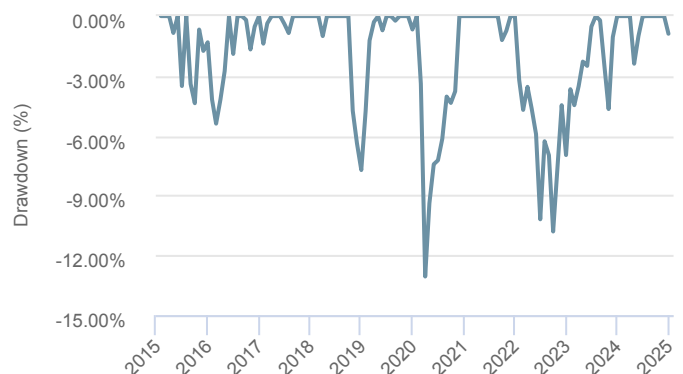
#### Product Defensiveness

The Fund has delivered drawdowns that are smaller than the peer median across all periods. The Fund has exhibited outperformance across down markets relative to the Lonsec Strategic Benchmark, which underscores the higher defensiveness 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

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### 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

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- 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;

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## Lonsec Research FSG (continued)

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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)

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**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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This FSG was prepared on 1 August 2024.