Product Assessment

Report as at 28 Sep 2023

HIGHLY RECOMMENDED

IOOF MultiSeries 30

Rating issued on 28 Sep 2023 | APIR: IOF0253AU

Investment objective

To outperform the Consumer Price Index (CPI) by 1.5% p.a. over rolling three-year periods. While the Fund is not managed to a specific risk constraint, the expected frequency of negative returns is limited to once every nine years.

Manager	IOOF Investment Services Ltd (IISL)
Distributor	IOOF Investment Services Ltd (IISL)
Sector	Multi-Asset \ Moderate
Investment Style	Multi-Manager
RI Classification	Integrated
Absolute Risk	Moderate
Relative Risk	Active - Strategic AA Focussed
Investment Timeframe	3-4 Years
Benchmark	Diversified Market Moderate Benchmark
Min Investment Amount	$25,000
Redemption Frequency	Daily
Income Distribution	Half Yearly
Fund Size (31 Aug 2023)	$596.74M
Management Cost	0.40% p.a. Incl. GST
Performance Fee	N/A
Buy / Sell Spread	0.03 % / 0.04 %
Inception Date	25 Oct 2016

Fund facts

- An SAA driven approach utilising a well structured investment process
- Highly experienced investment team, augmented by external consultants
- Leverages a range of active, factor and passive investment strategies

Viewpoint

The Fund, managed by Insignia Financial (Insignia) invests in a multi-manager portfolio, across a range of asset classes and investment strategies, with a bias to defensive assets. Combining a Strategic Asset Allocation (SAA) and Dynamic Asset Allocation (DAA) process with active manager selection, Insignia seeks to outperform the Fund's benchmark and deliver attractive risk-adjusted returns. Zenith's conviction has increased, as Insignia continues to build-out its underlying sector exposures and maximise the level of 'activeness' relative to the Fund's cost structure. In our opinion, the Fund is a highly attractive option in the 'Low Cost' segment.

Insignia's Multi-Manager capability includes the combined IOOF and MLC businesses, with the latter acquired from National Australia Bank in June 2021. The broader integration of the two businesses is largely complete, with clarity in terms of product strategy, team structure and harmonising investment processes. The team is led by Dan Farmer, Chief Investment Officer (CIO) and comprises 46 professionals, split across Melbourne and Sydney. Zenith considers Farmer to be a high quality CIO, with the ability to add value from active asset allocation and generating excess returns at the asset class level.

In terms of managing the MultiSeries suite of Funds, Stanley Yeo, Head of Strategy and Equities, is responsible for the portfolios, alongside his broader strategy / equity strategy role. Zenith maintains a high opinion of Yeo, noting his overall contribution at both a strategy level and maintaining a granular knowledge of his equities manager universe.

The Fund is managed using a SAA process, which is expected to drive the majority of performance (approximately 80% of the expected return). To capture markets deviating from fair value and the tendency to mean revert over the short to medium-term, a DAA process is employed, which can result in opportunistic asset allocation changes.

The final portfolio comprises underlying investments to specialist sector funds in line with the targeted SAA and DAA position. These can be complemented with 'directly held' securities, either to adjust the DAA or for downside protection purposes.

Each of the underlying sector funds are constructed by the responsible portfolio manager, under the direction of Farmer and subject to the Investment Management Committee (IMC) approval process. Over time, the number of sector building blocks has increased, with more bespoke, sub-strategy exposures introduced to the portfolio. For example, specialist Extended Credit (e.g. Global High Yield, Collateralised Loan Obligations (CLOs)) and Insurance-Related Investments (IRIS) exposures, have been introduced.

Zenith highlights that Insignia's approach to sector structuring is intuitive, facilitating access to a mix of well-structured portfolios, diversified across style biases, factor exposures and regions. The increase in the number of sub-sector portfolios has allowed the team to express more granular regional and sub-sector views and capture a range of lowly-correlated return streams.

The team is able to draw on the resources of the Exposure Management and Trading team, to implement downside protection strategies, across Equities, Currencies and Fixed Income. Zenith highlights that Insignia's ability to design cost-effective, hedging strategies and create asymmetric return outcomes is a key strength relative to the broader peer group. Most notably, the ability to use these strategies in conjunction with the DAA process and create ex-ante ranges and outcomes for managing risk has contributed to the strategy's attractive risk-adjusted returns.

Fund analysis

Fund characteristics

Constraint	Value
Defensive Assets	
Cash and Short-Term Securities (%)	10% to 35% Target SAA = 22%
Diversified Fixed Interest (%)	30% to 55% Target SAA = 44%
Alternative Defensive (%)	0% to 15% Target SAA = 4%
Total Defensive Assets	Target SAA= 70%
Growth Assets	
Australian Equities (%)	0% to 20% Target SAA = 8%
International Equities (%)	0% to 20% Target SAA = 10%
Property (%)	0% to 20% Target SAA = 2%
Growth Alternative inc Direct Property (%)	0% to 40% Target SAA = 10%
Total Growth Assets	Target SAA = 30%

Investment objective and philosophy

Insignia aims to outperform the Consumer Price Index (CPI) by 1.5% p.a. over rolling three-year periods. While the Fund is not managed to a specific risk constraint, the expected frequency of negative returns is limited to once every nine years.

The investment philosophy underpinning the suite of MultiSeries Funds is to combine active asset allocation with an efficient blend of active and passive management strategies, delivered in a cost effective manner. To achieve this, Insignia intelligently uses a range of active, factor-based and passive strategies, with a bias to active strategies. In a 'Low Cost' context, the Fund provides access to a diverse range of asset classes including Alternatives, Private Debt and Emerging Markets.

Zenith highlights that in a peer relative context, the Fund achieves an attractive balance between the level of 'activeness' relative to a unit of cost. In particular, the inclusion of Extended Credit, Direct Property and other forms of enhanced strategies are a point of differentiation, contributing to the Fund's attractive risk-adjusted returns.

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The Strategic Asset Allocation (SAA) process is expected to drive the majority of performance, accounting for 80% of the expected return. However, Insignia also recognises that markets can reach extremities in both over-valuation and under-valuation, and at some point, these markets will mean-revert. To capture this effect, a Dynamic Asset Allocation (DAA) process is employed, which can result in opportunistic asset allocation changes. This is expected to derive approximately 10% of outperformance.

Insignia also allocates to a number of illiquid asset classes including Private Equity, Direct Property and Private Debt, which are held as part of broader sector portfolios or as discrete sleeves.

In our opinion, the firm's direct capability is a strong complement to its listed or public market research, providing access to a range of lowly correlated return streams.

SAA

The SAA setting process is performed on an annual basis, using a two-stage approach, with the first, involving a review of the Fund's existing SAA relative to its investment objectives, starting with a re-validation of the long-term asset class assumptions underpinning the current allocation. Mercer Australia (Mercer), Insignia's external consultant provides a set of return forecasts as well as output from its Capital Markets Simulator (CMS).

The CMS produces a set of scenarios under a 'Steady State' (e.g. reflecting long-term expectations for markets assuming fair value), and under a 'Market Aware' state where the current pricing of markets are expected to revert to the long-term level over a 10 to 15 year timeframe. In terms of this Fund, the Market Aware simulations are expected to be more influential on the SAA setting process.

Further, Mercer uses an economic capital markets simulator as part of its approach to estimating volatilities for underlying asset classes. The simulator encompasses traditional equity risk premias (e.g. size and developed markets versus emerging markets) to forecast volatilities as opposed to using more traditional approaches such as using actual asset class returns.

Zenith highlights that while Mercer remains an input to the process, the growth of Insignia's internal asset allocation capabilities, has lessened the reliance on external providers, with Mercer providing a supplemental perspective to the internal views of the team.

The SAA setting process includes a Climate Change (CC) input, which includes the delineation of multiple climate change scenarios (Orderly - two degrees, Disorderly - three degrees and Hot-house - four degrees) and how each of these potentially impact underlying Capital Market Assumptions (CMAs) and financial market impacts. For example, valuation assumptions are increased (lowered) for an equity market where the carbon intensity of the primary equity benchmark is lower (higher) relative to other countries, based on external research and studies.

The optimisation process applies to the Fund's core assets (including Equities (domestic and international), Bonds (domestic and international, Nominal and Inflation Linked), Property and Cash), and produces an outline of the Fund's asset class exposures.

The second stage of the SAA process involves adjusting the asset mix derived in Stage One, via the introduction of asset classes and/or active tilts that improve the portfolio's expected risk/return profile. These can include introducing specific factor exposures, such as a quality tilts or small caps in Equities, or high yield credit strategies in Fixed Income.

Furthermore, less liquid strategies are also considered, such as Alternatives, Infrastructure, Private Equity, Direct Property and Commodities. This process is more qualitative in nature and seeks to overlay the team's views on the final portfolio composition.

DAA

On a monthly basis (or more frequently if required), an Asset Allocation Group (AAG), comprising the CIO and Portfolio Managers, meet to discuss views on the Fund's asset allocation, market valuation, fundamentals and market sentiment. Based on the output of this meeting, DAA positions are enacted with the purpose of capturing price adjustments where mispriced markets are expected to mean revert.

The DAA process is implemented via a suite of market aware indicators, which are designed to identify potential mispricings over a one to three year timeframe. Combining a range of valuation, sentiment/technical and macroeconomic / earnings factors, signal output is distilled into a set of asset class scorecards, resulting in an overall conviction score and also creating a level playing field for the AAG to make relative value assessments.

Further, a set of 'Scenario Projections' are considered which cover a range of inflation and growth related states, and pre-defined market events/conditions (e.g. oil price shock, China and Emerging Market risk). The scenarios are assigned probability weightings based on the team's qualitative view of the likelihood of each occurring.

Zenith highlights that the 'Scenario Projections' have been recently introduced to the DAA process, with the original framework evolving from the the MLC process. In our opinion, the approach is intuitively appealing, albeit mapping the output to expected asset class returns and potential investment horizons, is in our opinion, a possible area for enhancement. Notwithstanding this, the approach complements the broader suite of DAA signals, and can be effective in synthesizing the macro environment and ensuring the asset allocation aligns with the team's views.

In sum, Zenith considers the asset allocation process to be well-structured and applied in a consistent manner. The process incorporates a range of inputs over different investment horizons, albeit, the team's qualitative judgement ultimately determines positioning.

Portfolio applications

The Fund provides investors with exposure to a diversified portfolio of growth, defensive and alternative assets and strategies. Its targeted asset mix comprises a 70%/30% split between defensive and growth assets, respectively.

The Fund’s investment mandate is considered to be broad, with the investment team permitted to undertake active asset allocation positioning while also gaining exposures to alternative assets and strategies. Zenith considers the Fund suitable as a standalone investment, or as a complement to a broader portfolio that seeks to produce outcomes consistent with an investor's risk/return preferences. The Fund is particularly attractive for those investors seeking to access Insignia's asset allocation skills in a cost effective manner.

The Fund is considered suitable for investors with a low to moderate risk tolerance who are seeking investment returns that are likely to be more heavily influenced by income. Given the risk inherent in a number of asset classes that the Fund targets, Zenith considers an appropriate investment horizon to be three or more years.

Fund responsible investment attributes

Key Information	Description
Zenith RI classification*	Integrated
Has Responsible Investment Policy	Yes
Negative screens**	**Full/Partial**
Tobacco	Full
PRI Status	
PRI Signatory	No

*Zenith RI Classification scale:

- Traditional
- Aware
- Integrated
- Thematic
- Impact

***Data has been supplied by third parties. While such information is believed to be accurate, we do not accept responsibility for any inaccuracy in such data.*

Absolute performance

Performance as at 31 Aug 2023

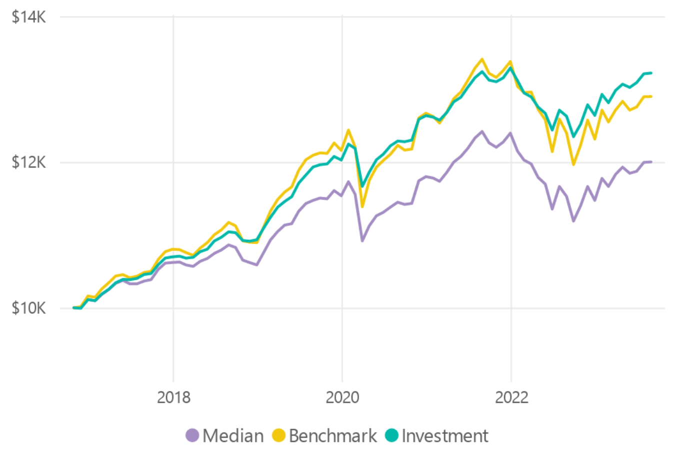
Monthly performance history (%, net of fees)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	BM YTD*	BM2 YTD**
2023	2.27%	-0.88%	1.33%	0.65%	-0.34%	0.51%	0.92%	0.08%					4.59%	4.74%	4.93%
2022	-1.31%	-1.29%	-0.42%	-1.08%	-0.68%	-1.81%	2.19%	-0.65%	-2.23%	1.40%	2.11%	-1.13%	-4.89%	-7.96%	10.51%
2021	-0.16%	-0.33%	0.83%	1.16%	0.49%	1.06%	1.01%	0.64%	-0.89%	-0.16%	0.40%	1.03%	5.18%	5.60%	6.08%
2020	1.82%	-0.49%	-4.26%	1.67%	1.44%	0.64%	0.95%	0.53%	-0.08%	0.18%	2.31%	0.40%	5.06%	4.20%	3.38%
2019	1.53%	1.25%	1.24%	0.68%	0.59%	1.61%	0.95%	0.93%	0.26%	0.09%	0.85%	-0.41%	10.00%	11.61%	4.38%

**CPI plus 2.5%*

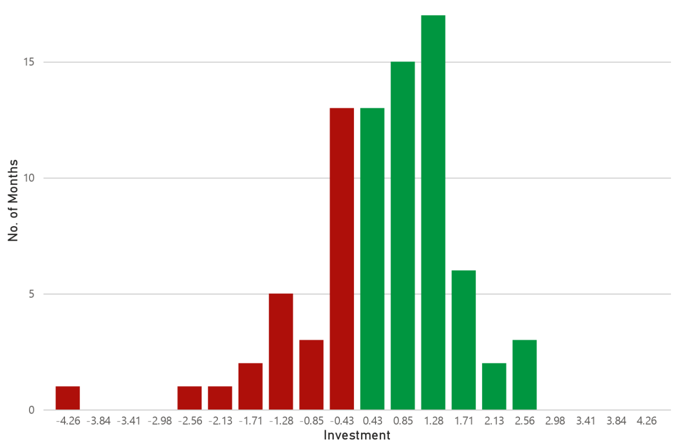
***Diversified Market Moderate Benchmark*

Growth of $10,000

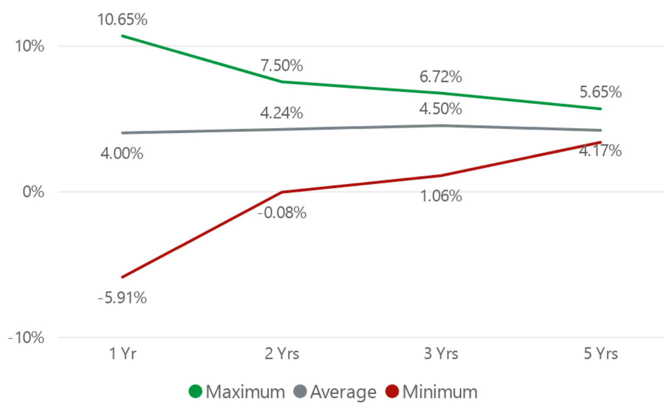


Risk / return

Monthly histogram



Minimum and maximum returns (% p.a.)



Absolute performance analysis

Instrument	1 Yr	2 Yrs	3 Yrs	5 Yrs	Inception
Investment	**4.69%**	**-0.08%**	**2.47%**	**3.67%**	**4.17%**
Income	1.98%	1.87%	3.14%	3.72%	3.77%
Growth	2.71%	-1.94%	-0.67%	-0.05%	0.40%
Benchmark	**4.04%**	**-1.93%**	**1.79%**	**2.92%**	**3.79%**
Median	**4.11%**	**-1.69%**	**1.59%**	**2.02%**	**2.71%**
Cash	**3.37%**	**1.86%**	**1.25%**	**1.24%**	**1.40%**

Ranking within sector (p.a.)

Ranking within Sector	1 Yr	3 Yrs	5 Yrs	Inception
Fund Ranking	13 / 36	11 / 36	3 / 32	5 / 31
Quartile	2nd	2nd	1st	1st

Absolute risk

Instrument	1 Yr	2 Yrs	3 Yrs	5 Yrs	Inception
Standard Deviation (% p.a.)					
Investment	4.49%	4.34%	3.94%	4.08%	3.58%
Benchmark	6.69%	6.66%	6.05%	6.29%	5.49%
Median	5.55%	5.50%	4.95%	5.07%	4.43%
Downside Deviation (% p.a.)					
Investment	2.67%	2.90%	2.38%	2.70%	2.31%
Benchmark	4.36%	4.86%	4.00%	4.50%	3.85%
Median	3.56%	4.04%	3.31%	3.71%	3.18%

Absolute risk/return ratios

Instrument	1 Yr	2 Yrs	3 Yrs	5 Yrs	Inception
Sharpe Ratio (p.a.)					
Investment	0.29	-0.44	0.31	0.59	0.77
Benchmark	0.10	-0.57	0.09	0.27	0.44
Median	0.13	-0.65	0.07	0.15	0.30
Sortino Ratio (p.a.)					
Investment	0.49	-0.67	0.51	0.90	1.20
Benchmark	0.16	-0.78	0.14	0.37	0.62
Median	0.21	-0.88	0.10	0.21	0.41

Zenith benchmarks funds in the Multi-Asset - Moderate peer group against the Zenith Composite Moderate Benchmark. While this benchmark may not be consistent with the one adhered to by all rated participants, it has been adopted to provide investors with a common reference point against which similarly structured strategies may be assessed.

The Fund aims to outperform the Consumer Price Index (CPI) by 1.5% p.a. over rolling three-year periods. While the Fund is not managed to a specific risk constraint, the Fund is managed to limit the frequency of expected negative returns to once every nine years.

All commentary is effective 31 August 2023.

The Fund has achieved its investment objective over most periods of assessment. When measured relative to the peer group, the Fund has delivered consistent outperformance over the median manager over the medium to long term periods, consistently ranking in the upper quartiles.

A consistent feature of the Fund's risk/return profile has been the constrained volatility (as measured by Standard Deviation) of the Fund relative to the Zenith assigned benchmark. This has contributed to the Fund delivering strong risk-adjusted returns over the assessed timeframes.

Relative performance

Excess returns

Statistic	1 Yr	2 Yrs	3 Yrs	5 Yrs	Inception
Excess Return	0.65%	1.85%	0.68%	0.75%	0.38%
Monthly Excess (All Mkts)	58.33%	62.50%	52.78%	48.33%	45.12%
Monthly Excess (Up Mkts)	37.50%	33.33%	23.81%	18.92%	18.52%
Monthly Excess (Down Mkts)	100.00%	91.67%	93.33%	95.65%	96.43%

Capture ratios (% p.a.)

Statistic	1 Yr	2 Yrs	3 Yrs	5 Yrs	Inception
Downside Capture	58.86%	59.73%	57.98%	55.32%	53.88%
Upside Capture	77.57%	72.02%	72.81%	75.47%	76.70%

Tracking error (% p.a.)

Instrument	1 Yr	2 Yrs	3 Yrs	5 Yrs	Inception
Investment	2.28%	2.63%	2.35%	2.43%	2.12%
Median	1.20%	1.36%	1.27%	1.38%	1.22%

Information ratio

Instrument	1 Yr	2 Yrs	3 Yrs	5 Yrs	Inception
Investment	0.28	0.70	0.29	0.31	0.18
Median	0.06	0.17	-0.16	-0.65	-0.89

Beta statistics

Statistic	1 Yr	2 Yrs	3 Yrs	5 Yrs	Inception
Beta	0.67	0.63	0.64	0.64	0.64
R-Squared	0.99	0.95	0.95	0.96	0.96
Correlation	0.99	0.97	0.98	0.98	0.98

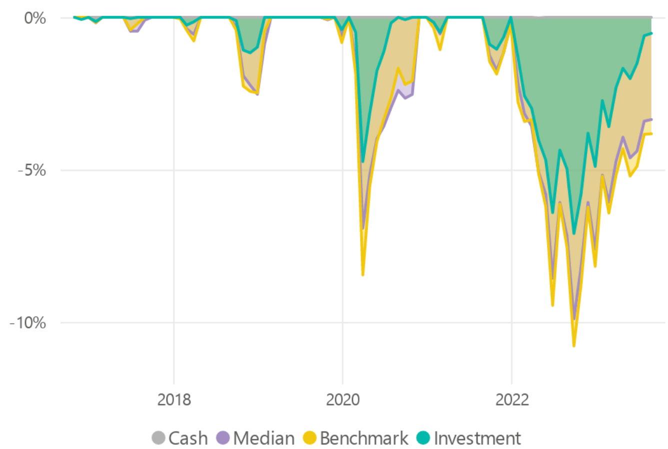
All commentary is effective 31 August 2023.

Zenith seeks to identify funds that can outperform in over 50% of months in all market conditions, as we believe this represents consistency of manager skill.

The Fund has failed to consistently outperform across all market conditions. Zenith highlights that the Fund has delivered strong returns in falling markets.

Drawdown analysis (since inception)

Drawdown analysis assesses the relative riskiness of a Fund versus the benchmark, in reference to capital preservation. The maximum Drawdown is recorded as the percentage decline in the value of a portfolio from peak to trough (before a new peak is achieved). All Drawdown analysis is calculated commencing from the inception date of the Fund in question, and Drawdown analysis for the Fund and benchmark(s) are calculated independently. That is, the largest drawdown for the Fund and benchmark(s) will not always refer to the same time period.



All commentary is effective 31 August 2023.

The Fund's drawdown profile has generally been more constrained relative to the benchmark, particularly during sustained market drawdowns.

Fund commentary

Fund risks

Zenith has identified the following key risks of the Fund. Although Zenith believes the risks noted are all significant, we have listed them in order of importance. In addition, we have not intended to highlight all possible risks.

Key person risk: Zenith considers Farmer's and Yeo's ongoing involvement in the investment process to be critical. Collectively, Zenith believes their respective skills and experience are important to the outperformance potential of the Fund. Either of their departures would result in a reassessment of our rating.

Performance risk: The Fund's investment mandate is relatively wide, providing Insignia with ample scope to implement its targeted portfolio. This may result in Fund performance deviating from that of its SAA and competitors, which may be either to the benefit or cost of investors.

Illiquidity risk: The Fund maintains exposures to a range of relatively illiquid assets in both the Alternatives and Direct Property sectors. In a stressed market environment, there is a risk that the mark-to-market value of the assets may not reflect their intrinsic value or that they could be liquidated in a timely manner. This could be to the detriment of performance.

Security/asset selection

Employing a multi-manager approach, identifying and selecting high-quality managers is a core component of the investment process. Insiginia undertakes an annual review of the underlying sector trusts, to ensure that the manager line-up is appropriate and new candidates are considered. Each sector portfolio manager is responsible for undertaking manager research for their sector, with oversight and leadership from the CIO.

The initial manager universe is filtered based on the portfolio's underlying requirements, a positive view from Insignia's primary consultant on manager selection, JANA and the manager having sufficient capacity to meet Insignia's growth requirements. If a manager does not have an external rating, it may be considered if it is assessed to have a competitive advantage.

To select managers, a traditional set of criteria are employed, which includes an assessment of the organisation, the quality of the investment team, the coherence of the investment process and the performance of the Fund/strategy relative to its objectives and peer group. The review also includes fee discovery, and a manager's willingness to enter into an Investment Management Agreement (IMA) and Service Level Agreement (SLA) on terms that meet Insignia's requirements.

Zenith highlights that Insignia's sector structuring ability is a key competitive advantage, extending across manager selection and the ability to capture excess returns from targeted factor exposures or portfolio biases. For example, capturing the small cap risk premia in domestic and global Equities, allocating to Emerging Market Equities and Bonds and innovative smart beta and portable alpha solutions, have been used to generate additional asset class alpha.

Furthermore, specialist capabilities in Private Equity and Alternatives have allowed the team to internalise some of its private assets program and also expand the breadth of investment opportunities. This enables the team to access more attractive Co-Investment and Secondaries and also bespoke offerings, such as Insurance Linked Securities, Trade Finance and Royalties.

If a manager passes through the due diligence phase, the portfolio manager will prepare a detailed due diligence report that addresses the above-mentioned criteria. The report is peer reviewed by the CIO and broader team, with a potential for further research and analysis to be undertaken. Insignia's Investment Operations team also reviews the report to ensure compatibility with the reporting and pricing framework. Once complete, the report is finalised and proposed to the IMC for approval.

In Zenith's opinion, the manager selection process is detailed and applied in a disciplined manner, leveraging internally-generated insights and those of its primary consultant, JANA. The team's ability to capture excess returns at the asset class level and harvest a range of diversifying return streams has contributed to attractive risk-adjusted returns over the medium-term.

Responsible investment approach

Insignia is yet to become a United Nations Principles for Responsible Investment (UN PRI) signatory. Notwithstanding this, it maintains an established Responsible Investment Policy (RIP) that has been ratified by the Insignia Responsible Entity and was last updated in August 2022.

Using a multi-manager investment approach, Insignia's environmental, social and governance (ESG) policies are largely implemented via its appointed investment managers. Prior to appointing a manager, Insignia performs a detailed review of their ESG approach and philosophy, focusing on the level of integration with the broader process. This is formalised with a specific ESG clause that is included in all Investment Management Agreements (IMAs) requiring managers to apply due care and diligence in considering ESG matters. Furthermore, all investment mandates include a hard tobacco manufacturer exclusion.

In terms of adherence to its policies, Insignia performs ongoing monitoring in collaboration with JANA

who formally rate each manager's ESG processes. Further, Insignia continues to work with its underlying managers regarding the provision of ESG reporting.

In addition to the team's surveillance, MSCI ESG quality scores are measured on a periodic basis and used to cross-reference the qualitative input from managers, whilst also providing a lead indicator on potential ESG deterioration. Furthermore, a Carbon Foot Print estimate (e.g. Weighted Average Carbon Intensity tons CO_2e / \$M sales) is reported on a quarterly basis and used as part of Insignia's ongoing monitoring.

In Zenith's opinion, Insignia's ESG approach is well-developed, effectively leveraging the firm's resources and further augmented by the ESG capabilities of its external consultants. Zenith has assigned the Fund a Responsible Investment Classification of Integrated.

Portfolio construction

The final portfolio comprises underlying investments in specialist sector funds in line with the targeted SAA and DAA position. These can be complemented with 'directly held' securities, either to adjust the DAA or for downside protection purposes. Farmer and Yeo are ultimately responsible for the positioning of the Fund, albeit the IMC is required to ratify all manager appointments and terminations.

Each of the underlying sector funds are constructed by the responsible portfolio manager, under the direction of Farmer and subject to the IMC approval process. Over time, the number of sector building blocks has increased, with more bespoke, sub-strategy exposures. For example, specialist Emerging Market Equities, Extended Credit (e.g. Global High Yield, Collateralised Loan Obligations (CLOs)) and Insurance-Related Investments (IRIS) exposures, have been introduced.

Zenith highlights that Insignia's approach to sector structuring is intuitive, facilitating access to a mix of well-structured portfolios, diversified across style biases, factor exposures and regions. The increase in the number of sub-sector portfolios has allowed the team to express more granular regional and sub-sector views and capture a range of lowly-correlated return streams.

In terms of position sizing, each sector portfolio manager has the flexibility to determine the optimal manager configuration for their respective portfolio, subject to oversight from Farmer and the approval of the IMC (for new manager appointments). With respect to existing managers, the sector portfolio managers can adjust manager weightings by +/- 50% with approval from the CIO, which is then required to be noted at the next IMC meeting.

The team is able to draw on the resources of the Exposure Management and Trading team, with Cliff Bayne, Head of Derivatives, responsible for derivatives implementation and developing downside protection strategies. These can be expressed across Equities, Currencies and Fixed Income, albeit with a focus on controlling the cost drag resulting from these strategies. These positions are subject to pre-approved risk limits and used to reflect the broader views of the team and/or align with the output of the DAA process.

Zenith highlights that Insignia's ability to design cost-effective, hedging strategies and create asymmetric return outcomes is a key strength relative to the broader peer group. Most notably, the ability to use these strategies in conjunction with the DAA process and create ex-ante ranges and outcomes for managing risk has contributed to the portfolio's attractive risk-adjusted returns.

The Fund's currency exposure is fully hedged in the Fixed Income sector, while the Fund has a strategic hedge ratio of 35% for Global Equities. Active currency positions can be enacted based on the output of the DAA process, which can see the actual hedging level range from 0% to 100%.

The rebalancing range is set at +/- 3% at an operational level and is managed by Insignia's Investment Operations Division, in consultation with the investment team. On a daily basis, each portfolio’s asset allocation is compared to its target asset allocation, and if the allocations falls outside of the range, the Portfolio Manager is notified. The Portfolio Manager will then decide if remedial action is required, which includes identifying the most efficient rebalancing mechanism (i.e. via cashflows or physical redemptions).

In sum, Zenith considers Insignia's portfolio construction process to be strong, highlighting the team's manager selection skills and intuitive approach to harvesting lowly correlated risk premias. The ability to maximise the level of 'activeness' and access bespoke strategies, in a fee-constrained structure is a strong point of differentiation.

Risk management

Risk management is ingrained in the investment process at multiple levels, with the experience of the portfolio management team providing the first layer of risk mitigation. Insignia also leverages the resources of Mercer and JANA, who perform extensive risk management analysis as part of its due diligence process.

The primary risk tools used by Insignia include Bloomberg Port and Factset, which are used to monitor risk and produce a range of measures. These include traditional volatility and risk-adjusted metrics (e.g. Sharpe, Treynor and Information Ratios) and other portfolio-level risk measures.

This risk analytics is formally reported to the IMC on a bi-monthly basis, who will also monitor the information on a more frequent basis.

Zenith highlights that the risk management architecture is well-developed, particularly with respect to aggregating and assessing risk on a portfolio-wide basis. Through Bloomberg Port and Factset, Insignia has the functionality to measure cross-asset class risk, including holdings-based information across the majority of the portfolio, including Fixed Income.

Stress testing is performed using both historical and forward-looking analysis. In a historical context, the portfolio is stress tested against major market events to assess how the existing portfolio would perform through these regimes. In terms of the portfolio's private asset holdings, these are also subject to detailed liquidity scenario testing.

Zenith considers Insignia's risk management framework to be sound, noting the continued advancements in its ability to manage portfolio-wide risk.

Investment fees

	Fund	Sector Average
Total Fees and Costs (RG 97)	0.46 % p.a.	0.70 % p.a.
Management Fees and Costs	0.42 % p.a.	0.63 % p.a.
Transaction Costs	0.04 % p.a.	0.05 % p.a.
Performance fees as at 30 Jun 2023	0.00 %	0.02 %
Performance fees description	N/A	
Management Cost	0.40 % p.a.	0.68 % p.a.
Buy / Sell spread	0.03 % / 0.04 %	0.10 % / 0.09 %

All fees and costs are inclusive of GST unless indicated otherwise. The Performance Fee shown is the performance fee disclosed in the PDS. It is calculated by taking the average performance fees charged over the last five financial years (or less if the investment or performance fee mechanism has not been in place for five financial years).

The Sector average (in the table below) is based on the average management cost of all flagship Multi-Asset -Moderate funds surveyed by Zenith.

The Fund's management cost is 0.40% p.a. No performance fee is payable at all levels of the Fund (i.e. including underlying managers). Zenith highlights that the fee level is highly competitive with the peer group.

There also exists a buy/sell spread of 0.03%/0.04%, representing the costs incurred by the Fund when transacting its portfolio. This spread is payable by investors when both entering and exiting the Fund.

(The fees mentioned above are reflective of the flagship version only, fees may differ when the product is accessed through an alternate investment vehicle such as a platform)

About the fund manager

Organisation

Insignia Limited (Insignia) is a diversified financial services business, listed on the Australian Securities Exchange (ASX: IFL) and comprises the following divisions: Financial Advice and Distribution; Platform Management and Administration; and Investment Management. Each division includes a range of separately-branded businesses that operate as autonomous entities.

Insignia's Multi-Manager capability includes the combined IOOF and MLC businesses, with the latter acquired from National Australia Bank in June 2021. Insignia encompasses a range of investment capabilities including Multi-Asset and single-sector managers, across multiple asset classes and strategies. Across the firm's multiple product sets, it manages $A 85.9 billion as at June 2023.

The broader integration of the IOOF and MLC businesses is largely complete, with clarity in terms of product strategy, team structure, harmonising investment processes and governance approaches.

In our opinion, the process has been seamless with Insignia effectively augmenting the strengths of its own platform (i.e. asset allocation and manager selection), with the strongest elements of the MLC offering, most notably in managing Private Equity (PE), Alternatives and downside protection strategies.

As at 30 June 2023, Insignia's multi-manager business managed approximately $A 85.9 billion across a range of diversified and single sector funds. At the same date, this included $A 587 million in this Fund.

Investment personnel

Name	Title	Industry Experience (yrs)	Tenure (yrs)	Location
Dan Farmer	Chief Investment Officer	26	13	Melbourne, Australia
Stanley Yeo	Head of Strategy & Equities	22	13	Melbourne, Australia
Ben Mccaw	Co-Head Choice Diversified Portfolios	20	15	Sydney, Australia
Grant Mizens	Co-Head Choice Diversified Portfolios	18	18	Sydney, Australia
Kerry Gill	Fund Strategist	21	18	Sydney, Australia

The team is led by Dan Farmer, Chief Investment Officer (CIO) and comprises 46 professionals, split across Melbourne and Sydney. Farmer has been the CIO of the heritage Insignia/IOOF business since 2017 and was formally appointed CIO of the combined team in July 2022.

Farmer joined in 2010, originally to manage an Australian equities portfolio. Prior to Insignia, he was a Portfolio Manager at Telstra Super, responsible for overseeing a portfolio of domestic equities. Zenith considers Farmer to be a high quality CIO, with the ability to add value from active asset allocation and bottom-up, manager selection (via each Sector team).

The investment team is broadly divided into functional divisions, with specialist teams responsible for managing the firm's Diversified portfolios (including Index Plus, Low Cost and Fully Active) and sector teams that oversee discrete portfolios such as Fixed Interest, Private Equity, Alternatives. Further, an Exposure Management and Trading team, led by David Djukanovic, is responsible for portfolio implementation and developing downside protection strategies, under the direction of the Portfolio Construction team.

In terms of managing the Multi-Series suite of Funds, Stanley Yeo, Head of Strategy and Equities, is responsible for the portfolios, in addition to his broader strategy / equity strategy role, with the latter encompassing external manager selection, sector structuring and developing internal strategies.

Yeo joined Insignia in 2010, from Russell Investments where he was a Senior Consultant. Zenith maintains a high opinion of Yeo, noting his overall contribution at both a strategy level and maintaining a granular knowledge of his equities manager universe.

Oversight of the process is provided by a five-person Investment Management Committee (IMC) which performs a number of roles, including the determination of investment objectives, ongoing monitoring of portfolio strategies, and final sign-off for manager appointments and terminations. The composition of the IMC includes Insignia executives (e.g. Farmer and Yeo) and three independent directors and meets on a bi-monthly basis.

Zenith is supportive of the role of the IMC, highlighting its contribution to the governance framework and broader support of the investment team. Over time, the composition of the IMC has expanded, both in terms of skills and experience and the level of independence from Insignia.

Insignia's remuneration structure comprises a base salary and a variable component, which is subject to performance criteria. Portfolio Managers have the ability to earn up to 100% of their salary, via a variable component measured against individual asset sector benchmarks and peer group comparisons and is linked to rolling one and three-year performance periods.

Zenith highlights that over the past few years, Insignia has seamlessly integrated the broader MLC investment team, and at the same time, strengthened its resourcing across multiple areas, including its Capital Markets Research (CMR), Alternatives and Private Equity (PE) capabilities. In our opinion, the team has evolved to one of the strongest in the peer group, particularly given its expertise across a range of non-traditional sectors.

About the sector

Sector characteristics

The Multi-Asset sector comprises funds that are permitted to invest across multiple asset classes and investment strategies. Traditionally, asset class exposures have included Equities, Fixed Interest, Property and Cash. However, in more recent times, Zenith has observed a greater preparedness by sector participants to incorporate Alternative assets and strategies within their targeted asset mix. Included amongst these are Real Assets (i.e. Direct Property and Infrastructure), Commodities and Private Market exposures (i.e. Private Equity and Private Credit). Innovation has also been observed in terms of sector structuring and tail risk hedging strategies, with the goal of building more resilient, all-weather portfolios.

Zenith categorises funds in the 'Multi-Asset – Moderate' peer group (greater than 20% exposure to growth assets and up to 40%) based on our collective assessment of their targeted asset mix and actual portfolio holdings. Funds within this category are benchmarked against the Zenith Composite Moderate Benchmark, which has a defensive/growth split of 60%/40%. The exact composition of this benchmark is provided below:

Cash: Bloomberg AusBond Bank Bill Index (5.5%)

Australian Fixed Interest: Bloomberg AusBond Composite 0+ Yr Index (25%)

International Fixed Interest: Bloomberg Global Aggregate Index Hedged $A (25%)

Alternatives (Defensive): HFRX Global Hedge Fund Index $A (4.5%)

Australian Equities: S&P/ASX 300 Index (17.5%)

International Equities (Unhedged): MSCI World ex-Australia Unhedged Index (7.5%)

International Equities (Hedged): MSCI World ex-Australia Hedged Index (7.5%)

Australian Listed Property: S&P/ASX 300 A-REIT Index (1.5%)

Global Listed Property: FTSE EPRA Nareit Developed Rental Index TR Hedged $A (1.5%)

Alternatives (Growth): HFRX Global Hedge Fund Index $A (4.5%)

To provide greater insight into a Fund's risk/return profile, Zenith decomposes targeted exposures between two broad categories – growth and defensive. While we are cognisant that our designation of asset class exposures between these categories may vary from that defined by the manager, we have sought to adopt a common methodology to ensure consistency in the assessment of like strategies across Zenith's universe of rated funds. Further detail on the Fund's targeted asset mix is provided in the 'Fund characteristics' section.

Sector risks

There exist a number of risks that are generally common amongst all Multi-Asset funds. These include:

Market risk: In periods of heightened risk aversion, it is feasible that asset class correlations merge. Should this occur, the diversification benefits brought through the construction of a portfolio comprising multiple lowly correlated asset classes may be lost, potentially exposing investors to a broader deterioration in market conditions.

Currency risk: Sector participants may be permitted to gain international exposures on an unhedged basis. The decision whether or not to hedge is often deemed active in nature and can expose investors to fluctuations in cross currency rates. This may be either to the benefit or cost of Fund volatility and performance.

Emerging Market risk: Many sector participants gain exposure to Emerging and Frontier Markets which bring with them additional risks. These may include reduced liquidity, a more opaque pricing mechanism, increased sovereign risk and political tensions.

Alternatives risk: A growing number of Funds have investment mandates that permit a meaningful exposure to Alternative assets and strategies. Investors should be aware that the use of Alternatives can bring with them additional risks.

Illiquidity risk: While most sector participants will seek to retain high levels of liquidity, it is feasible that a Fund may retain exposures in assets that are deemed illiquid or subject to irregular pricing policies. It may be difficult for an investment manager to subsequently liquidate such portfolio positions without incurring meaningful transaction or other performance related costs.

Administration and operations

Responsible Entity	IOOF Investment Management Limited

Zenith rating

Report certification

Date of issue: 28 Sep 2023

Role	Analyst	Title
Analyst	Rodney Sebire	Head of Alternatives & Global Fixed Interest
Sector Lead	Andrew Yap	Head of Multi Asset & Austn. Fixed Income
Authoriser	Bronwen Moncrieff	Head of Research

Association & relationship

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Rating history

As At	Rating
28 Sep 2023	Highly Recommended
29 Sep 2022	Recommended
30 Sep 2021	Recommended
19 Jan 2021	Recommended
30 Sep 2020	Recommended
01 Oct 2019	Recommended
18 Mar 2019	Recommended
01 Feb 2019	Under Review
07 Dec 2018	Under Review
15 Oct 2018	Recommended

Last 5 years only displayed. Longer histories available on request.

In March 2021, Zenith implemented a new ratings methodology for products classified as Traditional Index. Any rating issued from this date forward for Traditional Index products only reflect this change in methodology, with the relevant Traditional Index ratings being Index Approved, Index Recommended and Index Highly Recommended. Ratings issued for Traditional Index products prior to March 2021 are retained for historical purposes in line with our regulatory requirements and were issued in line with Zenith's Fund Research Methodology. Further information in relation to Zenith's Traditional Index Research Methodology and Traditional Index Ratings can be found on the Zenith website.

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This report refers to the Australian unit trust for the fund, and the fund and benchmark returns are all in AUD.

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