



Refer to glossary for definition of the rating

## Product Review

### About this Product

Investment manager	Yarra Capital Management Limited
Benchmark	MSCI AC World NR Index AUD
Product structure	Managed Fund
Product size	\$280.00m
Inception date	Nov 1995
Asset class	Global Equities
Sector	Global Large Cap
Peer group	Fundamental Growth
Rated peers	55

### Product Characteristics

Business Life Cycle	Mature
Product Wind-Up Risk	Low
Key Person Risk	Medium
Tenure of Decision Makers	High
Complex (RG240)	No
Strategy Remaining Capacity	\$25bn
ESG Approach	Risk or Value
Peer Relative Fees and Costs	In line with median

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

Management fees & costs	0.99
Performance fee costs	0.00
Net Transaction Costs	0.00
Buy/Sell Spread	0.15/0.15
<b>Annual fees and costs</b>	<b>0.99</b>

Source: FE fundinfo

### Strengths

- Broadly experienced investment team with considerable co-tenure among portfolio managers.
- Highly collaborative research approach which promotes strong buy-in from the investment team.
- Logical and intuitive investment approach which also benefits from a top-down lens.

### Weaknesses

- Relatively small investment team of sector specialists, which also magnifies key person risks.
- The Fund has not met its performance objective, albeit noting headwinds impacting the Manager's style in recent years.

## Product Opinion

The Fund's **'Recommended'** rating has been maintained following the latest review. This rating is supported by the experienced portfolio management team and their highly collaborative investment approach which is considered well-structured and repeatable. However, tempering this view is the modest team size. While the team continues to expand, the integration of the newer members remains a point of observation. Moreover, the Fund has not met its investment objective, with challenged stock selection contributing alongside style headwinds.

### 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 achieve capital growth over the long term, outperforming the benchmark by 3% over rolling three-year periods
Internal return objective	To outperform the benchmark by 3% p.a., before fees, over rolling three-year periods
Internal risk objective	Tracking error within 3-8% p.a.
Non-financial objective	Not applicable

#### Asset Allocation (%)

Australian Equities	2.91
International Equities	93.59
Cash	3.50
<b>Total</b>	<b>100.00</b>

Source: FE fundinfo

#### Rating History

08-May-2023	Recommended
11-Apr-2022	Recommended
03-Mar-2021	Recommended

#### Product Distribution Profile

Frequency	Annually
Last Missed Distribution	Jun 2017
Number of Missed Distributions in the last 5 years	5
AMIT Election	Yes
TOFA Election	No

#### Top 10 Holdings (as at 31/07/2023)

	Weight (%)
MICROSOFT CORP	6.970
ACCENTURE PLC	3.400
SCHLUMBERGER	3.160
LINDE PUBLIC LIMITED COMPANY	3.130
HALEON PLC	3.020
WORLEY LTD	2.910
KBR INC	2.870
COMPASS GROUP PLC	2.810
AMADEUS IT GROUP SA	2.670
HDFC BANK LIMITED	2.610

Source: FE fundinfo

#### Target Market Determination

Produced by issuer	Yes
Provided to Lonsec	Yes

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

	1 Year	Median	2 Year	Median	3 Year	Median	5 Year	Median
Performance (% p.a)	3.06	11.38	-2.77	-2.48	6.01	5.64	10.32	10.43
Standard deviation	9.30	12.64	11.76	14.48	11.42	13.92	11.38	13.46
Excess return (% p.a)	-8.54	-0.35	-5.20	-5.20	-4.42	-5.48	0.39	-0.19
Outperformance ratio (% p.a)	33.33	41.67	41.67	41.67	41.67	41.67	51.67	50.00
Worst drawdown (%)	-6.59	-6.45	-17.14	-22.84	-17.14	-22.96	-17.14	-23.25
Time to recovery (mths)	NR	3	NR	NR	NR	-	NR	-
Sharpe ratio	-0.06	0.65	-0.42	-0.31	0.40	0.29	0.79	0.66
Information ratio	-1.69	-0.02	-1.12	-0.79	-0.91	-0.76	0.08	-0.03
Tracking error (% p.a)	5.07	5.58	4.64	6.20	4.85	6.78	4.82	6.23

**Lonsec Peer Group:** Global Equities - Global Large Cap - Fundamental Growth

**Product Benchmark:** MSCI AC World NR Index AUD

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

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

### Business



#### Facts

Investment Manager	Yarra Capital Management Limited
Ultimate Parent Company	Yarra Management Nominees Pty Limited (40%), TA Universal Investment Holdings Limited (40%), Nikko Asset Management Go., Ltd (20%)
Headquarters	Australia
Inception Date	Sep 1987
% Staff Ownership	<50%

#### Governance

% Independent board members	50
% Female board members	50
Independent chair	Yes
CEO as Chair	No
Separate Audit Committee	Yes

#### Who is the Manager?

Yarra Capital Management Group ('Yarra') serves as the investment manager for the Fund, which has delegated asset management responsibilities to Nikko Asset Management ('Nikko' or 'the Manager'). The Fund primarily invests in shares of the Nikko AM Global Equity Fund ('the Underlying Fund'). In April 2021, Nikko Asset Management and Yarra Capital Management Group finalised a binding agreement for Yarra to acquire Nikko's Australian business. Yarra is a privately owned funds management business and Nikko is among Asia's largest asset managers. Nikko retained a 20% shareholding and secured board representation in the merged entity.

## Lonsec Opinion

#### Profitability

Nikko is stand-alone profitable and well capitalised, with funds under management ('FUM') exceeding US\$210bn as of 31 October 2023. The diversified nature of FUM, with reasonable representation across distribution channels and investment strategies, contributes to the quality of earnings.

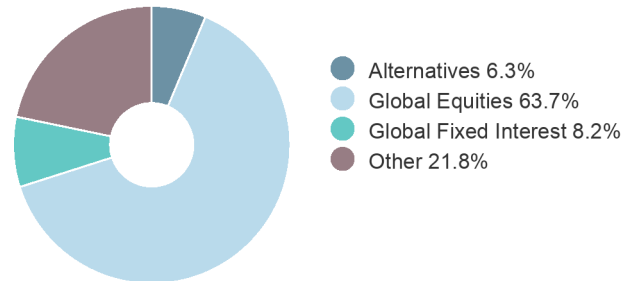
#### Business Track record

Since its establishment in 1959, Nikko has established a long and successful track record of sustainably growing FUM. Over the years, it has diversified its asset management business across a range of strategies, covering various geographies and asset classes.

#### Metrics

Total AUM	\$19.7bn
Investment Management Headcount	86
Investment Professionals	40
Sales & Service	11
Distributor	Self

#### AUM



#### Business Ownership

Nikko is a large investment manager who has demonstrated a propensity to opportunistically engage in mergers and acquisitions. This focus on asset gathering could potentially dilute the underlying investment culture across the firm. Additionally, investment staff for the Underlying Fund do not have ownership in the business; instead, they are compensated based on the revenue generated by the team.

#### Business Governance

Business governance is viewed as appropriate for Nikko. This view also extends to Yarra which has had no regulatory findings in recent history. Pleasingly, the firm has a separate audit committee.

### Team



#### Key Decision Makers (KDM)

	Primary function	Dedicated to strategy	Appointed to strategy	Industry/Mgr exp. (yrs)	Exp. in PM roles (yrs)
Greig Bryson	Portfolio management	Yes	2014	25/9	23
Iain Fulton	Portfolio management	Yes	2014	27/9	26
James Kinghorn	Portfolio management	Yes	2014	25/9	23
William Low	Portfolio management	Yes	2014	36/9	35
Johnny Russell	Portfolio management	Yes	2014	25/9	24
Ella Kara-Brown	Portfolio management	Yes	2023	19/1	13

#### KDM Change\*

	Function	Change	Type	Tenure (yrs)	Date of change
Ella Kara-Brown	Portfolio management	Joined	New	<1	2023

\* Last 3 years

#### Profile

Size	9
Structure	Centralised
Turnover	Low

#### Alignment

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

#### Resources

	Number	Average Years Experience
Key decision makers	6	26
Portfolio Managers		
Hybrid portfolio manager/ analysts		
Dedicated analysts	3	4
Dedicated dealers	3	23
Quantitative	2	16
ESG/Sustainability	3	14
Macro		
Investment Specialists	2	21

#### Who is the Team?

William Low and selected members of his former Scottish Widows Investment Partnership ('SWIP') team joined Nikko in 2014 after Aberdeen Asset Management took over and fully integrated the former SWIP equities business. This marked an expansion of Nikko's capabilities to global equities and continues the group's push for growth which would be familiar to Australian investors.

The investment team comprises nine members, with six portfolio managers and three portfolio analysts. Each team member conducts research, ensuring coverage of every sector by at least one portfolio manager or analyst. Together, they manage a universe of around 100 stocks. The team operates with a flat structure, making decisions collaboratively. The broader business supports the team with portfolio and ESG specialists, along with a trading team.



## Lonsec Opinion

### Skill

The portfolio managers are considered quality investors, with an average of 25 years of industry experience. Ella-Kara Brown is the newest addition to the team, bringing over 19 years of experience gained exclusively at abrdn. While she is seen as aligned philosophically due to similarities in investing ethos, her integration into the team and its processes will be closely monitored. The analysts who support the key decision makers ('KDMs') are relatively junior but are considered well-mentored and integrated into the team. They are centralised at Nikko's Edinburgh office, which facilitates research collaboration. However, one potential disadvantage of this setup is being less proximate to offshore markets in contrast to competing multi-jurisdictional teams.

### Team Size

The investment team, consisting of nine members, is considered modest compared to its peers, although the addition of Brown is viewed positively. It is encouraging that the team is solely focused on the global equities strategy. Other factors that offset the modest team size include the team's extensive experience and its concentrated list of actively researched stocks. Further, the team's structure, where all analysts have primary and secondary responsibilities, aids knowledge retention.

### Track Record/Co-Tenure

With the exception of Brown, the portfolio managers have built a strong track record working together dating back to their time at SWIP in 2011 before joining the Manager in 2014. While tenure among the rest of the team is relatively modest, they receive strong support from the senior members. It is encouraging that the team has remained very stable.

### Alignment

Alignment with end investors is deemed sufficient, although not as robust as that of peers. The team is entitled to receive bonuses as part of its variable remuneration, determined by the strategy's performance and the company's profitability. Additionally, the team is motivated by a direct share of the revenue generated, with this share vesting on a rolling three-year basis into units in the strategy. However, KDMs do not possess equity in the business, which somewhat diminishes alignment.

### Key Person Risk

Key person risk ('KPR') is seen as moderate and centred on Low and other senior investors due to the team's modest size. The absence of direct equity ownership is believed to increase KPR. However, mitigating factors include the structured investment process and the relatively flat team structure.

### Process



#### What is the Investment Process?

Nikko utilises a bottom-up and top-down, fundamental approach to identify high-quality companies. The investment style is termed 'future quality', which entails selecting companies with robust and growing cash flows, returns exceeding their cost of capital, sustainable franchises, capable management teams, appropriate leverage, and a focus on value. Additionally, Nikko considers companies in their early stages, turnarounds, and those improving in quality. Consequently, the Underlying Fund's style may appear 'core' at certain points in the cycle, but it generally maintains a bias towards 'quality / growth'.

### Lonsec Opinion & Supporting Facts

#### Philosophy and Universe

Investment Type	Combination
Investment Approach	Bottom-up
Investment Style	Growth
Typical market cap	All-cap
Minimum market cap	US\$1bn
Available Universe	All global listed equities in developed and emerging markets after the application of a liquidity filter of a minimum US\$10m in daily trading volume and US\$1bn market capitalisation

Nikko's future 'quality' approach is highly portable to the Underlying Fund's investment universe and aligns well with the Underlying Fund's outperformance objectives. The Underlying Fund's mandate, while more tracking error aware than some peers, is flexible enough to ensure the Fund can meet its 3% p.a. alpha goals over rolling three-year periods.

#### Research Process

Key screens	Market Cap
Screened universe	500
Idea generation	Internal research Company meetings  Industry research Quantitative screens
Stocks researched	100
Annual manager meetings	230
Key research inputs	Company reports Industry contacts  Meeting with management and stakeholders
Primary valuation approach	Other

The investment process is considered to be generally well-structured and pragmatic in design. Nikko's strength lies in the experience and tenure of its senior investors, who have established a solid track record. The team uses various sources for idea generation, including quantitative tools and detailed investigations into broad trends identified through bottom-up analysis. This multi-faceted approach is seen as practical, although the results of the team's thematic analysis have been inconsistent, raising concerns about the efficacy of these research projects. Additionally, the team's breadth is naturally limited somewhat due to its modest size and lack of offshore presence. While the team can access the broader Nikko network, the primary benefit is considered to be the use of the Nikko brand and its sizeable footprint. When it comes to 'bottom-up' research, the team's intellectual property is primarily centred around their analysis of quality and valuation. Pleasingly, Nikko employs a consistent valuation framework that enhances comparability. The firm's investment tools are regarded as well-suited to the process, comprising a good mix of internal and off-the-shelf tools.

### Process (continued)



#### Portfolio Construction

Portfolio management structure	Co-PM
Approach to benchmark	Benchmark Aware
Typical security numbers	43
Typical securities range	40-50
Typical portfolio turnover p.a.	<40%
Typical active share	90-95%

The research process culminates in a stock being ranked on three criteria: alpha upside, alpha confidence, and the idiosyncrasy of its alpha drivers. The scores are produced by the responsible sector specialist and can only be altered by them. This scoring methodology is viewed as practical in enabling the team to identify the most attractive ideas efficiently. Portfolio construction is a collaborative effort, however, sector specialists have a significant influence due to their role in scoring. The portfolio construction process is generally transparent and supportive of consistency and repeatability. However, the collaborative decision-making approach may have contributed to the prolonged decision-making observed recently.

#### Capacity Management

Capacity guidance	US\$20bn
Strategy AUM	\$4.3bn
Portfolio liquidity (1 week)	100.00%
Substantial holdings by manager	None
Strategy previously closed	No

There are no capacity concerns given FUM is below the estimated capacity target.

#### Investment Risk Management

Monitoring external to investment team	Yes
Frequency of monitoring	Daily
Primary risk management system	FactSet and Bloomberg AIM system
Security Limits (Min./Max.)	Hard Limit: Absolute, 0-5%
Sector Limits (Min./Max.)	Soft Limit: Benchmark relative, 0-20%
Country Limits (Min./Max.)	Soft Limit: Benchmark relative, 0-20%
Non-index Allocation (Typical, Max.)	15%, 100%
Cash Allocation (Typical, Max.)	2%, 10%

The Underlying Fund's risk mandate is somewhat constrained by a tighter tracking error target compared to some peers. To align with this, several broad risk limits are in place. Risk management is complemented by Nikko's ranking tool with alpha dimensions which enables comparisons between stocks. Nikko employs a range of off-the-shelf risk tools, however, the team typically reduces reliance on these tools during market inflection points and periods of heightened volatility. During such periods, greater emphasis is placed on stock-specific fundamental risk analysis over quantitative risk tools, which is considered pragmatic given the backward-looking nature of these tools. The team regularly engages with a separate risk team and this segregation in duties is regarded as good practice.

### ESG



#### Manager Positioning

Responsible investment style	ESG Integration
ESG approach	Risk or Value
Sustainability thematic	No Sustainability Thematic
Non-financial objective	None

#### Sustainability Score

No score.

#### What is the Manager's ESG approach?

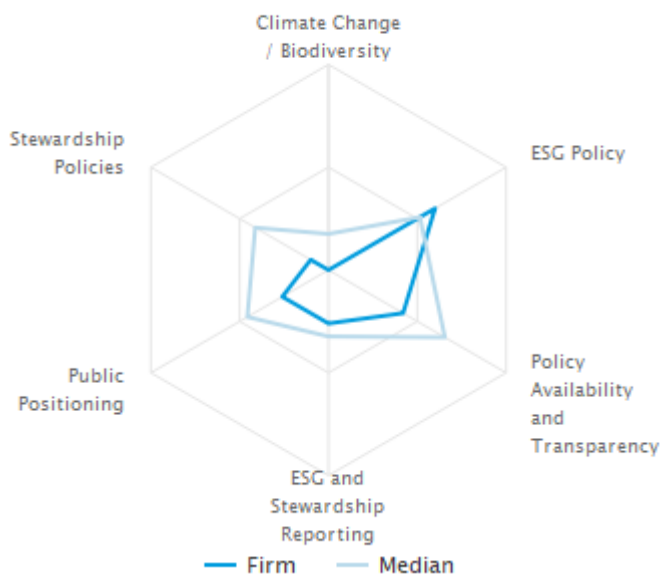
The Manager has indicated that their Responsible Investment style is "ESG integration" and as such they consider environmental, social and governance factors when assessing investment opportunities. With a primary ESG style of "risk or value" managers will determine inclusion based on the balance of 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 client's perception of what a strong ESG process would deliver.

## Lonsec Opinion & Supporting Facts

#### Overview

ESG Process Score	Low
Responsible Investment strategy risk: Clarity, measurability & reporting	Not applicable

#### ESG Snapshot



#### Product Level Approach

While the Manager is sourcing data from a leading external ESG data provider, a broader range of sources is often seen in a manager of this size. There are clear signs of defined ESG elements within the research process for the Fund, however, there is less structure to the Manager's approach than in leading managers. Transparency on the transmission from research to portfolio construction is limited. While ESG risks are reflected at the point of investment and there is some high-level monitoring of ESG characteristics of the portfolio, this does not play a primary role in overall portfolio construction. Further, engagement is a clear component of the Manager's approach and is managed with a structured engagement prioritisation process.

#### 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 and 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 are viewed as lagging peers. The Manager has articulated a commitment to the integration of ESG within their investment process, however, there is limited evidence in their public positioning. The ESG policy is publicly available. While the Manager has a proxy voting policy in place, the policy is not publicly available and lacks depth compared to peers. The Manager does not provide any details on engagement outcomes or policy.



### Product



#### Service Providers

Responsible entity	Yarra Funds Management Limited
Investment manager	Yarra Capital Management Limited
Sub-investment manager	Nikko Asset Management Europe Ltd
Custodian	Citibank
Administrator	Citibank
Fund Auditor	Deloitte
Change in Key Providers? (Over last 12 months )	No

#### Product Details

Product size	\$280.00m
Fund 12-month net flows	Positive
Distribution model	Affiliate
Buy/sell spreads	0.15%/0.15%
Investment structure	Undelying Fund
Product type	Registered Managed Investment Scheme (Unitised)
Currency hedged	Unhedged
Use of derivatives	No
Types of derivatives	Not applicable

#### What is the Product Structure?

The Fund is a relatively vanilla listed global Equity strategy and is currency unhedged. Yarra, a related party, serves as the responsible entity ('RE'). The Fund primarily invests in mid- to large-cap stocks.

## Lonsec Opinion

#### Service Providers

The Manager has engaged large 'tier 1' service providers for critical functions such as custodial, administration and broking services. While the Fund uses a related-party RE, there have not been any issues with this model since the Fund's inception.

#### Operational 'Red Flags'

Implementing the Fund is not considered operationally challenging. However, it is structured as a feeder fund, gaining exposure through purchasing or selling shares in a Luxembourg investment company. This structure might be less tax-efficient than direct equity investments, so investors may wish to seek independent tax advice.

#### Wind-up Risks

The Fund and the broader global equity capability enjoy strong market support, with minimal wind-up risk. This support is enhanced by the additional distribution resources provided by Yarra locally.

### Fees

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

Management fees & costs	0.99
Performance fee costs	0.00
Net Transaction Costs	0.00
Buy/Sell Spread	0.15/0.15
<b>Annual fees and costs</b>	<b>0.99</b>

Source: FE fundinfo

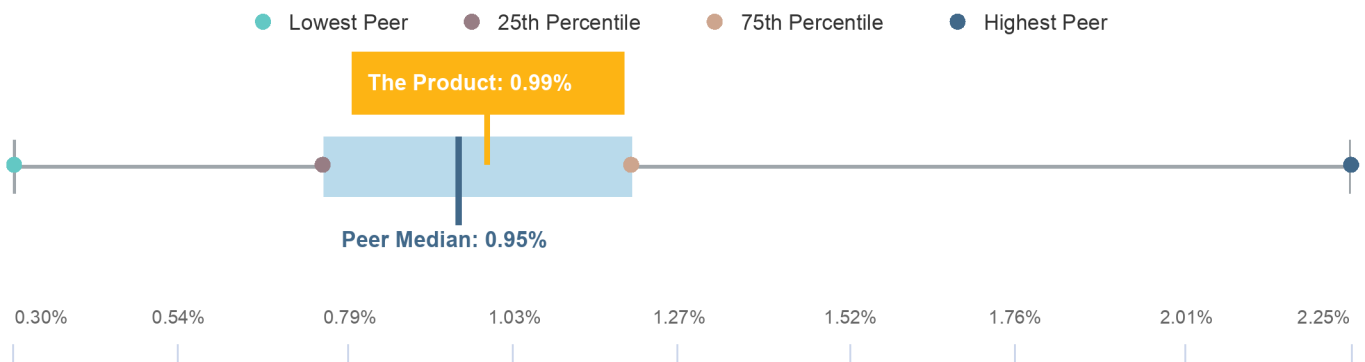
#### Performance Fees

Applicable	No
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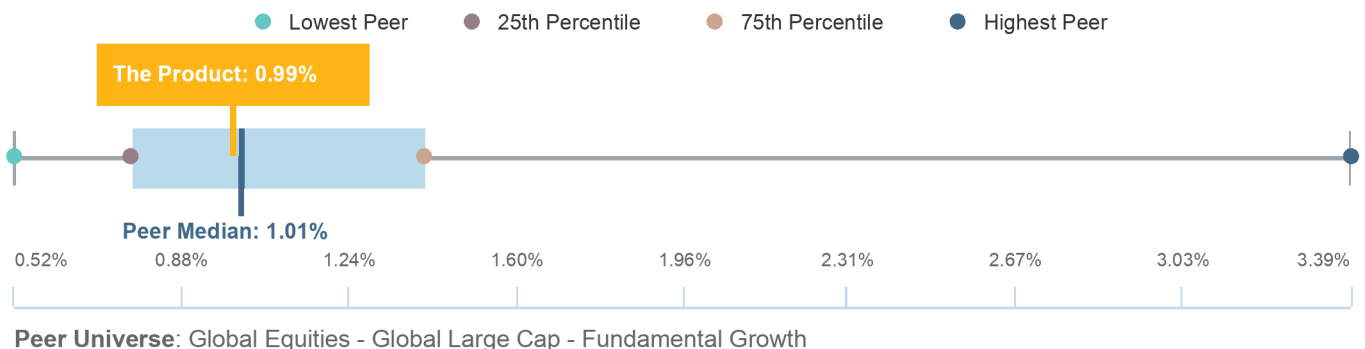
#### Fees Explained

The Fund's Annual Fees and Costs ('AFC') total 0.99% p.a. This value comprises management fees and costs of 0.99% p.a. and net transaction costs of nil. The Fund does not charge a performance fee.

#### 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 total fee load for the Fund is considered to be reasonably competitive compared with the peer group.

#### Fairness

Since there is no performance fee, total fees and costs are capped, providing investors with certainty. The fee structure is competitive, especially when considering the Fund's performance objective.

Performance data is as at 31 October 2023

### Performance

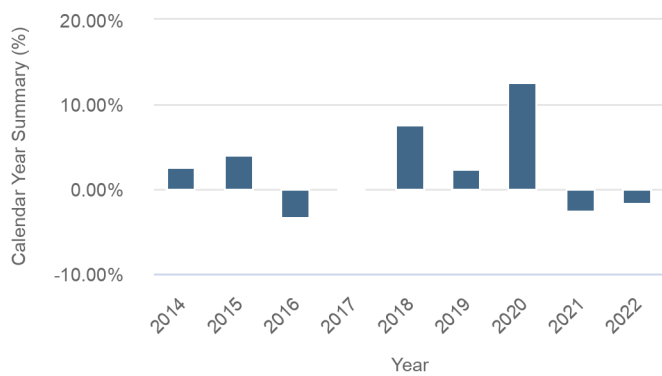
#### Performance Summary

PDS return objective	To achieve capital growth over the long term, outperforming the benchmark by 3% over rolling three-year periods
Internal return objective	To outperform the benchmark by 3% p.a., before fees, over rolling three-year periods
Internal risk objective	Tracking error within 3-8% p.a.
Product benchmark	MSCI AC World NR Index AUD
Lonsec peer group	Fundamental Growth

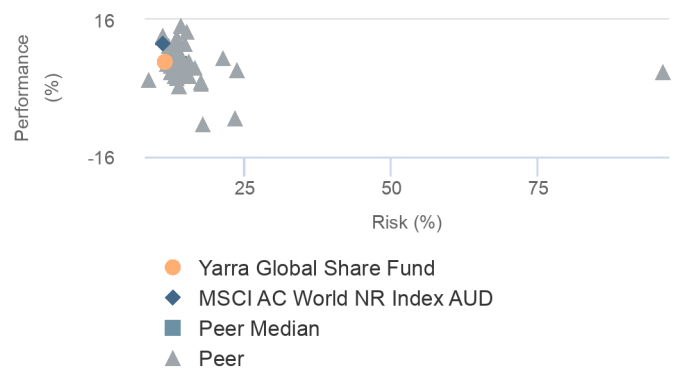
#### Alpha Generation

The Fund was set up in November 1995. However, Nikko's Edinburgh-based team has only managed the strategy since July 15, 2015. Therefore, any performance results before this date cannot be attributed to Nikko. The Fund's track record was impacted by a challenging 2022, during which rising interest rates created a notable headwind for 'quality / growth' focused investment strategies.

#### Calendar Year Excess Return



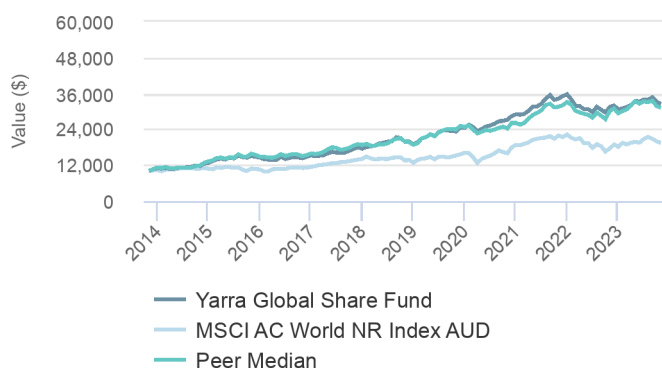
#### 3 Year Risk and Return



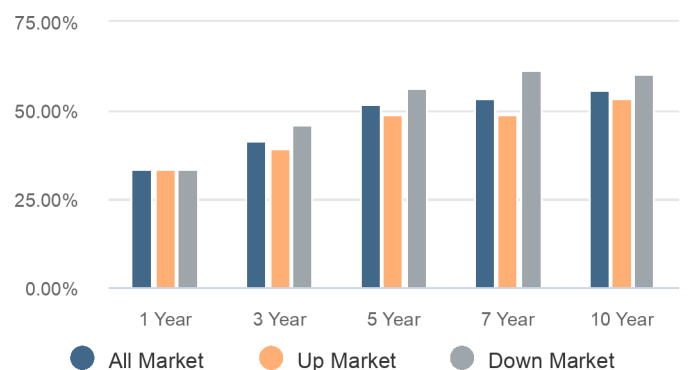
#### Alpha Consistency

Recent results have diminished the Fund's medium- to long-term alpha. Nevertheless, the strategy has a track record of outperformance relative to the Benchmark in markets favourable to its investment style. Since its inception to October 2023, the Underlying Fund outperformed by 3% p.a.

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



#### Returns Consistency



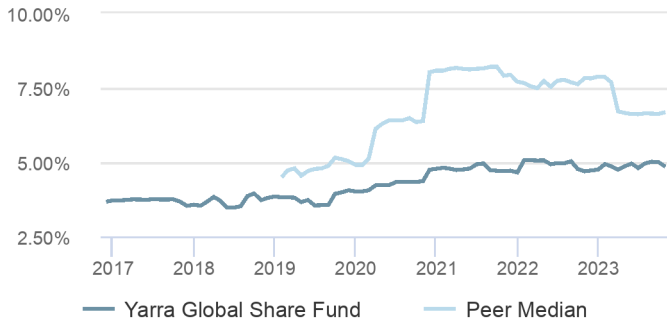
Performance data is as at 31 October 2023

### Performance (continued)

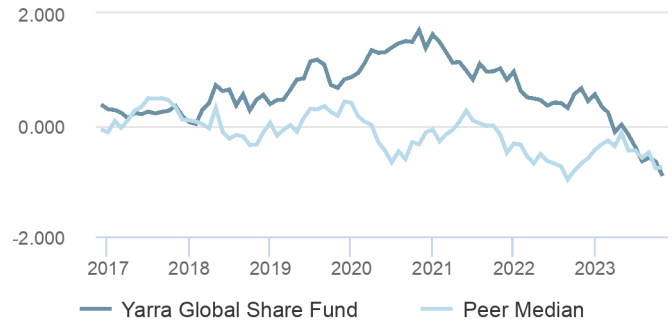
#### Benchmark Relativity

The Fund demonstrates a moderate level of activeness, consistent with its target tracking error of 3-8% p.a. For the three years ending in October 2023, the Fund had a tracking error of 4.9% p.a., compared to the peer median of 6.9% p.a. Additionally, the Underlying Fund has maintained an Active Share of approximately 90%, indicating its active investment approach.

3 Year Rolling Tracking Error Over 7 Years



3 Year Rolling Information Ratio Over 7 Years



#### Return Volatility

The Fund's returns have been more stable than the peers over the three years to October 2023. This, coupled with slight outperformance, resulted in a marginally higher Sharpe Ratio than peers over the period, indicative of superior risk-adjusted returns. Over the short term, the Fund's standard deviation was lower than the peer median, however, this coincided with a relatively weak Sharpe Ratio.

3 Year Rolling Standard Deviation Over 7 Years



3 Year Rolling Sharpe Over 7 Years



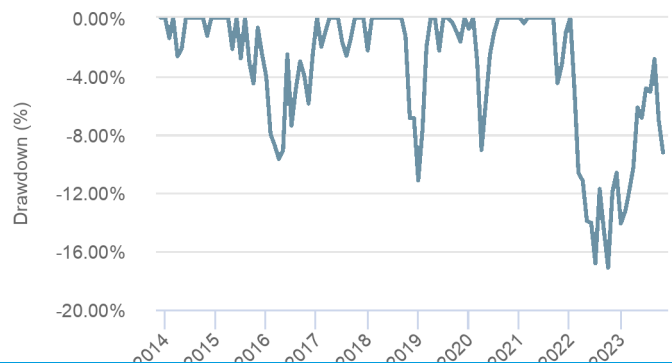
#### Product Defensiveness

Since its inception, the Underlying Fund has demonstrated reasonable defensiveness, consistent with the strategy's focus on 'quality.' This is evidenced by the Underlying Fund's downside capture of around 96% since inception. Similar to peers, the Fund experienced a notable drawdown in 2022, however, the Fund's drawdown was lower than the peer median, highlighting its defensive attributes.

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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[www.lonsec.com.au](http://www.lonsec.com.au)

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

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

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

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

### 1.4 Provision of general advice

Any advice that Lonsec Research provides is of a general nature and does not take into account your personal financial situation, objectives or needs. You should, before acting on the information, consider its appropriateness having regard to your own financial objectives, situation and needs and if appropriate, obtain personal financial advice on the matter from a financial adviser. Before making a decision regarding any financial product, you should obtain and consider a copy of the relevant Product Disclosure Statement or offer document from the financial product issuer.

### 1.5 How Lonsec Research is paid

Lonsec Research receives fees from Fund Managers and/or financial product issuers for researching their financial product(s) using comprehensive and objective criteria. Lonsec receives subscriptions fees for providing research content to subscribers including financial advisers, fund managers and financial product issuers. Lonsec Research's fees are not linked to the financial rating outcome of a particular financial product. Lonsec Research fees are determined by private agreement with its clients depending on a number of criteria including the number of financial advisors who access Lonsec Research publications, the range of publications accessed and the complexity of a specific research assignment.

## Lonsec Research FSG (continued)

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

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

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

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

#### Complaints Manager

Level 39, 25 Martin Place  
Sydney NSW 2000

Tel: 1300 826 395

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

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

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

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

Phone: 1800 931 678

#### Mail:

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

### 1.8 Conflicts of Interest

Lonsec Research is aware of the inherent potential conflicts of interest associated with the provision of ratings and how we are remunerated for our services. There are a comprehensive set of policies, and procedures in place at Lonsec Holdings that apply to its subsidiaries including Lonsec Research.

Information barriers (both permanent and temporary) consistent with our regulatory obligations under Regulatory Guide 79 are in place to manage either perceived or actual conflicts of interest. Employees of Lonsec also have to abide by Personal Trading and Gifts and Entertainment requirements and are trained on these requirements from time to time.

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.

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

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

This FSG was prepared on 9 June 2023.