

Yarra Emerging Leaders Fund

JBW0010AU Author: Matthew Turnbull Published: 22 Oct 2025

Data is provided by the manager at 31 Dec 2024, and currency in AUD, unless otherwise stated

Refer to glossary for definition of the rating

Product Review

About this Product

Investment manager	Yarra Funds Management Limited
Benchmark	50% S&P/ASX MidCap 50 TR Index AUD / 50% S&P/ASX Small Ordinaries TR Index AUD
Product structure	Managed Fund
Product size	\$240.00m (June 2025)
Inception date	Sep 1997
Asset class	Australian Equities
Sector	Australian Mid Cap
Peer group	Australian Mid Cap
Rated peers	18

Product Characteristics

Business Life Cycle	Mature
Product Wind-Up Risk	Low
Key Person Risk	Medium
Tenure of Decision Makers	Medium
Complex (RG240)	No
Strategy Remaining Capacity	Capacity is 0.6% of the benchmark.
ESG Approach	Risk or Value
Peer Relative Fees and Costs	Above median

Annual Fees and Costs (% p.a.)

Management fees & costs	1.25
Performance fee costs	0.00
Net Transaction Costs	0.04
Buy/Sell Spread	0.20/0.20
Annual fees and costs	1.29

Source: FE fundinfo, PDS Date: 20/Mar/2023

Strengths

- The investment team is well-resourced and led by experienced co-PM Dion Hershman and Katie Hudson.
- The investment process is logical and well-structured.
- The investment team's key members hold a strong alignment of interest given the privately owned structure of the business.

Weaknesses

- The co-PM structure results in diminished accountability, albeit notes the long tenure of the co-PMs.
- The Fund's management fee of 1.25% p.a. is higher than the peer median, although there is no performance fee.

Product Opinion

The Fund has retained a 'Recommended' rating, underpinned by conviction in the experience and capabilities of the Fund's co-Portfolio Managers, Katie Hudson and Dion Hershman. In addition, the investment team has a solid level of resources and the process is well-established and rigorous. The co-PM structure potentially results in diminished accountability, albeit the co-PMs hold a long tenure at the firm. Additionally, the co-PM's have responsibilities for other strategies. The Fund has not met its internal investment objective over three years to 30 June 2025.

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	Achieve medium to long-term capital growth through exposure to small and medium sized Australian companies that possess strong capital growth potential.
Internal return objective	Outperform a composite of 50% S&P/ASX Midcap Acc. Index and 50% S&P/ASX small ords acc. Index by 4-6% p.a. (gross fees) over rolling three-year periods.
Internal risk objective	Targeted tracking error of 5-9% p.a. over rolling three-year periods.
Non-financial objective	None

Asset Allocation (%) (as at 30/06/2025)

Australian Equities	96.46
Cash	3.54
Total	100.00

Source: FE fundinfo

Rating History

22-Oct-2024	Recommended
28-Sep-2023	Recommended
16-Sep-2022	Recommended

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

Top 10 Holdings (as at 30/06/2025)

	Weight (%)
CARSALES.COM LIMITED	4.67
NEXTDC LIMITED	4.39
NETWEALTH GROUP LTD	4.34
ANSELL	4.30
BLOCK, INC.	4.24
SANDFIRE RESOURCES LIMITED	3.97
SGH LTD COMMON STOCK	3.68
CATALPA RESOURCES LTD	3.12
PINNACLE INVESTMENT MGMT GRP LTD	3.08
CHARTER HALL GROUP STAPLED (UT ORD)	3.07

Source: FE fundinfo

Target Market Determination

Produced by issuer	Yes
Provided to Lonsec	No

Performance Analysis - annualised after fees at 30/06/2025

	1 Year	Median	2 Year	Median	3 Year	Median	5 Year	Median
Performance (% p.a)	13.34	12.64	7.84	12.65	11.36	11.88	9.55	10.74
Standard deviation	13.96	13.87	14.36	14.04	15.28	15.20	14.85	14.85
Excess return (% p.a)	-1.08	-1.00	-3.31	1.14	-0.46	-0.32	-0.49	0.16
Outperformance ratio (% p.a)	50.00	50.00	37.50	50.00	47.22	48.61	48.33	50.00
Worst drawdown (%)	-7.84	-8.77	-13.00	-12.10	-13.00	-12.10	-18.67	-19.80
Time to recovery (mths)	3	-	4	-	4	-	13	23
Sharpe ratio	0.64	0.66	0.24	0.56	0.49	0.57	0.49	0.57
Information ratio	-0.27	-0.29	-1.09	0.22	-0.12	-0.07	-0.13	0.02
Tracking error (% p.a)	3.97	4.41	3.05	5.44	3.96	5.30	3.92	5.89

Lonsec Peer Group: Australian Equities - Australian Mid Cap -

Product Benchmark: 50% S&P/ASX MidCap 50 TR Index AUD / 50% S&P/ASX Small Ordinaries TR 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 Funds Management Limited
Ultimate Parent Company	Yarra Capital Management Limited
Headquarters	Melbourne
Inception Date	Apr 2017
% Staff Ownership	20-50%

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 Funds Management Limited ('Yarra') was founded in 2017 after Dion Hershan and senior staff completed a management buyout of Goldman Sachs Asset Management ('GSAM') Australia's domestic investment operations, with the support of TA Associates ('TA'). Founded in 1968, TA is a global private equity firm headquartered in the United States. In April 2021, YCM acquired Nikko Asset Management ('Nikko AM') Australia. The enlarged entity manages assets across equities, fixed income, and multi-asset strategies. TA has a long history of co-investing in active fund managers, and Yarra is considered to have a solid long-term partner.

Lonsec Opinion

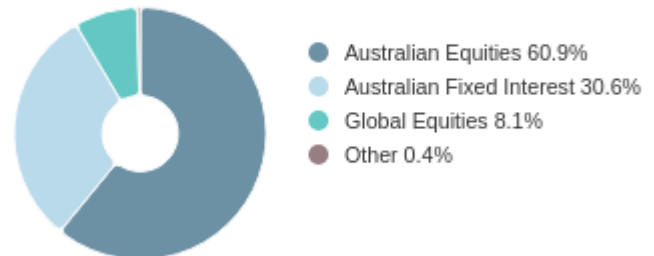
Profitability

The business is highly profitable, driven by steady growth in funds under management across a diverse range of investment products. A broad product offering is positive, as it reduces the company's dependence on any specific product to sustain its operations.

Business Track record

The firm has a successful track record of strong business growth and client retention across its multiple investment strategies.

AUM



Metrics

Total AUM	\$21.3b
Investment Management Headcount	85
Investment Professionals	40
Sales & Service	11
Distributor	Self

Business Ownership

Yarra is owned 40% by TA, 40% by its staff, and 20% by Nikko AM. A staff-owned funds management business is a positive feature of Yarra, as it creates a strong boutique culture that aligns staff well with performance outcomes and aids in staff retention.

Business Governance

Yarra is led by a board and senior management team with a long track record in the funds management industry. The firm has no regulatory findings in its recent history.

Team ●●●

Key Decision Makers (KDM)

	Primary function	Dedicated to strategy	Appointed to strategy	Industry/Mgr exp. (yrs)	Exp. in PM roles (yrs)
Dion Hershan	Portfolio management	No	2017	23/19	19
Katie Hudson	Portfolio management	No	2017	30/17	19

KDM Change*

No changes.

* Last 3 years

Profile

Size	18
Structure	Centralised
Turnover	Medium

Alignment

KDM equity held in manager	Yes
KDM co-investment in strategy	Yes
Performance-Based bonus	Yes
Long term incentive plan	Yes

Resources

	Number	Average Years Experience
Key decision makers	2	26
Portfolio Managers		
Hybrid portfolio manager/analysts	5	21
Dedicated analysts	7	9
Dedicated dealers	1	25
Quantitative		
ESG/Sustainability	1	20
Macro	2	27
Investment Specialists		

Who is the Team?

The management of this Fund is overseen by co-Portfolio Managers ('co-PMs') Dion Hershan and Katie Hudson. Hershan is the Head of Australian Equities, providing strong investment leadership and is an experienced PM of Australian equities. Similarly, Hudson has extensive experience and is the Head of Research for the YCM Australian Equities team, with both PMs having relinquished their specific stock coverage responsibilities. Both Hershan and Hudson are ultimately responsible for the overall portfolio management and performance of the Fund.

The investment team, including Hershan and Hudson, comprises five PMs, one Head of Macro and Strategy, one Chief Sustainability Officer, two deputy PMs, three investment managers, and four analysts. The team holds designated sector coverage responsibilities on an 'all cap' basis, with a priority system in place to allocate resources to stocks of critical interest. Additionally, the team benefits from access to a domestic fixed interest and multi-sector team led by Co-Heads of Fixed Income, Roy Keenan and Darren Langer.

Team (continued) ●●●

Lonsec Opinion

Skill

The Fund's portfolio managers of Hershman and Hudson are well regarded investors, with combined experience of more than 50 years and have deep knowledge of the investment process, that was founded at GSAM. They work collegiately in managing the portfolio. Hershman co-founded YCM and transitioned across with the equities team at GSAM. Hershman is highly experienced in leadership roles, taking the role of Head of Australian Equities at GSAM in 2007. Further, Hudson is a highly experienced investment professional with an impressive knowledge of the small to mid-cap sector. We view positively YCM's dedicated ESG resources, with Erin Kuo as Chief Sustainability Officer. The ESG resources have benefitted the Fund, as well as demonstrated YCM's commitment to enhancing its ESG credentials.

Team Size

The investment team of 18, including Hershman, is well-resourced and experienced relative to most peers. The team includes 16 Australian Equities portfolio managers and research analysts, a portfolio construction/risk analyst and two macro strategists. The team has an average of 16 years of industry experience and an average tenure of 10 years at YCM. There is a good balance of experience within the investment team, and the analysts are well ingrained in the Yarra philosophy and process. The breadth of resourcing is impressive, providing full coverage of the market. There is a high level of interaction and oversight of analysts' research activities by Hershman and Ryan. This practice promotes higher-quality research and assists with the development of less experienced analysts.

Track Record/Co-Tenure

The Fund's senior portfolio managers have extensive experience at Yarra, with an average tenure of nearly 20 years, including their time at GSAM. All the senior PMs hold equity in the firm, which supports team stability and camaraderie. Tenure amongst the broader investment team is strong with no departures over the last three years, reflecting the firm's independent boutique culture. They operate in a flat structure and demonstrate a team-oriented approach to decision-making. Although each analyst has specific sector research responsibilities, the Manager strengthens the team by fostering the sharing of ideas and the peer review process. This approach promotes greater alignment with potential investment proposals and achieves buy-in from the entire team.

Alignment

The investment team aligns well with end investors through its remuneration structure, which includes both base and variable components. Annual performance bonuses are a function of an individual's performance and their contribution to the overall performance of the team. Further alignment is bolstered by the Manager's ownership structure, wherein a majority of the equity investment team are equity holders in Yarra.

Key Person Risk

There is a moderate level of key person risk associated with Hershman and Hudson. However, this risk is partially mitigated by their equity stake in the company. That said, if either investor were to leave the firm, the Fund's rating would be reevaluated.

Process ●●●

What is the Investment Process?

The Fund is a relatively concentrated, long-only Australian equities product that adopts a long-term approach. It focuses on structural and cyclical changes in industries and companies to achieve outperformance. The investment process is driven by 'bottom-up' fundamental research and supplemented by 'top-down' analysis. The Manager's investment style is not expected to display any persistent bias towards 'growth' or 'value' over a market cycle; thus, its style is best described as 'core' and style neutral. The 'bottom-up' process involves analysing several key factors: industry structure (the industry's future outlook), competitive position (barriers to entry, competitor behaviour, regulation, the company's asset base), value chain dynamics (products, brands, technology, infrastructure), management (quality of management and its ability to create shareholder value), and company track record and outlook (financial position, quality of free cash flow generation). The process is rigorous, and the final output of the bottom-up research is an investment thesis that forms the foundation for peer review.

Lonsec Opinion & Supporting Facts

Philosophy and Universe

Investment Type	Fundamental
Investment Approach	Bottom-up
Investment Style	Core/Style Neutral
Typical market cap	\$500m - \$10b
Available Universe	All listed companies in the S&P/ASX 300 index

The philosophy is straightforward and is centred on a high-conviction stock selection process, which is dictated by rigorous fundamental research and proprietary analysis to identify and test distinguished, non-consensus insights to identify mis-priced companies relative to their business models and earnings power. The investment team researches all stocks in the S&P/ASX 300 Index. The universe is filtered through a tiered system, which broadly classifies the team's stock coverage into three categories: 'high priority', 'high interest' and 'watchlist'. This aids in prioritising the investment research agenda and ensures improved timeliness and accountability of research outcomes. Across these categories, the Manager actively researches and models 180 stocks. This is considered a pragmatic allocation of effort and resources. Analysts are assigned specific sectors for research and are meant to be 'specialists' in their sectors. Hershman and Hudson have 'generalist' roles and work alongside 'specialists' throughout the research process, enabling them to focus on portfolio management.

Research Process

Key screens	Liquidity
Screened universe	180
Idea generation	Financial market data, Economic data, Newsflow/Events, Expert networks, Financial statements.
Stocks researched	120
Annual manager meetings	2,000
Key research inputs	Financial statements, Company meetings, Company data, Industry data, Economic/Market data, Expert networks
Primary valuation approach	DCF

The research process is well-structured and is driven by 'bottom-up' fundamental research. It is considered adequately detailed and consistently implemented across the research universe. Idea generation is the responsibility of all team members. The investment team's all-cap coverage structure allows analysts to source ideas from both large and small-cap market sectors. Yarra's stock analysis prioritises identifying quality companies by evaluating their ability to generate strong free cash flow. To accurately predict sales, profit margins, and capital expenditure, the method thoroughly examines a company's management, industry structure, and organisational assets. Research is distilled into a standardised one-page investment thesis, serving as the foundation for comparison and peer review. Proprietary models are developed and maintained, incorporating methods such as DCF, free cash flow yields, and other industry-specific valuation techniques, which analysts can apply at their discretion. While this flexibility may reduce comparability across the research universe, analysts express their conviction through a valuation ranking from zero to five, with five indicating the most attractive risk-adjusted upside. This system helps portfolio managers easily identify the most compelling opportunities across sectors.

Process (continued) ●●●

Portfolio Construction

Portfolio management structure	Portfolio team
Approach to benchmark	Benchmark Agnostic
Typical security numbers	38
Typical securities range	36-40
Typical portfolio turnover p.a.	34.52%
Typical active share	82.78%

The portfolio construction process is systematic and well-structured, with a clear link between the research effort and the size of active stock positions. It is risk-aware, avoiding significant style factor biases while balancing short- and long-term investment themes. However, there is some tension between the sell discipline and the PMs' preference for maintaining a low-turnover portfolio. This often leads to holding onto 'cheap' stocks for extended periods, even as their quality deteriorates, introducing unintended idiosyncratic risks. To address this, Yarra established the Supplementary Review Committee (SRC) to improve the process by addressing issues with portfolio companies more swiftly. For example, when a company announces a significant earnings downgrade or a large acquisition, the covering analyst updates the investment thesis. The SRC, which includes Hershan, Hudson, the analyst, and one additional analyst, challenges the revised thesis. This committee is a positive addition to the process.

Capacity Management

Capacity guidance	0.6% of the benchmark
Strategy AUM	\$1.67b
Portfolio liquidity (1 week)	98.69%
Substantial holdings by manager	9
Strategy previously closed	No

The assets within the underlying strategy remain below the estimated capacity limit of 0.6% of the benchmark. However, the overlap of holdings with the UBS Australian Small Companies Fund raises slight concerns for the strategy's small-cap allocation, particularly given the limited liquidity at the lower end of the market. In addition, the Manager maintains a high level of substantial shareholdings, which further compounds capacity considerations. The management of these positions and overall capacity will remain an important watchpoint in future reviews.

Investment Risk Management

Monitoring external to investment team	Yes
Frequency of monitoring	Daily
Primary risk management system	Factset
Security Limits (Min./Max.)	Soft: Benchmark Relative, -7-7%
Sector Limits (Min./Max.)	Soft: Benchmark Relative, 0-7%
Country Limits (Min./Max.)	Australia(100.00%)
Cash Allocation (Typical, Max.)	5%, 20%

Risk management is integral to the investment process. The position-sizing matrix ensures that active stock positions align with the team's assessment of their risk and return profiles. Additionally, risk models are employed to keep the contribution of each stock's active risk within internal limits while maintaining the portfolio's overall beta around one. Utilising multiple risk systems and internal portfolio construction resources is a positive feature, enabling the team to reconcile different outputs and better understand each position's risk contribution to the Fund. This approach helps mitigate unintended exposures. The Portfolio Construction Analyst, Mark O'Neill, monitors active stock positions and risk attribution. As a separate resource from Yarra's compliance team, he provides an additional layer of oversight.

ESG ●●●

Manager Positioning - Product

Responsible investment style	ESG Integration
ESG approach	Risk or Value
Sustainability thematic	No Sustainability Thematic
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' perception of what a strong ESG process would deliver.

Sustainability Score

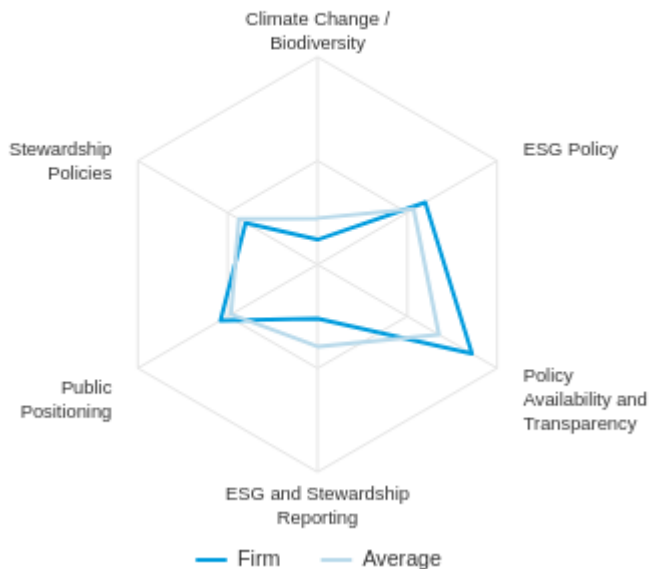
No score.

Lonsec Opinion & Supporting Facts

Overview

ESG Process Score	Mod
Responsible Investment strategy risk: Clarity, measurability & reporting	N/A

ESG Snapshot



Product Level Approach

While the Manager is sourcing data from an external ESG data provider it is less comprehensive than some peers. There are clear signs of defined ESG elements within the research process for the Fund. Yarra has recently hired Dr. Erin Kuo as Chief Sustainability Officer, to provide thought leadership on ESG issues and to enhance ESG frameworks. There are clear links from the Manager's research to the stock selection process through the Managers incorporation of ESG factors in the discount rates used in their models. Portfolio monitoring is appropriate with the Manager using proprietary scores to monitor the overall ESG risk in the portfolio. There are clear portfolio-level ESG-based targets in place. While the Manager has systems in place to track and record engagements, there is no clear system for prioritising engagements or for measuring success.

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 not applicable.

Manager Level Approach

The Manager's ESG policy framework and disclosure are almost in line with peers, with improvements in ESG policy and commitment, though climate change commitment reporting remains a key weakness.. They have committed to integrating ESG within their investment process with evidence in their public positioning. Their voting policy is publicly available but lacks depth compared to peers, which is reflected in the Stewardship Policies score. Reporting on voting outcomes is publicly available and aligned with peers, although rationales for dissenting votes are not provided. There is no reporting on engagement activities.

Product ●●●

Service Providers

Responsible entity	Yarra Funds Management Limited
Investment manager	Yarra Funds Management Limited
Custodian	Citibank
Administrator	Citibank
Fund Auditor	Deloitte
Change in Key Providers? (Over last 12 months)	No

Product Details

Product size	\$240.00m (June 2025)
Fund 12-month net flows	Negative
Distribution model	Internal
Buy/sell spreads	0.20%/0.20%
Investment structure	Underlying product
Product type	Registered Managed Investment Scheme
Currency hedged	N/A
Use of derivatives	Yes - Active risk management
Types of derivatives	Futures

What is the Product Structure?

The Fund is a Australian unit trust. The Manager also acts as the Fund's Responsible Entity ('RE') and has its own AFSL. The Fund is a long only Australian Equity product that primarily invests in mid and small cap stocks. The Manager applies a predominately 'bottom-up' fundamental approach. The portfolio is managed in a 'benchmark unaware' manner with an expected tracking error of between 5% to 9% p.a. The Manager has a reasonably long-term investment approach, which is reflected in the relatively low portfolio turnover. The Fund will typically be near fully invested over the cycle.

Lonsec Opinion

Service Providers

The Manager has engaged large 'tier 1' service providers for custody, administration, and broking services functions. Yarra Funds Management Limited is the Fund's Responsible Entity ('RE') and thus is a related entity. The RE is responsible for operating and managing the MIS, holds an AFSL and is required to comply with its AFSL and RE obligations as outlined under the Corporations Act. The RE is experienced and has a governance framework to deal with perceived conflicts of interest. The RE relationship has been stable since the inception of the Fund, and there have been no issues.

Operational 'Red Flags'

The Fund is a relatively straight forward Australian equity strategy investing in mid and small cap stocks. As such, this may pose some operational and liquidity challenges at times of market dislocation.

Wind-up Risks

The wind-up risk for the Fund is low given the current level of assets. Further, the distribution support received from the internal team reduces this risk.

Fees ●●●

Annual Fees and Costs (% p.a.)

Management fees & costs	1.25
Performance fee costs	0.00
Net Transaction Costs	0.04
Buy/Sell Spread	0.20/0.20
Annual fees and costs	1.29

Source: FE fundinfo, PDS Date: 20/Mar/2023

Performance Fees

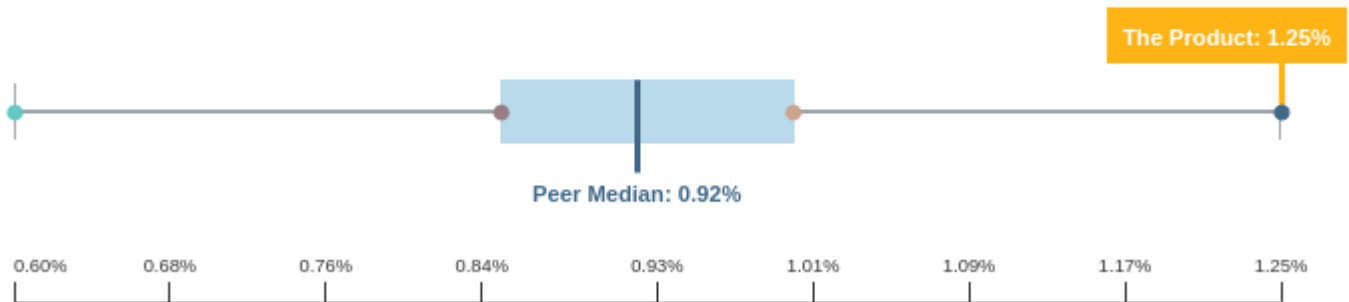
Applicable	No
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Fees Explained

The Funds annual fees and costs ('AFC') totalling 1.25%p.a. This is comprised of a management fee of 1.25% p.a. with no performance fee.

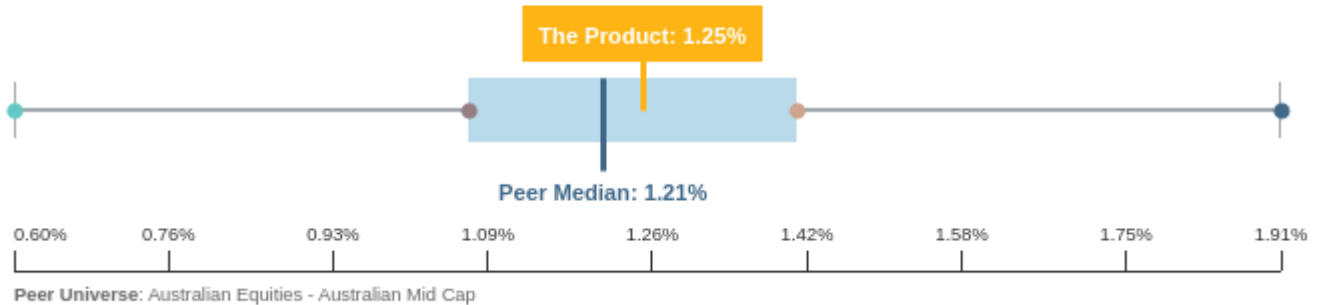
Management Fees and Costs Peer Comparison

● Lowest Peer ● 25th Percentile ● 75th Percentile ● Highest Peer



Annual Fees and Costs Peer Comparison

● Lowest Peer ● 25th Percentile ● 75th Percentile ● Highest Peer



Lonsec Opinion

Annual Fees and Costs

The Fund's total fee load is slightly above the peer median. However, the base management fee is the highest in the peer group.

Fairness

Given the absence of a performance fee, total fees and costs are capped which provides certainty. Overall, the fees will be lower than some peers that charge a performance fee when the Manager delivers outperformance.

Performance data is as at 30 June 2025

Performance ●●●

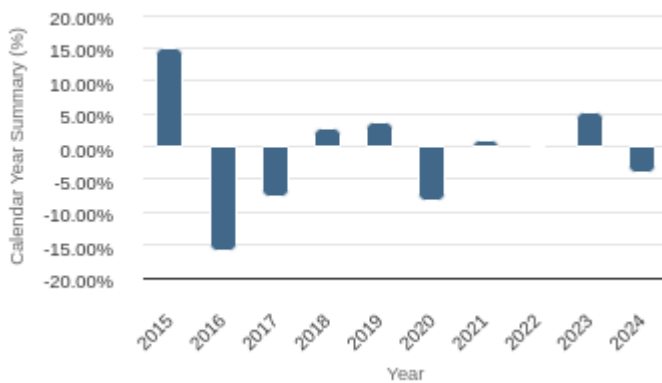
Performance Summary

PDS return objective	Achieve medium to long-term capital growth through exposure to small and medium sized Australian companies that possess strong capital growth potential.
Internal return objective	Outperform a composite of 50% S&P/ASX Midcap Acc. Index and 50% S&P/ASX Small Ords Acc. Index by 4-6% p.a. (gross fees) over rolling three-year periods.
Internal risk objective	Targeted tracking error of 5-9% p.a. over rolling three-year periods.
Product benchmark	50% S&P/ASX MidCap 50 TR Index AUD / 50% S&P/ASX Small Ordinaries TR Index AUD
Lonsec peer group	Australian Mid Cap

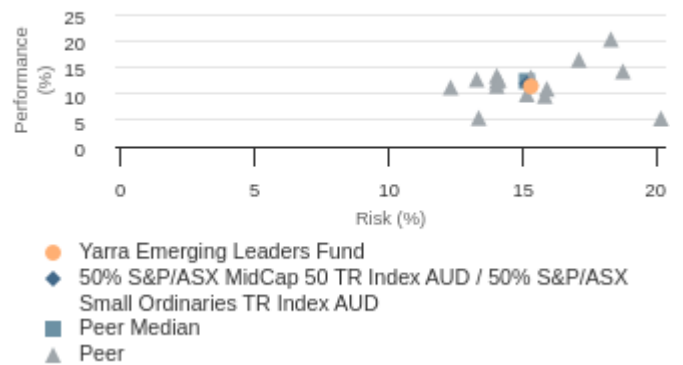
Alpha Generation

Performance this year was driven by the Funds conviction on key stocks in both the Mining and Financial sectors. (EVL) Evolution Mining was the largest contributor, producing over 300bps of return. The Fund avoided poor performing sectors with key underweights in both Energy and Consumer Discretionary. While the Fund outperformed the median mid-cap fund over the 12-month period, it has not met the internal performance objective over the rolling three-year period.

Calendar Year Excess Return



3 Year Risk and Return



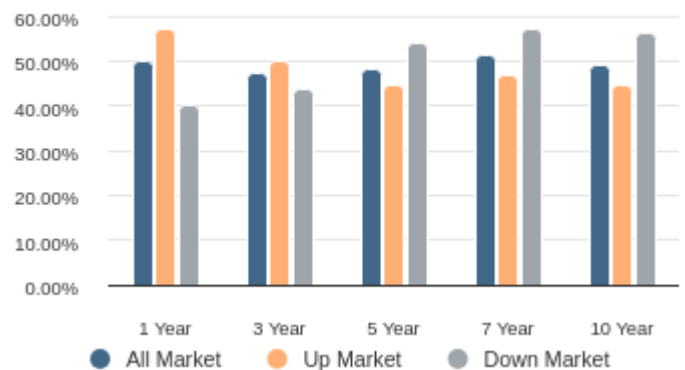
Alpha Consistency

The Fund has been unable to meaningfully achieve excess returns over the benchmark and peers over the last five years, which can be attributed to last year's underperformance. Alpha consistency has been mixed over the medium term.

Growth of \$10,000 Over 10 Years



Returns Consistency



Performance data is as at 30 June 2025

Performance (continued) ●●●

Benchmark Relativity

The Manager has maintained a relatively low level of Tracking Error recently, making it difficult to meaningfully outperform and achieve their ambitious internal performance objective. Risk-adjusted performance has been weaker than peers, resulting from relative underperformance in CY24.

3 Year Rolling Tracking Error Over 10 Years



3 Year Rolling Information Ratio Over 10 Years



Return Volatility

The Funds volatility profile is in line with peers and the benchmark through time. While the Manager is taking similar risk to peers, this has not translated into peer relative outperformance.

3 Year Rolling Standard Deviation Over 10 Years



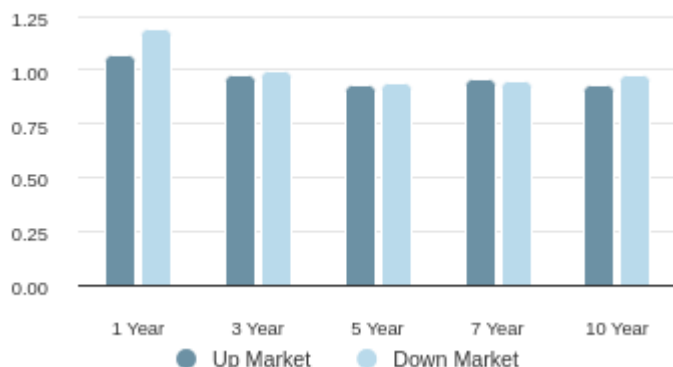
3 Year Rolling Sharpe Over 10 Years



Product Defensiveness

The Fund has provided reasonable downside protection. Recent downside capture has been elevated at ~1.20, meaning the Fund lost more than the market during negative periods. Over longer horizons, this ratio trends closer to ~0.95, reflecting only limited resilience. The Fund's drawdowns have demonstrated a marginal level of defensiveness but broadly tracked the benchmark and at times fallen slightly more during major dislocations.

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

1.2 About Lonsec Research and its related parties

ASX listed Generation Development Group Limited (ABN 90 087 334 370) is the parent company of Lonsec Holdings Pty Ltd (ABN 41 151 235 406) (Lonsec Holdings). Lonsec Research is a wholly owned subsidiary of Lonsec Holdings Pty Ltd (ABN 41 151 235 406) (Lonsec Holdings) and provides in-depth, investigative investment research across a broad range of listed and unlisted investments. Other subsidiaries of Lonsec Holdings include SuperRatings Pty Ltd (ABN 95 100 192 283), Implemented Portfolios Pty Limited (ABN 36 141 881 147) and Lonsec Investment Solutions Pty Ltd (ABN 95 608 837 583). All employees of the Lonsec group entities, including Lonsec Research, are employed by Lonsec Fiscal Pty Ltd (ABN 94 151 658 534).

Contact Details

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www.lonsec.com.au

1.3 What kind of financial services can Lonsec Research provide?

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

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

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

1.4 Provision of general advice

Any advice that Lonsec Research provides is of a general nature and does not take into account your personal financial situation, objectives or needs. You should, before acting on the information, consider its appropriateness having regard to your own financial objectives, situation and needs and if appropriate, obtain personal financial advice on the matter from a financial adviser.

Lonsec Research FSG (continued)

Before making a decision regarding any financial product, you should obtain and consider a copy of the relevant Product Disclosure Statement or offer document from the financial product issuer.

1.5 How Lonsec Research is paid

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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.

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Complaints Manager

Level 39, 25 Martin Place

Sydney NSW 2000

Tel: 1300 826 395

Email: complaints@lonsec.com.au

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

Online: www.afca.org.au

Email: info@afca.org.au

Phone: 1800 931 678

Mail:

Australian Financial Complaints Authority

GPO Box 3

Melbourne, Victoria, 3001.

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