Lonsec

Recommended

Refer to glossary for definition of the rating

# Yarra Ex-20 Australian Equities Fund

JBW0052AU **Author:** Samuel Hoare **Published:** 22 Oct 2025

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

## Product Review

### About this Product

| | |
|---|---|
| Investment manager | Yarra Funds Management Limited |
| Benchmark | Solactive Australia ex 20 TR Index AUD |
| Product structure | Managed Fund |
| Product size | $116.0m |
| Inception date | Jul 2010 |
| 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 | Medium |
| Key Person Risk | Medium |
| Tenure of Decision Makers | Medium |
| Complex (RG240) | No |
| Strategy Remaining Capacity | Approx. $9.0b |
| ESG Approach | Risk or Value |
| Peer Relative Fees and Costs | Below median |

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

| | |
|---|---|
| Management fees & costs | 0.90 |
| Performance fee costs | 0.00 |
| Net Transaction Costs | 0.00 |
| Buy/Sell Spread | 0.15/0.15 |
| **Annual fees and costs** | **0.90** |

Source: FE fundinfo, PDS Date: 07/Feb/2025

## Product Opinion

The Fund's rating has been maintained as '**Recommended**'. This reflects the strong regard for Portfolio Manager Dion Hershan and his investment leadership of the well-resourced and stable investment team. The Manager’s investment process is logical and structured appropriately to cover the full market. However, the rating is negatively impacted by Hershan's multiple investment and leadership roles, which may leave him overextended, and there is a high key-person risk associated with his position. The Fund's performance relative to its benchmark has not met expectations.

### 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 |

### Strengths

- Head of Australian Equities, Dion Hershan, is a highly experienced investor and provides strong leadership to the team.
- The investment team is experienced, well-resourced, and stable, with strong alignment of interest through equity ownership among key members.
- The investment process is logical and well-structured.

### Weaknesses

- The Fund's benchmark relative performance has been lack lustre over multiple periods.
- Hershan has multiple investment and leadership responsibilities that may impact his focus on the Fund.

## Key Facts

### Key Objectives

| | |
|---|---|
| Investment objective | To achieve medium-to-long term capital growth and to outperform the S&P/ASX 300 ex S&P/ASX 20 Accumulation Index over rolling three-year periods |
| Internal return objective | To outperform the benchmark by 3-4% p.a., before fees, over rolling three-year periods |
| Internal risk objective | Expected tracking error of 4-6% p.a. over rolling 3-year periods. |
| Non-financial objective | None |

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

| | |
|---|---|
| Australian Equities | 97.79 |
| Cash | 2.21 |
| **Total** | **100.00** |

Source: FE fundinfo

### Rating History

| | |
|---|---|
| 14-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 (%) |
|---|---|
| RESMED INC | 6.38 |
| NORTHERN STAR RESOURCES LTD | 6.02 |
| INSURANCE AUSTRALIA GROUP | 5.88 |
| XERO LTD | 5.22 |
| ORIGIN ENERGY LTD | 4.94 |
| CARSALES.COM LIMITED | 4.89 |
| NEXTDC LIMITED | 4.80 |
| BLOCK, INC. | 4.53 |
| APA GROUP | 4.02 |
| TREASURY WINE ESTATES LIMITED NPV | 3.59 |

Source: FE fundinfo

### Target Market Determination

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

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

| | 1 Year | Median | 2 Year | Median | 3 Year | Median | 5 Year | Median |
|---|---|---|---|---|---|---|---|---|
| Performance (% p.a) | 11.94 | 11.74 | 8.83 | 10.72 | 13.37 | 11.39 | 10.74 | 10.74 |
| Standard deviation | 12.92 | 13.71 | 12.72 | 13.88 | 14.00 | 14.57 | 13.60 | 14.83 |
| Excess return (% p.a) | -4.43 | -2.45 | -2.94 | -1.11 | 0.73 | -0.58 | 0.81 | 0.16 |
| Outperformance ratio (% p.a) | 33.33 | 50.00 | 37.50 | 43.75 | 44.44 | 45.83 | 45.00 | 48.33 |
| Worst drawdown (%) | -7.08 | -7.98 | -10.80 | -12.10 | -10.80 | -12.10 | -13.80 | -19.73 |
| Time to recovery (mths) | 2 | - | 4 | - | 4 | - | 4 | 21 |
| Sharpe ratio | 0.58 | 0.62 | 0.35 | 0.43 | 0.68 | 0.54 | 0.62 | 0.57 |
| Information ratio | -1.48 | -0.36 | -0.95 | -0.31 | 0.19 | -0.10 | 0.22 | 0.02 |
| Tracking error (% p.a) | 2.99 | 4.29 | 3.10 | 4.89 | 3.91 | 4.64 | 3.65 | 4.57 |

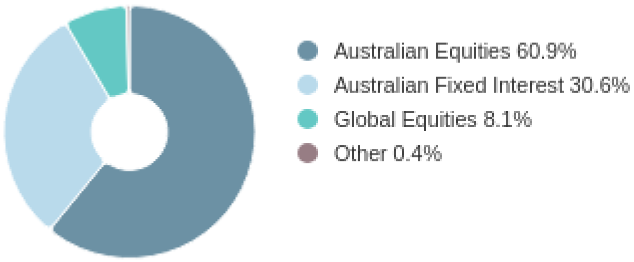
**Lonsec Peer Group:** Australian Equities - Australian Mid Cap -
**Product Benchmark:** Solactive Australia ex 20 TR Index AUD
**Cash Benchmark:** Bloomberg AusBond Bank Bill Index AUD
**Time to recovery:** NR - Not recovered, dash - No drawdown during period

# 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% |

## AUM




## Governance

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

## Metrics

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

## 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.

## 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 | 22/17 | 22 |
| Edward Waller | Portfolio management | Yes | 2017 | 18/18 | 18 |

## 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 | 20 |
| Portfolio Managers | | |
| Hybrid portfolio manager/ analysts | 5 | 24 |
| Dedicated analysts | 7 | 9 |
| Dedicated dealers | 1 | 25 |
| Quantitative | | |
| ESG/Sustainability | 1 | 20 |
| Macro | 2 | 27 |
| Investment Specialists | | |

## Who is the Team?

The Fund is managed by Head of Australian Equities, Dion Hershan, who provides strong investment leadership and is an experienced Australian equities portfolio manager ('PM'). He is supported by Deputy PM Edward Waller and Head of Australian Equities Research Katie Hudson, who are well-qualified for their roles. Hershan has multiple portfolio management responsibilities that may leave him stretched; in addition to his PM duties, he is Head of Australian Equities, where he leads the analyst team and has coverage of stocks within the ASX top 100. His PM responsibilities include the Yarra Australian Equities Fund and the UBS Australian Share Fund. He is also co-PM with Hudson of the Yarra Emerging Leaders Fund. Overall, this represents a significant portfolio management workload, although there are many commonalities of stock ideas across large/ mid-cap funds. Adding to Hershan's breadth of responsibilities is his role as Executive Chair of YCM Group.

## Team *(continued)*

## Lonsec Opinion

### Skill

Hershan and Waller are well-regarded investors, with a combined experience of more than 50 years and deep knowledge of the investment process founded originally at GSAM. They work collegiately in managing the portfolio, although Hershan is ultimately responsible for the performance of the Fund. Hershan co-founded YCM and transitioned across with the equities team at GSAM. Hershan is highly experienced in leadership roles, having served in the role as Head of Australian Equities at GSAM from 2007. Waller was appointed Deputy Portfolio Manager of the Fund in 2020 and is also responsible for research and analysis of banks, diversified financials, infrastructure, and utilities securities. All of Waller's portfolio experience was gained at GSAM and Yarra. Yarra's dedicated ESG resources are viewed positively, with Erin Kuo serving as Chief Sustainability Officer, with more than 15 years of experience. The ESG resources have benefited the Fund while demonstrating Yarra's commitment to enhancing its ESG credentials.

### Team Size

The investment team of 18, including Hershan, is well-resourced and experienced relative to most peers. The team includes 14 portfolio managers/research analysts, a portfolio construction/risk analyst and two macro strategists. The average experience of the team is 16 years, and 10 years average tenure at Yarra. 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 and provides full coverage of the market. There is a high level of interaction and oversight of analysts' research activities by Hershan and Waller. 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 Hershan 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 | Large and mid cap |
| Minimum market cap | $500.00m |
| Available Universe | All listed companies in the S&P/ASX 300 index, excluding those stocks included in the S&P/ASX 20 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 differentiated, non-consensus insights to identify mis-priced companies relative to their business model and earnings power. The investment team maintains broad research coverage of the investment universe, which includes all stocks within the S&P/ASX 300 Index, excluding those stocks in the S&P/ASX 20 Index. The universe is filtered via a tiered system, which broadly classifies the team’s stock coverage into three categories: ‘high priority’, ‘high interest’ or ‘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 a pragmatic allocation of effort and resources. Analysts are assigned specific sectors for research and are meant to be ‘specialists’ in their sectors. Hershan and Hudson have ‘generalist’ roles and work alongside ‘specialists’ throughout the research process to enable 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 | PM / Deputy PM |
| Approach to benchmark | Benchmark Aware |
| Typical security numbers | 31 |
| Typical securities range | 30-40 |
| Typical portfolio turnover p.a. | 34.52% |
| Typical active share | 78.74% |

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 | $12.00b |
| Strategy AUM | $3.30b |
| Portfolio liquidity (1 week) | 100.00% |
| Substantial holdings by manager | None |
| Strategy previously closed | No |

The Manager is considered a large-sized Australian equities fund manager within the peer group. The Manager's overall capacity limit is 0.6% of the market cap of the index, which equates to circa $12b. At the current level of FUM, the Manager has ample headroom for growth. There are positives and negatives to low or high levels of FUM; however, on balance, managers with smaller FUM are believed to be better placed to add value. While there are no hard rules on capacity limits, Managers with significant FUM are believed to typically operate at a competitive disadvantage to smaller peers who can trade with less market impact. Albeit there are some positives to high FUM levels, including improved access to company management and analyst resourcing. Overall, there are no immediate concerns regarding YCM's FUM.

## 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, +/-6% |
| Sector Limits (Min./Max.) | Unconstrained |
| Non-index Allocation (Typical, Max.) | 0%, 0% |
| 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

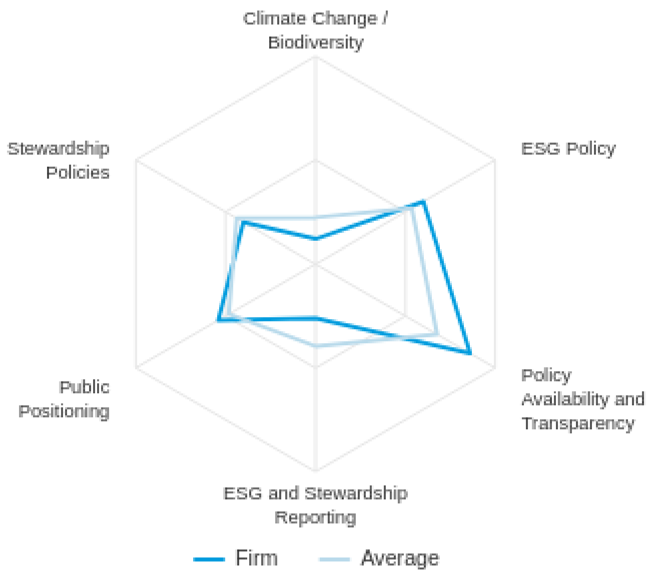
No score.

# Lonsec Opinion & Supporting Facts

## Overview

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

### ESG Snapshot




## 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 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.

## 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 | $116.0m |
| Fund 12-month net flows | Positive |
| Distribution model | Self |
| Buy/sell spreads | 0.15%/0.15% |
| Investment structure | Direct |
| Product type | Registered Managed Investment Scheme (Unitised) |
| Currency hedged | N/A |
| Use of derivatives | Yes |
| Types of derivatives | ASX futures |

### What is the Product Structure?

The Fund is a long-only, actively managed Australian equities product that will typically invest in larger companies listed on the ASX. The Fund is a vanilla Australian-domiciled unit trust, and it is not considered operationally challenging to implement.

## 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 long-only, Australian equities product that will typically have a tilt toward larger ASX-listed companies. There are no known operational issues.

### Wind-up Risks

The Manager has a strong business commitment to grow the Fund and is well supported by the market. Wind-up risk for the Fund is minimal.

# Fees

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

| | |
|---|---|
| Management fees & costs | 0.90 |
| Performance fee costs | 0.00 |
| Net Transaction Costs | 0.00 |
| Buy/Sell Spread | 0.15/0.15 |
| **Annual fees and costs** | **0.90** |

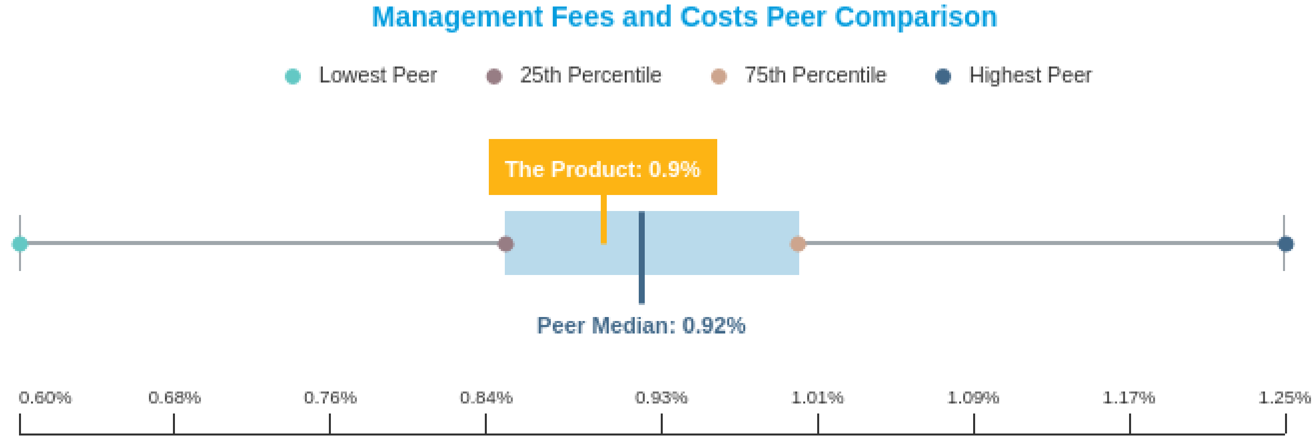
Source: FE fundinfo, PDS Date: 07/Feb/2025

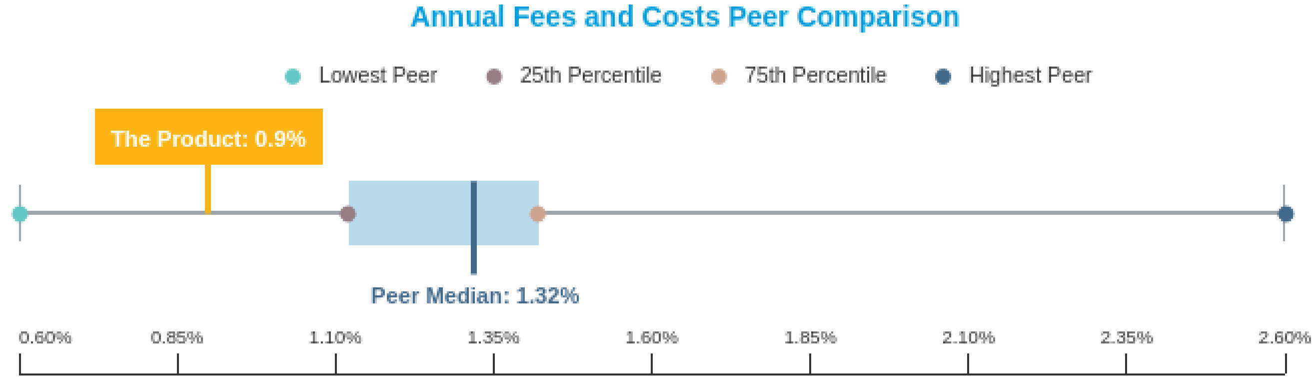
## Performance Fees

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

## Fees Explained

The Fund's Annual Fees and Costs ('AFC') total 0.90% p.a. The Fund does not charge a performance fee.




**Peer Universe**: Australian Equities - Australian Mid Cap

# Lonsec Opinion

## Annual Fees and Costs

The Fund's total annual fee of 0.90% p.a. is lower than the peer median.

## Fairness

The overall fee structure is considered to be attractive relative to the outperformance target and given the Manager's pedigree. Further, the lack of a performance fee provides investors with certainty.

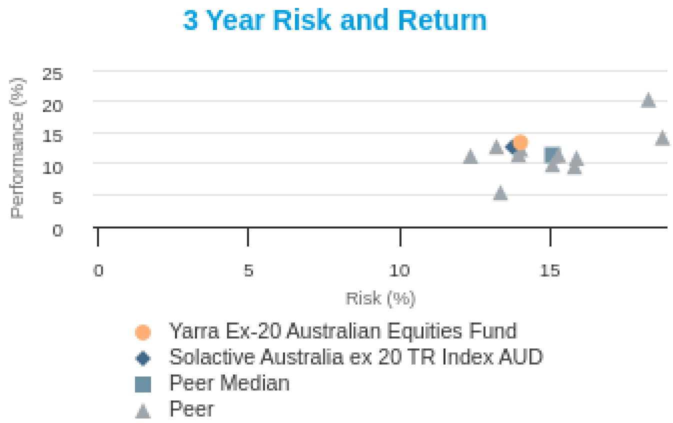
# Performance

## Performance Summary

| | |
|---|---|
| PDS return objective | To achieve medium-to-long term capital growth and to outperform the S&P/ASX 300 ex S&P/ASX 20 Accumulation Index over rolling three-year periods |
| Internal return objective | To outperform the benchmark by 3-4% p.a., before fees, over rolling three year periods. |
| Internal risk objective | Expected tracking error of 4-6% p.a. over rolling 3-year periods. |
| Product benchmark | Solactive Australia ex 20 TR Index AUD |
| Lonsec peer group | Australian Mid Cap |

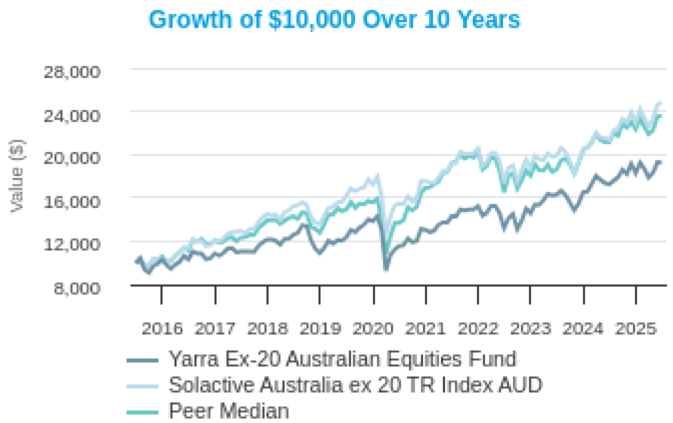
## Alpha Generation

The Fund's ex-20 strategy was launched in June 2018; therefore, performance before this date does not reflect the current investment approach. The Manager benchmarks the Fund against the S&P/ASX 300 ex S&P/ASX 20 Accumulation Index. Over five years, the Fund has delivered a moderate level of alpha. However, over the past 12 months, performance has lagged the benchmark, primarily due to stock selection in overweight positions. That said, this reflects the Manager's adherence to their investment process. This consistency reinforces the potential for performance to recover.


## Alpha Consistency

Since the strategy reposition in 2018, the Fund has demonstrated an ability to outperform the Benchmark across a range of market conditions. However, performance over the short term has been challenged, with 4.3% of underperformance in the 12 months to June 2025. Although not every year has delivered positive returns, the Manager has consistently applied a well-structured investment process.



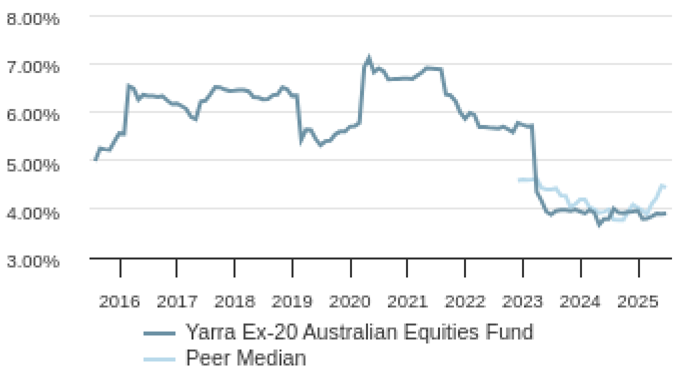

Performance data is as at 30 June 2025

## Performance *(continued)*

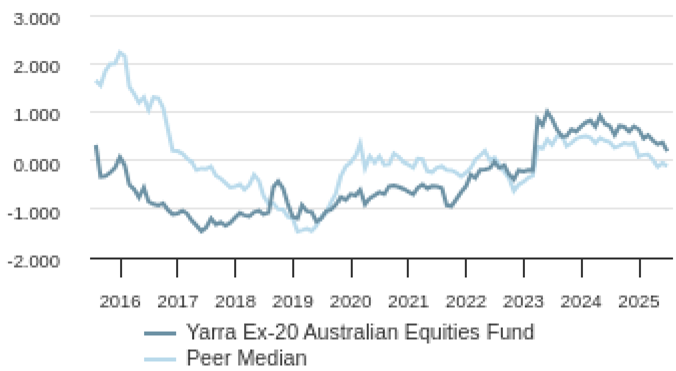
### Benchmark Relativity

The Fund's active risk-taking relative to the Benchmark, as measured by Tracking Error of 3.9% p.a. over the three years to June 2025, was below the peer median. Pleasingly, the Fund's Information Ratio has tracked ahead of peers. The Manager's risk-controlled portfolio construction process aims to avoid unintended biases.

**3 Year Rolling Tracking Error Over 10 Years**



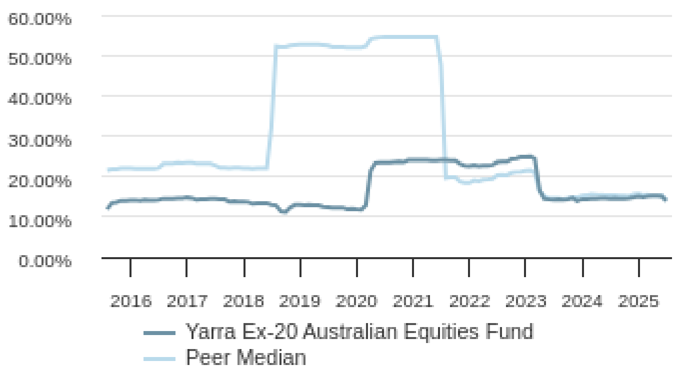

**3 Year Rolling Information Ratio Over 10 Years**



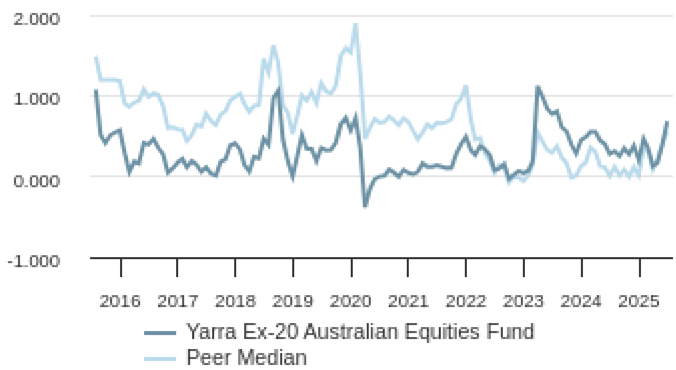

### Return Volatility

The Fund has consistently exhibited moderately lower volatility than its peer group across most time periods. Over the three years leading up to June 2025, the annualised volatility of 14.0% is lower than the peer median of 15.1%. This level of volatility aligns well with the strategy's risk appetite. The Sharpe Ratio highlights strong risk-adjusted performance relative to peers and is pleasing for a high-conviction portfolio.

**3 Year Rolling Standard Deviation Over 10 Years**



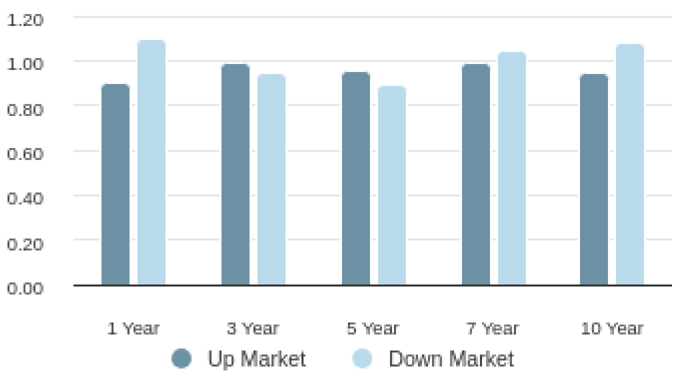

**3 Year Rolling Sharpe Over 10 Years**




### Product Defensiveness

Over the past five years, the Fund has maintained a relatively low down-market capture ratio, though this has softened somewhat in the last 12–24 months. Still, its 58% outperformance rate in declining markets is notable. While drawdowns have broadly mirrored the Benchmark, the Fund has shown a modest degree of defensiveness during market sell-offs.

**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.

## Lonsec Group Disclaimers

## Lonsec Group Disclaimers (continued)

This document is not suitable for distribution to a retail investor. The product rated in this publication may have related financial products or be associated with other financial products and platforms. Our rating applies to the financial product outlined in this publication. You should seek professional advice before you make an investment decision on related or associated financial products and platforms. You should be aware that the mandate, fees, underlying investments, the issuers of the related and associated financial products and platforms may be different from the financial product specified in this publication.

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## Lonsec Research FSG

**Financial Services Guide**

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**

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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Level 39, 25 Martin Place
Sydney NSW 2000
**Tel:** 1300 826 395
**Email:** info@lonsec.com.au
www.lonsec.com.au

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

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

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

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

**1.4 Provision of general advice**

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

Lonsec

## Lonsec Research FSG (continued)

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**1.5 How Lonsec Research is paid**
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**1.6 How do we manage our compensation arrangements?**
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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.

**1.8 Conflicts of Interest**
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This FSG was prepared on 1 August 2024.