



Bendigo High Growth Index

STL0035AU Author: Mike Grdosic Published: 07 May 2024

Data is provided by the manager at 31 Jul 2023, and currency in AUD, unless otherwise stated

Refer to glossary for definition of the rating

Product Review

About this Product

|                        |   |
|------------------------|---|
| Investment manager     | Sandhurst Trustees Limited                                  |
| Benchmark              | Lonsec Strategic Multi-Asset (Traditional) 90% Growth Index |
| Product structure      | Managed Fund  |
| Product size           | \$86.77m  |
| Inception date         | Sep 2011  |
| Asset class            | Multi-Asset   |
| Sector                 | 81-100% Growth Assets                                       |
| Growth/defensive split | 97/3  |
| Peer group             | Low-Cost Diversified  |
| Rated peers            | 20  |

Product Characteristics

|                              |                    |
|------------------------------|--------------------|
| Business Life Cycle          | Mature             |
| Product Wind-Up Risk         | Low                |
| Key Person Risk              | High               |
| Tenure of Decision Makers    | High               |
| Complex (RG240)              | No                 |
| Strategy Remaining Capacity  | High               |
| ESG Approach                 | No ESG Integration |
| Peer Relative Fees and Costs | Above median       |

Annual Fees and Costs (% p.a.)

|                         |           |
|-------------------------|-----------|
| Management fees & costs | 0.47      |
| Performance fee costs   | 0.00      |
| Net Transaction Costs   | 0.00      |
| Buy/Sell Spread         | 0.09/0.09 |
| Annual fees and costs   | 0.47      |

Source: FE fundinfo

Strengths

- A dedicated multi-asset team focused on strategic and active asset allocation processes as the dominant driver of returns.
- Pragmatic and repeatable investment process supported by the Manager's culture of process improvement.
- Sound fundamental research capability driving a dynamic asset allocation style with a willingness to back high-conviction views on a relatively frequent basis.

Weaknesses

- Investment team resourcing is low relative to peers, which results in high key person risks associated with the lead Portfolio Manager and CIO.
- The investment team incentive and remuneration structure could be better aligned with a greater weighting toward performance outcomes.
- Risk management process lags peers with relatively wide risk limits, less sophisticated active positioning analysis and weaker governance.

Product Opinion

The Fund has maintained its 'Recommended' rating. The team led by Thad McCrindle (CIO) and Tom Nitschke (Lead Portfolio Manager), is capable. The Fund offers exposure to a passive multi-asset portfolio overlaid with an active asset allocation approach based on a sound fundamental research capability.

High key person risk in Nitschke and McCrindle due to small team size and lower experience of the other team members. The Fund's risk management process including risk limits and analysis of the active positioning, lags peers.

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 deliver investment returns after fees in excess of 5% above inflation over a full market cycle (typically seven to 10 years). |
| Internal return objective | To exceed the performance of the Fund's SAA (before fees) and Morningstar Multi-sector Aggressive Fund peer median (after fees). |
| Internal risk objective   | Tracking error versus SAA below 1.5%.  |
| Non-financial objective   | None   |

#### Asset Allocation (%)

|                              | SAA Benchmark % | Min % | Max % | Current Allocation % |
|------------------------------|-----------------|-------|-------|----------------------|
| Australian Equities          | 39.00           | 0.00  | 65.00 | 31.90                |
| International Equities       | 58.00           | 0.00  | 75.00 | 55.00                |
| Listed Property              | 0.00            | 0.00  | 50.00 | 4.00                 |
| Unlisted Property            | 0.00            | 0.00  | 50.00 | 0.00                 |
| Australian Fixed Interest    | 0.00            | 0.00  | 10.00 | 0.00                 |
| International Fixed Interest | 0.00            | 0.00  | 10.00 | 0.00                 |
| Alternatives/Other           | 0.00            | 0.00  | 40.00 | 3.70                 |
| Cash                         | 3.00            | 0.00  | 20.00 | 5.40                 |
| Other                        | 0.00            | 0.00  | 0.00  | 0.00                 |
| Total                        |                 |       |       | 100.00               |

#### Product Distribution Profile

|  |               |
|--|---------------|
| Frequency  | Semi-Annually |
| Last Missed Distribution                           | None          |
| Number of Missed Distributions in the last 5 years | None          |
| AMIT Election                                      | Yes           |
| TOFA Election                                      | No            |

#### Rating History

|             |             |
|-------------|-------------|
| 15-Mar-2023 | Recommended |
| 28-Feb-2022 | Recommended |
| 23-Mar-2021 | Recommended |

#### 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)          | 3.77   | 5.14   | -2.29  | -1.01  | 6.94   | 7.53   | 6.19   | 6.66   |
| Standard deviation           | 8.85   | 10.20  | 10.68  | 11.98  | 10.70  | 11.39  | 12.16  | 12.54  |
| Excess return (% p.a)        | -1.40  | -0.28  | -1.79  | -0.52  | -0.36  | 0.09   | -0.90  | -0.45  |
| Outperformance ratio (% p.a) | 50.00  | 50.00  | 45.83  | 45.83  | 52.78  | 50.00  | 48.33  | 49.17  |
| Worst drawdown (%)           | -5.79  | -6.32  | -14.56 | -14.72 | -14.56 | -14.72 | -19.59 | -19.34 |
| Time to recovery (mths)      | NR     | NR     | NR     | 10     | NR     | 10     | 10     | -      |
| Sharpe ratio                 | 0.01   | 0.14   | -0.42  | -0.27  | 0.51   | 0.52   | 0.40   | 0.42   |
| Information ratio            | -1.02  | -0.26  | -1.12  | -0.35  | -0.20  | 0.08   | -0.53  | -0.23  |
| Tracking error (% p.a)       | 1.37   | 1.58   | 1.60   | 2.15   | 1.82   | 1.97   | 1.71   | 1.87   |

**Lonsec Peer Group:** Multi-Asset - 81-100% Growth Assets - Low-Cost Diversified

**Product Benchmark:** Lonsec Strategic Multi-Asset (Traditional) 90% Growth Index

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

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

Business

Facts

|                         |                                 |
|-------------------------|---------------------------------|
| Investment Manager      | Sandhurst Trustees Limited      |
| Ultimate Parent Company | Bendigo & Adelaide Bank Limited |
| Headquarters            | Bendigo, Australia              |
| % Staff Ownership       | 0-10%                           |
| Inception Date          | Jan 1888                        |

Governance

|                             |     |
|-----------------------------|-----|
| % Independent board members | 60  |
| % Female board members      | 40  |
| Independent chair           | Yes |
| CEO as Chair                | No  |
| Seperate Audit Committee    | Yes |

Who is the Manager?

The Fund is managed by Sandhurst Trustees Limited (the 'Manager' or 'Sandhurst'). Sandhurst is a fully-owned subsidiary of Bendigo & Adelaide Bank. Sandhurst forms part of the Bendigo Wealth division within Bendigo & Adelaide Bank (ASX: BEN) and is responsible for a sufficiently large amount of funds under management ('FUM') at the time of this review.

On 27 September 2023, Bendigo & Adelaide Bank announced it had signed an agreement to sell Bendigo Superannuation Pty Limited ('Bendigo Super') to Betashares Australia Holdings Pty Ltd ('Betashares') subject to certain conditions and regulatory approval and is expected to complete during 2024.

Lonsec Opinion

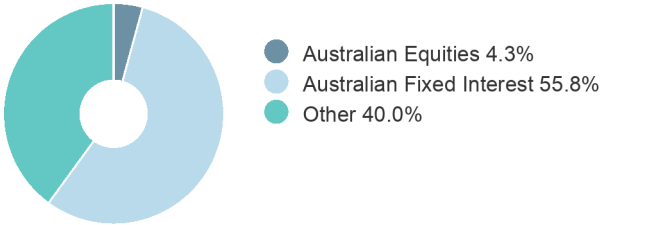
Profitability

The Manager is sufficiently large, profitable and well-capitalised. The business unit is well supported by the broader organisation which has consistently delivered profitability through the cycle. At the current level of FUM, the Manager is well-established in the Australian market, albeit, smaller than other more globally significant managers in the multi-asset space.

Business Track record

The Manager has demonstrated a solid track record in the funds management space since its inception in 2002. The business has grown substantially over the past couple of decades and has exhibited steady growth in line with the growth of the broader Bendigo & Adelaide Bank organisation.

AUM



Metrics

|                                 |          |
|---------------------------------|----------|
| Investment Management Headcount | 55       |
| Investment Professionals        | 10       |
| Sales & Service                 | 5        |
| Distributor                     | Internal |
| Total AUM                       | \$4.8bn  |

Business Ownership

Sandhurst is a wholly-owned subsidiary of Bendigo and Adelaide Bank, Australia's fifth-largest bank, listed on the ASX. There are some variable remuneration incentives available to the investment team. In September 2023, it was announced that Bendigo's superannuation arm would be acquired by Betashares subject to regulatory approval. The acquisition is expected to deliver synergistic scale benefits but may be subject to transaction risk. More details are required before a full assessment can be made.

Business Governance

The Manager has demonstrated strong compliance, risk and oversight functions within the broader organisation, with ample evidence of adequate governance across several trustee boards, external board directors and an audit and risk committee. Although the Manager leverages the internal risk frameworks across the organisation, the investment team's activities are distinct from traditional banking with the governance teams having less investment experience than leading peers. The Manager has not disclosed any regulatory findings in recent years.

### Team



#### Key Decision Makers (KDM)

|                | Primary function     | Dedicated to strategy | Appointed to strategy | Industry/Mgr exp. (yrs) | Exp. in PM roles (yrs) |
|----------------|----------------------|-----------------------|-----------------------|-------------------------|------------------------|
| Thad McCrindle | Portfolio Management | Yes                   | 2010                  | 23/18                   | 18                     |
| Tom Nitschke   | Portfolio Management | Yes                   | 2011                  | 19/19                   | 13                     |
| Michael Croser | Research             | Yes                   | 2022                  | 9/1                     | 0                      |
| Blake Cetinich | Research             | Yes                   | 2023                  | 7/7                     | 0                      |

#### KDM Change\*

|                | Function | Change   | Type     | Tenure (yrs) | Date of change |
|----------------|----------|----------|----------|--------------|----------------|
| Blake Cetinich | Analyst  | Joined   | Internal | 0            | 23-08-2023     |
| Dom Chiuchiolo | Analyst  | Departed | Exit     | 6            | 23-10-2023     |
| Shirley He     | Analyst  | Departed | Exit     | 5            | 2024           |

\* Last 3 years

#### Profile

|           |               |
|-----------|---------------|
| Size      | 8             |
| Structure | Decentralised |
| Turnover  | Medium        |

#### Alignment

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

#### Resources

|                                   | Number | Average Years Experience |
|-----------------------------------|--------|--------------------------|
| Key decision makers               | 4      | 14                       |
| Portfolio Managers                | 2      | 21                       |
| Hybrid portfolio manager/analysts | -      | -                        |
| Dedicated analysts                | 3      | 8                        |
| Dedicated dealers                 | -      | -                        |
| Quantitative                      | 1      | 19                       |
| ESG/Sustainability                | 1      | 7                        |
| Macro                             | 3      | 17                       |
| Investment Specialists            | -      | -                        |

#### Who is the Team?

The Bendigo Multi-Asset team is overseen by Thad McCrindle and Tom Nitschke alongside with two analysts. McCrindle and Nitschke have nearly a decade of co-tenure in their roles with a long track record in the investment industry. The team evaluates potential managers within their own framework and is responsible for the active asset allocation framework.

The two analysts support the portfolio management function and assist in implementing the asset allocation framework across different asset classes. The Bendigo Investment Committee ('IC') comprises six internal and external members and is responsible for overseeing and approving the bulk of investment decisions in the Fund, including those related to asset allocation mix, investment objectives and asset class limits. The Bendigo Investment Committee is led by Vicki Carter (Independent Chairman).



## Lonsec Opinion

### Skill

Thad McCrindle and Tom Nitschke are the senior decision-makers in the organisation, with a long-term tenure at the Manager and adequate industry experience. The investment team is moderately experienced, albeit, the analysts within the team are relatively junior. The senior decision-makers are responsible for the majority of the idea generation and oversight of the process. However, a potential disadvantage is the Adelaide-based team is not as close to off-shore markets as competing peers who travel extensively. Although the investment team utilises a range of internal and external resources in its process, the scale is less extensive relative to peers with larger resources who have strategic relationships with leading offshore managers with public and private market capabilities.

### Team Size

The investment team currently comprises four members, representing a smaller team size relative to peers in the multi-asset space. Although the team resourcing has been flagged in previous reviews, assets under management are relatively small and the Manager has been appropriately managing its strategy despite the smaller team size. That said, the underlying process is highly active relative to peers and so there is a higher concentration of responsibilities in Nitschke and McCrindle's roles.

### Track Record/Co-Tenure

The team's co-tenure is relatively mixed, with the senior members of the team having substantial co-tenure and the analysts within the team having low co-tenure. In particular, the analysts within the team are relatively junior and have a short-term track record with the Manager. That said, Thad McCrindle and Tom Nitschke are tenured members of the investment team with experience in managing the strategy over the longer term.

### Alignment

The alignment between the firm and investor interests is moderate, although highlights that the majority of the remuneration incentives are associated with non-financial performance objectives. The variable component takes up a small proportion of employee total remuneration. As such, the alignment of interests is considered to be relatively moderate.

### Key Person Risk

The Key Person Risk is elevated given the concentration of experience and longevity in the senior decision-makers of the team. The smaller team size and relative inexperience at the analyst level also result in elevated key person risk given the concentration of responsibilities in the senior decision-makers of the strategy. The Investment Committee mitigates some level of the key person risk as it assists with various Portfolio Management functions and approval for decisions.

### Process



#### What is the Investment Process?

The Fund is designed around a long-term strategic asset allocation ('SAA') process and a short-to-medium-term active asset allocation ('AAA') process. The Manager utilises a mean-variance optimisation framework and generates capital market assumptions via internal resources within the organisation and external consultants. The process utilises index products as the underlying portfolio exposures.

The AAA process can result in moderate tilts across asset class which may result in volatile performance outcomes versus the SAA. The process considers valuation, cycle, sentiment, momentum and liquidity when determining asset class outlooks. The SAA/AAA process leverages a quantitative and qualitative approach and utilises various metrics and dashboarding tools.

The process aims to balance risk and return considerations when delivering on the inflation-plus objective. The Manager attempts to manage macro, beta, currency and asset class risk exposures in unison with its return targets. The process utilises various risk scenarios and stress testing to ultimately determine the appropriate risk levels within the defined constraints at the portfolio level.

### Lonsec Opinion & Supporting Facts

#### Philosophy and Universe

|                           |   |
|---------------------------|---|
| Investment Style          | Multi-Manager (Blend)   |
| Asset Allocation Approach | Strategic Asset Allocation and Active Asset Allocation  |
| Sector Exposure           | Passive   |
| Available Universe        | Index Products in the Cash, Domestic and Global Fixed Income, Domestic and Global Equity, Property and Infrastructure, Alternatives Space |

The philosophy seeks to provide investors with superior long-term returns through both SAA and to a lesser degree AAA. The manager research is a marginal component of the investment process given the focus on passive asset classes but active asset allocation is utilised.

The Manager believes the Active Asset Allocation can provide better risk-adjusted returns through the cycle. This stems from the Manager's belief that each asset class will exhibit outperformance depending on the market cycle stage, and understanding this can enhance alpha generation. In doing so, the process leverages well-known signals that are a conglomeration of backward, current and forward-looking indicators supported by academic evidence.

The team's focus on fundamentals adds valuation-based elements which add a level of capital preservation. The approach is moderately active in nature and favours positions where the Manager has scope to implement views within the realms of their diversification and risk constraints. That said, there is a large amount of input from the senior members of the investment team, and this may result in highly active positioning which may tilt the risk profiles significantly.

#### Research Process

|                           |   |
|---------------------------|---|
| Idea generation           | News, Financial Statements, External Meetings and Views, Consulting, Market Movements |
| SAA review frequency      | Yearly  |
| DAA/TAA signals           | Valuation, Momentum, Sentiment, Liquidity, Macro Cycle                                |
| Managers actively tracked | 35  |
| External consultant       | Mercer, Strategas and Industry Experts  |

The research approach utilises an optimisation process to define the longer-term SAA. The SAA is the basis of the asset allocation process, whereas the AAA is complementary and represents the investment team's best ideas. The AAA is a key source of active risk and is methodical in its evaluation across asset classes.

The process is robust and leverages fundamental and valuation-based inputs in evaluating asset allocation positioning. The research efforts have been dedicated to the evaluation of signals related to market and valuation within the context of the AAA framework. The flexible SAA/AAA limits allow for an unconstrained implementation whereby the team may implement discretionary views based on AAA outputs.

The investment team and organisational resourcing are relatively small, however, there is breadth of knowledge given the utilisation of various asset-class consultants and external inputs. The Manager may utilise asset consultants such as Mercer, Strategas and other third parties to assist with market outlook and manager selection. However, the breadth is limited given the smaller team sizing and lack of offshore presence compared to other larger-scale peers.

### Process (continued)



#### Portfolio Construction

|   |                   |
|---|-------------------|
| Portfolio decision making                 | PM based          |
| Approach to benchmark                     | Benchmark Aware   |
| Targeted tracking error                   | < SAA + 1.5% p.a. |
| Typical number of managers                | 10-15             |
| Use of mandates                           | Yes               |
| Use of alternatives                       | Yes               |
| Use of unlisted assets                    | Yes               |
| Allocation to related/affiliated exposure | No                |

The team aims to eliminate diversifiable macro-risks, control beta and balance sub-asset class and currency risk exposures, within the return targets. The use of active asset allocation is a key differentiator, with the Manager implementing using passive strategies or derivative overlays. The utilisation of derivatives in more sophisticated and esoteric exposures supplements the strategic overlay process and acts as an exposure and risk management tool. The IC also approves changes to major investment policies, and SAA limits whilst reviewing performance and objectives.

The Fund utilises predominantly passive liquid managers. While the Manager employs buy/sell discipline in their manager selection with investment decisions requiring approval from the IC, manager changes are not expected to be employed regularly for the passive strategies. The majority of the index tracking funds are managed by Vanguard Investments, which are backed by strong experienced teams who have successful track records in managing index products at low costs.

#### Capacity Management

Although the FUM is considered moderate, there are no concerns in terms of capacity given the wide opportunity set for multi-asset, multi-manager strategies. The Fund is highly diversified by nature which also reduces the risk of capacity constraints in future reviews.

#### Investment Risk Management

|  |                        |
|--|------------------------|
| Monitoring external to investment team | No                     |
| Frequency of monitoring                | Daily                  |
| Primary risk management system         | Bloomberg              |
| Security Limits (Min./Max.)            | N/A                    |
| Rebalancing bands                      | +/- 2% Tolerance Bands |
| Max illiquid                           | 20%                    |
| Gross exposure range                   | N/A                    |

The risk management is moderate compared to peers. The investment guidelines, risk limits, analysis and oversight are key watchpoints, given the wide risk limits and the discretion to implement active views across most strategies. Historically, this allowed for periods of strong relative performance but more recently this has reversed sharply. The Manager utilises off-the-shelf solutions (e.g. Bloomberg) as it considers scenario analysis, stress testing and exposure management with frequent oversight from several governance committees and the Risk and Compliance Team. The process leverages the bank's broader governance and risk management practices, which although useful, are not tailored for multi-asset investing.

ESG

Manager Positioning

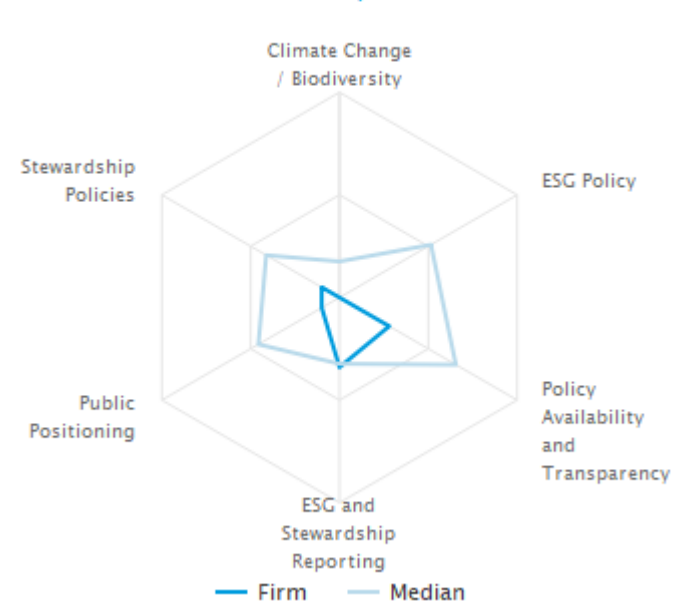
|                              |                    |
|------------------------------|--------------------|
| Responsible investment style | Nil                |
| ESG approach                 | No ESG Integration |
| Sustainability thematic      | N/A                |
| Non-financial objective      | N/A                |

Lonsec Opinion & Supporting Facts

Overview

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

ESG Snapshot



Manager Level Approach

The Manager's overall ESG policy framework and disclosure are lagging peers. With an articulated commitment to the integration of ESG within their investment process, however, there is no evidence in their public positioning. The level of disclosure with respect to proxy voting policy and outcomes is lagging peers. While reporting on voting outcomes is publicly available and includes rationales for against management votes, the policy framework is generic compared to peers. The Manager does not provide any details on engagement outcomes or policy.

What is the Manager's ESG approach?

The Manager has not indicated any ESG approach in their submissions to Lonsec. While the Manager may be undertaking some activities that would be considered ESG integration Lonsec is unable to provide guidance on how that might reflect portfolios.

Product Level Approach

ESG integration assessment for multi asset funds such as this, reviews only the ESG components of the selection underlying strategies or managers, and not the ESG integration of each of the underlying funds or strategies. The Manager has no clear approach to incorporating ESG elements into its manager selection process. There are no minimum documentation or policy requirements. Lonsec believes this is significantly behind industry best practice. There are no signs that company engagement on ESG issues is a component of the Manager's current investment approach for this Fund. ESG does not form a component of the Managers broader compliance framework and portfolio transparency is lagging.

Strategy: Clarity, Measurability & Reporting

This product does not make any specific claim to being a sustainable, ethical or impact offering. As such Lonsec does not apply its alignment review to the product and thus scores its risk of misalignment as N/A.

### Product



#### Service Providers

|   |                            |
|---|----------------------------|
| Responsible entity                              | Sandhurst Trustees Limited |
| Investment manager                              | Sandhurst Trustees Limited |
| Sub-investment manager                          | Multi-Manager              |
| Custodian                                       | Sandhurst Trustees Limited |
| Administrator                                   | Sandhurst Trustees Limited |
| Fund Auditor                                    | Ernst and Young            |
| Change in Key Providers? (Over last 12 months ) | No                         |

#### Product Details

|                                    |              |
|------------------------------------|--------------|
| Product size                       | \$86.77m     |
| Fund 12-month net flows            | Positive     |
| Distribution model                 | Internal     |
| Buy/sell spreads                   | 0.09%/0.09%  |
| Net transaction costs              | 0.00         |
| Product type                       | Managed Fund |
| Unlisted asset valuation frequency | Monthly      |
| Valuation externally audited       | Yes          |

#### What is the Product Structure?

The Fund is a vanilla, multi-asset product for which Sandhurst Trustees Ltd, the Responsible Entity ('RE'), is a related entity and has its own AFSL. The Fund is a long-only multi-asset capability that invests across a range of asset classes, predominantly in index strategies with the ability to invest in passively managed funds.

### Lonsec Opinion

#### Service Providers

Bendigo is a domestically significant asset management firm and welcomes its use of 'tier 1' service providers for critical functions such as custodial, administration and broking services. Although the firm utilises a related-party RE, there have been no issues with this structure since the Fund's inception. The RE is expected to have a governance framework in place to deal with any perceived conflicts of interest.

#### Operational 'Red Flags'

Given the Fund's typical investment universe and multi-manager approach, the investment strategy is not operationally challenging to implement although the use of derivatives for its AAA implementation makes for more complexity than some approaches. There have been no regulatory findings lodged over the previous 12 months.

#### Wind-up Risks

The wind-up risk is relatively low given the current level of assets, albeit with substantial outflows given broader market conditions. That said, there is solid support from the broader organisation.

### Fees

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

|                              |             |
|------------------------------|-------------|
| Management fees & costs      | 0.47        |
| Performance fee costs        | 0.00        |
| Net Transaction Costs        | 0.00        |
| Buy/Sell Spread              | 0.09/0.09   |
| <b>Annual fees and costs</b> | <b>0.47</b> |

Source: FE fundinfo

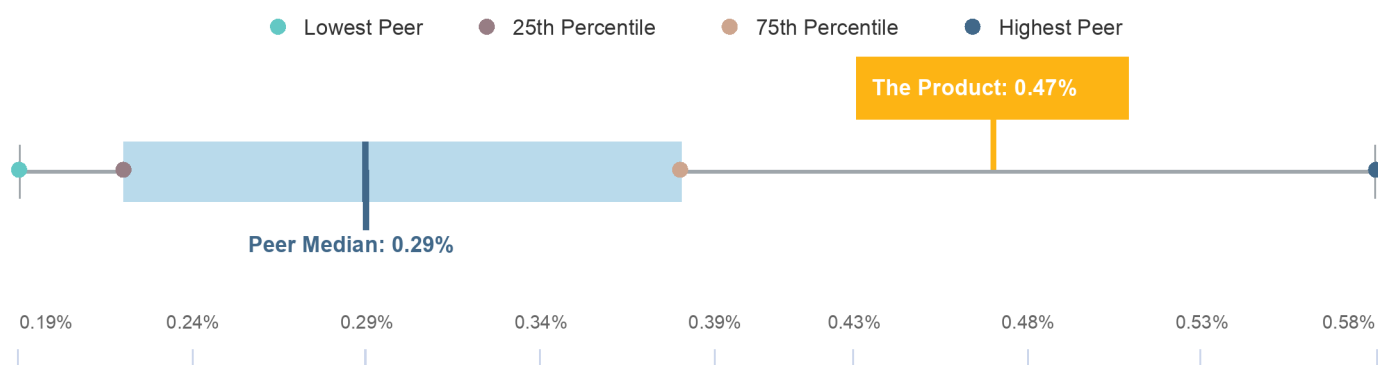
#### Performance Fees

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

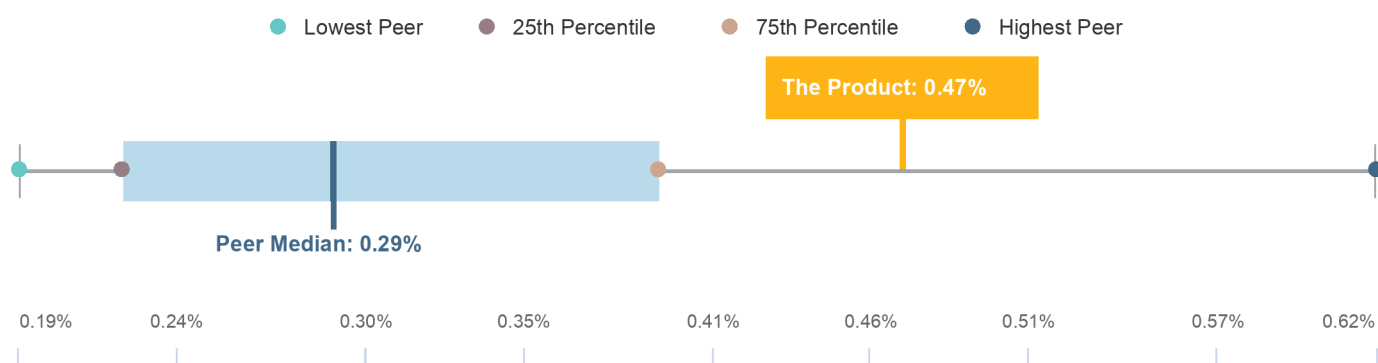
#### Fees Explained

The Fund's AFC of 0.47% p.a. is comprised solely of management fees and costs. There is no performance fee associated with this product.

#### 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 (AFC of 0.47% p.a.) is higher relative to the low-cost, diversified multi-asset peer group.

#### Fairness

The Fund's investment objective is comparable to peers, but the team employs a differentiated active asset allocation process which has added value over the long run. Given the breadth of the strategy and activeness of the Fund, the fees are considered 'fair' relative to peers.

Performance data is as at 31 October 2023

### Performance

#### Performance Summary

|                           |  |
|---------------------------|--|
| PDS return objective      | To deliver investment returns after fees in excess of 5% above inflation over a full market cycle (typically seven to 10 years). |
| Internal return objective | To exceed the performance of the Fund's SAA (before fees) and Morningstar Multi-sector Aggressive Fund peer median (after fees). |
| Internal risk objective   | Tracking error versus SAA below 1.5%.  |
| Product benchmark         | Lonsec Strategic Multi-Asset (Traditional) 90% Growth Index  |
| Lonsec peer group         | Low-Cost Diversified   |

#### Alpha Generation

The Fund has failed to outperform its Lonsec 90% Growth Strategic Multi-Asset (Traditional) Benchmark Index and the peer median over all time periods. Moreover, it has failed to achieve its investment objective over the most recent seven-year period. The Fund has exhibited underperformance of the Benchmark and has not been able to consistently generate alpha over time.

##### Calendar Year Excess Return



##### 3 Year Risk and Return



#### Alpha Consistency

The Fund delivered underperformance against the peer median across all time periods. The Fund has been unable to outperform the Lonsec Strategic Multi-Asset (Traditional) 90% Growth Index across all time periods, whilst lagging on the investment objectives over the same time periods. As such, the Fund has not been able to consistently outperform its objectives or peers through the cycle.

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



##### Returns Consistency



Performance data is as at 31 October 2023

### Performance (continued)

#### Benchmark Relativity

The Fund's activeness has been lower than the peer median across most time periods, with the Manager demonstrating a more benchmark-aware approach. The Fund's Information Ratio (IR) has been lower than the peer median across all time periods. The Fund and peers have not been well rewarded for the active risk with the rolling IR staying below zero over most time periods.

#### 3 Year Rolling Tracking Error Over 7 Years



#### 3 Year Rolling Information Ratio Over 7 Years



#### Return Volatility

The Fund has a marginally lower volatility relative to the peer median over the majority of time periods. The Fund's rolling Sharpe Ratios across all time periods tended to be lower than the peer median with the risk-adjusted returns also being lower across most periods.

#### 3 Year Rolling Standard Deviation Over 7 Years



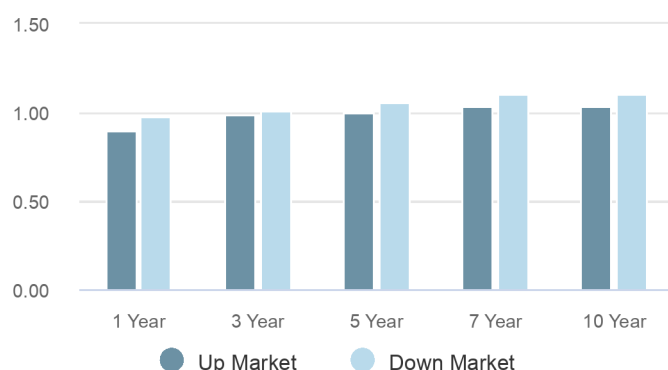
#### 3 Year Rolling Sharpe Over 7 Years



#### Product Defensiveness

The Fund's drawdowns are mixed relative to the peer median, with larger drawdowns over the longer term and smaller drawdowns over the shorter and intermediate term. The Fund has produced marginally worse performance than the Benchmark in down markets with a total Capture Ratio that is greater or near one. The time-to-recovery has been longer than the peer median over all time periods.

#### 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).

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

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- 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.

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## Lonsec Research FSG (continued)

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#### Complaints Manager

Level 39, 25 Martin Place

Sydney NSW 2000

Tel: 1300 826 395

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

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.

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This FSG was prepared on 9 June 2023.