



Bendigo Growth Index

STL0034AU 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) 70% Growth Index
Product structure	Managed Fund
Product size	\$420.36m
Inception date	Sep 2011
Asset class	Multi-Asset
Sector	61-80% Growth Assets
Growth/defensive split	80/20
Peer group	Low-Cost Diversified
Rated peers	18

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	0.46
Performance fee costs	0.00
Net Transaction Costs	0.00
Buy/Sell Spread	0.09/0.09
Annual fees and costs	0.46

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 4% 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 Growth Fund peer median (after fees).
Internal risk objective	Tracking error versus SAA below 1.5%.
Non-financial objective	N/A

#### Asset Allocation (%)

	SAA Benchmark %	Min %	Max %	Current Allocation %
Australian Equities	32.00	15.00	50.00	25.90
International Equities	48.00	20.00	65.00	46.10
Listed Property	0.00	0.00	44.00	4.00
Unlisted Property	0.00	0.00	44.00	0.00
Australian Fixed Interest	7.50	0.00	25.00	9.40
International Fixed Interest	7.50	0.00	25.00	2.60
Alternatives/Other	0.00	0.00	40.00	4.30
Cash	5.00	0.00	25.00	7.70
Other	0.00	0.00	0.00	0.00
Total				100.00

#### Product Distribution Profile

Frequency	Semi-Annually
Last Missed Distribution	N/A
Number of Missed Distributions in the last 5 years	N/A
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)	3.59	4.15	-2.09	-2.11	5.55	4.76	5.69	5.27
Standard deviation	7.74	9.07	9.42	10.43	9.39	9.87	10.38	10.38
Excess return (% p.a)	-0.38	0.18	-1.03	-1.06	0.42	-0.37	0.01	-0.41
Outperformance ratio (% p.a)	58.33	50.00	50.00	41.67	55.56	47.22	55.00	48.33
Worst drawdown (%)	-4.94	-5.46	-13.71	-14.00	-13.71	-14.00	-16.09	-16.01
Time to recovery (mths)	NR	NR	NR	-	NR	-	8	8
Sharpe ratio	-0.01	0.05	-0.45	-0.41	0.43	0.33	0.42	0.38
Information ratio	-0.36	0.05	-0.87	-0.74	0.26	-0.27	0.00	-0.27
Tracking error (% p.a)	1.06	1.40	1.19	1.79	1.59	1.67	1.63	1.63

**Lonsec Peer Group:** Multi-Asset - 61-80% Growth Assets - Low-Cost Diversified

**Product Benchmark:** Lonsec Strategic Multi-Asset (Traditional) 70% Growth Index

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

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

Business

Facts

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

Governance

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

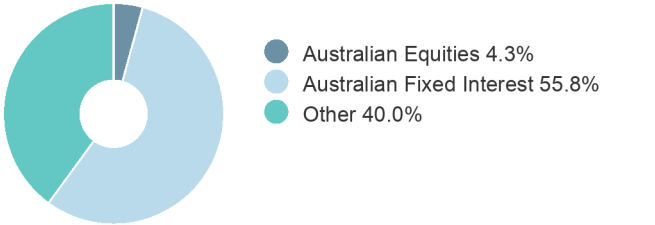
Profitability

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
Sales & Service	5
Total AUM	\$4.8bn
Investment Professionals	10
Distributor	Internal

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

Structure	Decentralised
Size	8
Turnover	Medium

#### Alignment

KDM equity held in manager	Yes
Performance-Based bonus	Yes
KDM co-investment in strategy	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).

### Team (continued)



## 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

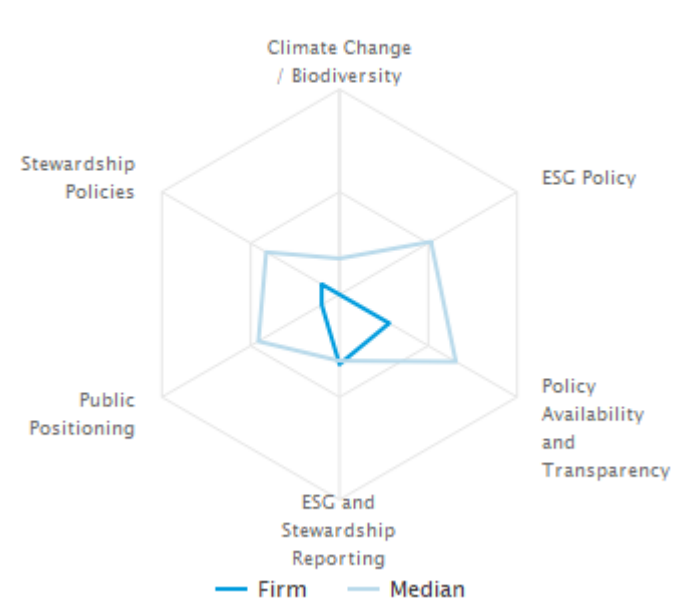
ESG approach	No ESG Integration
Sustainability thematic	N/A
Responsible investment style	Nil
Non-financial objective	N/A

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

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

#### Product Details

Product size	\$420.36m
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	0.46
Performance fee costs	0.00
Net Transaction Costs	0.00
Buy/Sell Spread	0.09/0.09
Annual fees and costs	0.46

Source: FE fundinfo

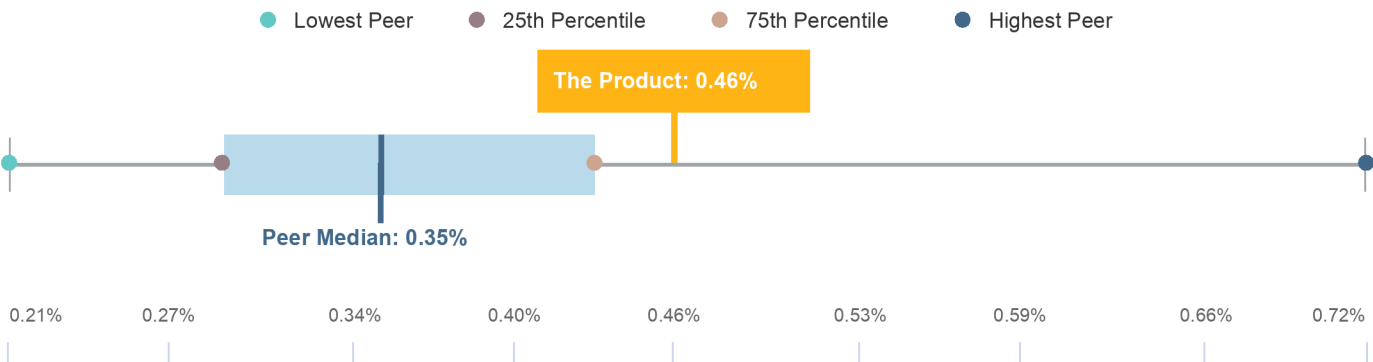
Performance Fees

Applicable	No
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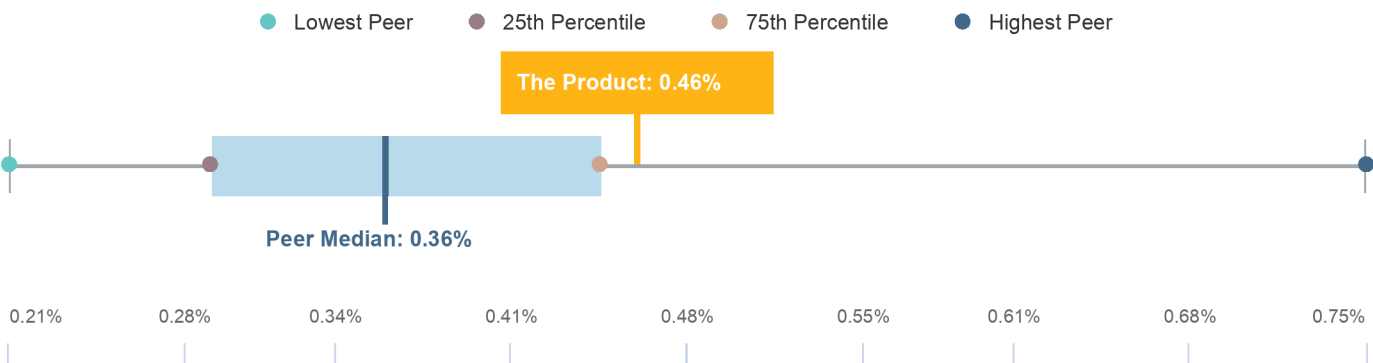
Fees Explained

The Fund's AFC of 0.46% 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 0.46% p.a.) is slightly 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 4% 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 Growth Fund peer median (after fees).
Internal risk objective	Tracking error versus SAA below 1.5%.
Product benchmark	Lonsec Strategic Multi-Asset (Traditional) 70% Growth Index
Lonsec peer group	Low-Cost Diversified

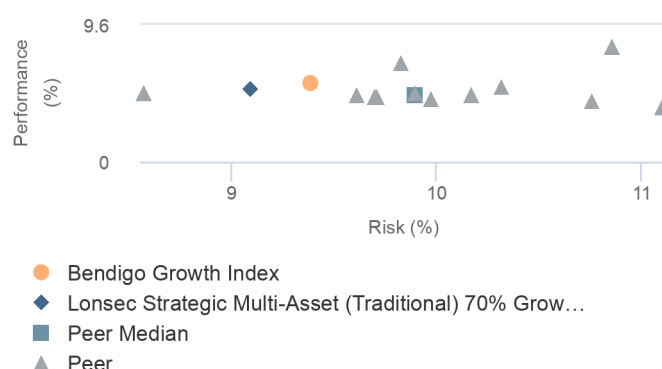
#### Alpha Generation

The Fund has outperformed against the Lonsec Strategic Benchmark across the medium term but not in the short run. The Fund has outperformed the peer median over the medium term but failed to achieve its investment objective over the most recent seven-year period. The Fund has typically exhibited mixed outperformance of the Benchmark through time, with some alpha generation.

##### Calendar Year Excess Return



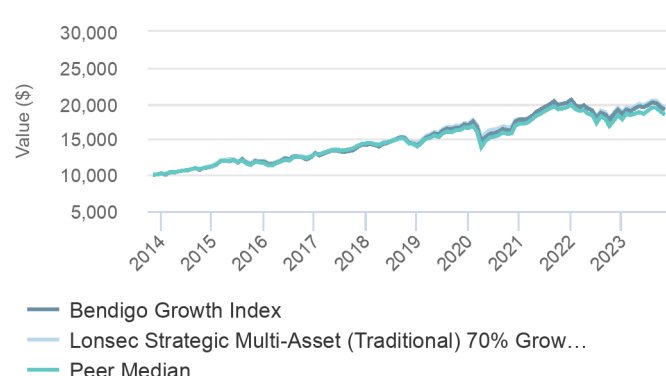
##### 3 Year Risk and Return



#### Alpha Consistency

The Fund has marginally outperformed the peer median over the longer term and has been somewhat consistent. The Fund has outperformed the Lonsec Strategic Benchmark, albeit with underperformance over the short term. The Fund has consistently achieved its internal objective but failed to achieve its real return objective in recent years. The Fund displays consistent outperformance in up markets.

##### 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 is expected to be relatively low, although it has been in line with the peer median over the longer term. The Fund's Information Ratio has been higher than the peer median across all time periods with the exception of the short-term. The Fund has generally been better rewarded than peers for their activeness.

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



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



#### Return Volatility

The Fund has displayed moderately higher volatility relative to the peer median over the intermediate time periods. The Fund's rolling risk adjusted returns, Sharpe Ratio, has been similar to the peer median across all time periods on a rolling three year basis. However, the ratio has been deteriorating recently suggesting a low return for the risk taken.

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



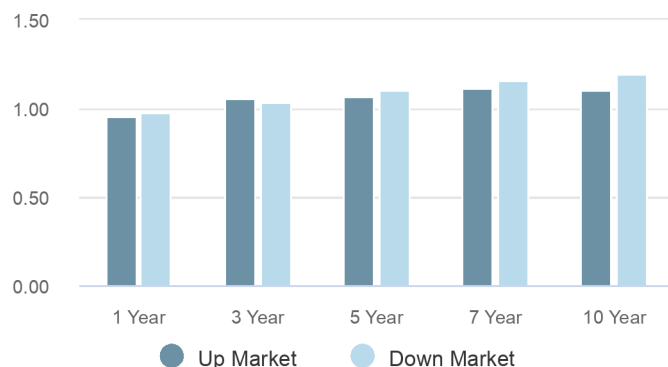
#### 3 Year Rolling Sharpe Over 7 Years



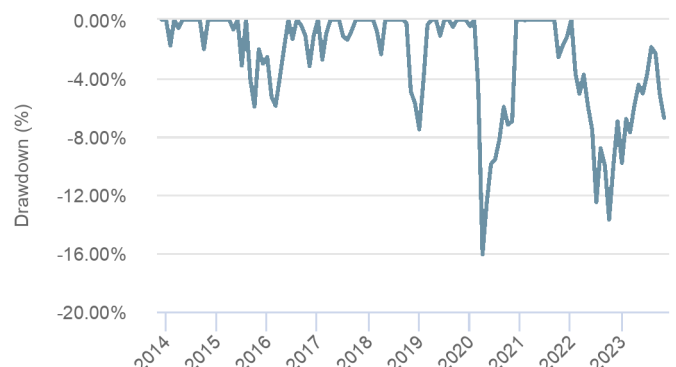
#### Product Defensiveness

The Fund has had marginally smaller drawdowns relative to peers over most periods. The Fund has produced marginally deeper drawdowns than the Benchmark in down markets, with a total Capture Ratio that is greater than one. The time-to-recovery has been shorter than the peer median over the long term and is in line over the short and intermediate term.

#### 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

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## Lonsec Research FSG

### Financial Services Guide

#### Lonsec Research

9 June 2023

This Financial Services Guide (FSG) has been prepared and issued by Lonsec Research Pty Ltd ABN 11 151 658 561 (Lonsec Research, we, us, our), holder of Australian Financial Services Licence (AFSL) No. 421445, to assist you in determining whether to use our financial services and products. This is an important document, and you should read it carefully. The contents of this FSG are general information only and does not take into account your personal needs or objectives. Lonsec Research provides no warranty as to the suitability of the services of this FSG for any particular person.

### 1.1 What is a Financial Services Guide?

This FSG's purpose is to provide you with important information regarding services offered by Lonsec Research. You should read this FSG prior to using our services. This document was prepared to inform you about:

- who we are and our contact details;
- the financial services we provide;
- the remuneration that may be paid to us and other persons in relation to the financial services we provide;
- how we deal with conflicts of interest; and
- how we deal with complaints

### 1.2 About Lonsec Research and its related parties

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

### Contact Details

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Tel: 1300 826 395  
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[www.lonsec.com.au](http://www.lonsec.com.au)

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

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

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

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

### 1.4 Provision of general advice

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

### 1.5 How Lonsec Research is paid

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



## Lonsec Research FSG (continued)

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

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

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

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

#### Complaints Manager

Level 39, 25 Martin Place

Sydney NSW 2000

Tel: 1300 826 395

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

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

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

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

Phone: 1800 931 678

Mail:

Australian Financial Complaints Authority

GPO Box 3

Melbourne, Victoria, 3001.

### 1.8 Conflicts of Interest

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

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

Generation Development Group Limited (ACN 087 334 370), a shareholder of Lonsec Holdings, is the parent company of Generation Life Ltd who issue a series of products rated by Lonsec Research. Lonsec Research manages this potential conflict by disclosing to investors accessing our research of Generation Life related products, and implementing our comprehensive ratings process, information barriers and monitoring program. For more information refer to Lonsec Research Ratings Methodology available on our platform iRate or by contacting us on 1300 826 395.

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

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This FSG was prepared on 9 June 2023.