



Refer to glossary for definition of the rating

Product Review

About this Product

Investment manager	Allan Gray Australia Pty Ltd
Benchmark	Lonsec Strategic Multi-Asset (Traditional) 60% Growth Index
Product structure	Managed Fund
Product size	\$153.00m
Inception date	Mar 2017
Asset class	Multi-Asset
Sector	61-80% Growth Assets
Growth/defensive split	Not Targeted
Peer group	Diversified
Rated peers	20

Product Characteristics

Business Life Cycle	Growing
Product Wind-Up Risk	Medium
Key Person Risk	Medium
Tenure of Decision Makers	Medium
Complex (RG240)	No
Strategy Remaining Capacity	Not disclosed
ESG Approach	Risk or Value
Peer Relative Fees and Costs	Below median

Annual Fees and Costs (% p.a.)

Management fees & costs	0.76
Performance fee costs	0.15
Net Transaction Costs	0.04
Buy/Sell Spread	0.20/0.20
Annual fees and costs	0.95

Source: FE fundinfo

Strengths

- The Fund's lead Portfolio Managers, Simon Mawhinney and Alec Cutler, are considered experienced investors.
- The Fund's bottom-up asset allocation approach, although unconventional, provides considerable scope for alpha generation.
- The Manager's bottom-up equity research is detailed and of high quality.
- The Fund has met its return objective outperforming its benchmark over most assessed time periods.

Weaknesses

- The team has less experience in managing diversified strategies than other highly rated peers assessed.
- The breadth of asset classes used by the Manager and overall toolkit is considered more limited relative to highly rated peers.
- The Fund's level of diversification is considered to be lower than highly rated peers, although reflects the Manager's high conviction approach.
- Performance fees are less common in the peer group and at times may result in a materially higher fee relative to peers.

Product Opinion

The Fund has retained its 'Investment Grade' rating at its latest review. The rating is supported by the regard for the Portfolio Managers overseeing the Fund and the strength of the bottom-up research process. The Fund has met its return objectives, largely attributable to relative outperformance over short and medium terms.

The investment team has less direct experience in managing multi-asset funds relative to the peer group. The breadth of asset classes available is considered limited relative to highly rated peers. In addition, the total fee load is considered high relative to 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 seek long-term returns that are higher than the custom benchmark.
Internal return objective	To outperform the Fund's benchmark over the long term after fees.
Internal risk objective	N/A
Non-financial objective	None

Asset Allocation (%)

	SAA Benchmark %	Min %	Max %	Current Allocation %
Australian Equities	36.00	N/A	N/A	29.00
International Equities	24.00	N/A	N/A	41.00
Listed Property	0.00	N/A	N/A	0.00
Unlisted Property	0.00	N/A	N/A	0.00
Australian Fixed Interest	24.00	N/A	N/A	16.00
International Fixed Interest	16.00	N/A	N/A	9.00
Alternatives/Other	0.00	N/A	N/A	0.00
Cash	0.00	N/A	N/A	0.00
Other	0.00	N/A	N/A	5.00
Total				0.00

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

	1 Year	Median	2 Year	Median	3 Year	Median	5 Year	Median
Performance (% p.a)	5.61	2.69	4.77	-1.21	10.19	5.31	5.57	4.88
Standard deviation	7.25	7.98	9.63	9.13	9.55	9.09	10.92	10.05
Excess return (% p.a)	2.20	-1.31	6.09	-0.73	6.12	0.18	0.62	-0.80
Outperformance ratio (% p.a)	50.00	41.67	58.33	47.92	58.33	52.78	53.33	45.83
Worst drawdown (%)	-5.39	-5.52	-9.14	-11.51	-9.14	-11.63	-16.91	-15.19
Time to recovery (mths)	NR	-	3	-	3	-	11	-
Sharpe ratio	0.27	-0.13	0.27	-0.36	0.91	0.43	0.39	0.37
Information ratio	0.53	-0.66	0.93	-0.20	0.94	0.10	0.10	-0.34
Tracking error (% p.a)	4.16	1.73	6.53	2.22	6.48	2.28	6.25	2.43

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

Product Benchmark: Lonsec Strategic Multi-Asset (Traditional) 60% Growth Index

Cash Benchmark: Bloomberg AusBond Bank Bill Index AUD

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

Product Distribution Profile

Frequency	Annual
Last Missed Distribution	N/A
AMIT Election	Yes
TOFA Election	No

Rating History

08-May-2023	Investment Grade
25-Mar-2022	Investment Grade
04-May-2021	Investment Grade

Target Market Determination

Produced by issuer	Yes
Provided to Lonsec	Yes

Business



Facts

Investment Manager	Allan Gray Australia Pty Ltd
Ultimate Parent Company	Allan & Gill Gray Foundation
Headquarters	N/A
% Staff Ownership	10-20%
Inception Date	Dec 2004

Governance

% Independent board members	50
% Female board members	0
Independent chair	No
CEO as Chair	Yes
Separate Audit Committee	No

Who is the Manager?

Allan Gray Australia Pty Limited is the Manager of the Fund. The Manager was established in 2005 and had \$10.9 billion in assets under management as of 31 July 2023. Allan Gray Australia forms part of the Orbis Allan Gray Group which was established in 1989 by Dr Allan Gray. Allan Gray Australia shares common ownership along with its investment philosophy and approach with sister company Allan Gray Proprietary Limited ('AGL'), a South Africa-domiciled domestic asset management firm founded in 1973 and is South Africa's largest private asset manager.

Lonsec Opinion

Profitability

The Investment Manager is a well-entrenched investment management firm with FUM of \$10.9b primarily in Australian equities. At the current FUM level, the Manager is in a reasonably solid financial position.

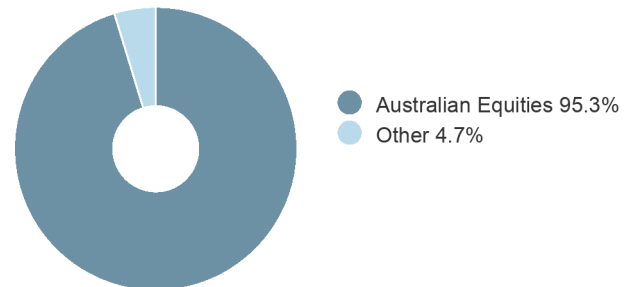
Business Track record

Allan Gray has maintain its investment approach and philosophy since the firm was founded in 2005, Allan Gray has a notable track record in managing assets across Australian equities and to a lesser extent multi asset strategies which was launched in 2017.

Metrics

Investment Management Headcount	26
Investment Professionals	9
Sales & Service	9
Distributor	Internal
Total AUM	\$10.9B

AUM



Business Ownership

The Allan and Gill Gray Foundation ('the Foundation') holds controlling ownership stakes in both businesses. The Foundation was established to: (i) to promote the commercial success, continuity and autonomy of the Orbis and Allan Gray groups, and (ii) to ensure distributable profits of the Foundation are devoted to philanthropy. Day-to-day control of the businesses has been vested in Orbis Allan Gray Limited, a holding company whose board consists of a majority of present executives and includes non-executive directors.

Business Governance

Allan Gray is considered to have a reasonable governance framework with no regulatory findings or enforceable undertakings occurring over recent years. Compared to public companies, Allan Gray, as a privately owned business may be considered less transparent, however there are non-executive Board members.

Team



Key Decision Makers (KDM)

	Primary function	Dedicated to strategy	Appointed to strategy	Industry/Mgr exp. (yrs)	Exp. in PM roles (yrs)
Simon Mawhinney	CIO	No	2017	22/17	12
Alec Cutler	Portfolio management	Yes	2017	29/19	10

KDM Change*

No changes.

* Last 3 years

Profile

Size	17
Structure	Decentralised
Turnover	Low

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	2	26
Portfolio Managers		
Hybrid portfolio manager/ analysts		
Dedicated analysts	7	12
Dedicated dealers		
Quantitative		
ESG/Sustainability	1	2
Macro		
Investment Specialists		

Who is the Team?

Simon Mawhinney leads the Allan Gray investment team and is named Portfolio Manager for the Fund. Alec Cutler manages the global sleeve of the portfolio and leads the Orbis Multi-Asset team based in Bermuda. Mawhinney has over 20 years of investment experience while Cutler has over 30 years of investment experience.

Including the global multi-asset team, the investment team includes 17 members, with the most senior members holding an average level of industry experience of around 20 years. Mawhinney is supported in the Australian sleeve of the portfolio by co-portfolio manager Suhas Nayak. Mawhinney and Nayak manage the Australian sleeve of the Fund which typically comprises around 60% of the portfolio.



Lonsec Opinion

Skill

Mawhinney has built a solid track record aligned with the Allan Gray philosophy and process. The team leverages off the broader investment team, across both Orbis and Allan Gray, with both having a strong equities pedigree. A solid track record in equities has been established, however Mawhinney and Nayak have relatively less experience in managing multi-asset funds when compared to peers.

Cutler draws upon the expertise of Portfolio Manager Mark Dunley-Owen, who is a credible resource having previously been a Portfolio Manager at Allan Gray with extensive investment experience.

Team Size

Both the size of the broader team and experience of its members are broadly in line with the peer median. The Manager's approach to staff recruitment is differentiated due to recent appointments to the team being re-evaluated after two years. At the conclusion of this period, the appointee may be released subject to performance or incompatibility with the investment culture. This structure is likely to see a relatively high level of staff turnover at the more junior level. In contrast, personnel who stay for five years and are good performers may be offered participation in the Manager's equity program, further locking in the team's most experienced members.

Track Record/Co-Tenure

Mawhinney and Cutler both have significant tenure at their respective firms of around two decades for each. Tenure among the broader team at the senior level is relatively high, with an average of eight years co-tenure. The team has been relatively stable in recent years. The track record for this Fund is less than the majority of their other strategies.

Alignment

The alignment of interest with investors is a strength of the firm, albeit more tied to the Manager's equity funds than its multi-asset funds. The level of co-investment by the team in the Manager's own strategies is high and the Manager's remuneration structure is heavily incentive based. Variable remuneration for Analysts is predominantly 80%, driven by their investment calls and the Fund's performance. 70-80% of variable remuneration for the Portfolio Managers is driven by Fund performance.

Key Person Risk

Key person risk in Mawhinney and Cutler is moderate given their involvement in managing the Fund and are supported by well resourced team with good level of co-tenure.

Process



What is the Investment Process?

The Fund does not use an SAA in its asset allocation process. The asset allocation in the Fund is driven primarily from the bottom up, through views emerging from the underlying research process.

With the 60/40 index as a benchmark, the Fund's asset allocation is derived at the security level and allocates capital between active equities, hedged equities, bonds, and commodities on a security-by-security basis. The Portfolio Managers select individual securities across asset classes, searching for those providing the most attractive balance of risk and reward.

The Manager's investment process is designed to maximise the chances of successfully implementing their fundamental, long-term and contrarian investment philosophy. The research process is structured to eliminate unattractive ideas in the early stages and to concentrate research efforts on the most promising ideas to develop a high degree of conviction in an investment. The process of a security getting into the Fund's portfolio follows four distinct stages: i) idea generation; ii) fundamental research; iii) thesis defence; and iv) security selection / portfolio construction.

Lonsec Opinion & Supporting Facts

Philosophy and Universe

Investment Style	Real Return
Asset Allocation Approach	N/A
Sector Exposure	Active
Available Universe	Direct Securities, Derivatives, Cash

The Manager follows a deep value and contrarian investment philosophy. The Manager has the core belief markets are not always efficient nor rational due to the impact of short-term reactions from investors. The Manager believes this can lead to the market focusing on short-term news versus the long-term fundamental outlook. Therefore, the Manager seeks to exploit such occurrences and gains exposure to companies either via equity or debt, and in some cases both, if the investment opportunity is highly compelling. Securities are selected if it is believed they are trading well below their internally assessed intrinsic value.

Research Process

Idea generation	Analyst research
SAA review frequency	N/A
DAA/TAA signals	N/A
Managers actively tracked	N/A
External consultant	N/A

Research ideas are formulated in various ways with a tendency to identify 'unloved' securities through periods of price depression in otherwise sound businesses. This process is viewed favourably overall, and results in individual analysts having the discretion to provide research on a portfolio of 'best investment ideas', a differentiating feature of the Fund compared to peers.

Once an investment idea has been developed by an analyst, they are then required to make a presentation to the Policy Group Meeting ('PGM'). The discourse in the PGM is aided by the team's diverse academic and employment backgrounds. Aside from leveraging the team's differentiated expertise, the PGM provides Portfolio Managers and Analysts with a formal arena to obtain a more rigorous opinion of their investment proposals. Furthermore, of note is the valuation techniques and assumptions adopted are critically assessed at the PGM. This is a significant part of the process adding rigour to, and encouraging development of the analysts and the research process.

Process (continued)



Portfolio Construction

Portfolio decision making	PM based
Approach to benchmark	Benchmark Unaware
Targeted tracking error	N/A
Typical number of managers	N/A
Use of mandates	No
Use of alternatives	No
Use of unlisted assets	No
Allocation to related/affiliated exposure	0%

The portfolio is based on assessment of risk-return trade-offs of securities with consideration of liquidity and diversification. The portfolio construction process is relatively opaque compared to peers.

Mawhinney and Cutler share regular discourse and review reporting on the Fund's exposures to ensure no unintended exposure overlaps. Although management of the portfolio in aggregate is undertaken favourably, the Fund's allocation to two distinct sleeves makes managing to a total portfolio approach slightly more challenging.

Capacity Management

Capacity is not to a concern for this Fund at this stage given the investable universe and size of the strategy.

Investment Risk Management

Monitoring external to investment team	Yes
Frequency of monitoring	Daily
Primary risk management system	Proprietary
Security Limits (Min./Max.)	N/A
Rebalancing bands	N/A
Max illiquid	0.00%
Gross exposure range	N/A

The Manager's approach to risk management is a material component of its investment process, demonstrating a strong risk awareness in its portfolio construction. The Manager has a focus on 'bottom-up' risk in its security research via a 'Margin of Safety' incorporated into its research. This 'Margin of Safety' approach is aligned to the Fund's risk objective to contain the risk of monetary loss to a level below the risk of loss experienced by global equity funds but higher than government bond funds and cash deposits over the long term.

However the Manager has less of an emphasis on 'top-down' risk management, such as tracking error or hard sector limits, than other multi-asset peers, although quantitative risk models are used to monitor and measure risk exposures.

ESG



Manager Positioning

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?

The Manager has indicated that their Responsible Investment style is "ESG Integration" and as such 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.

Lonsec Opinion & Supporting Facts

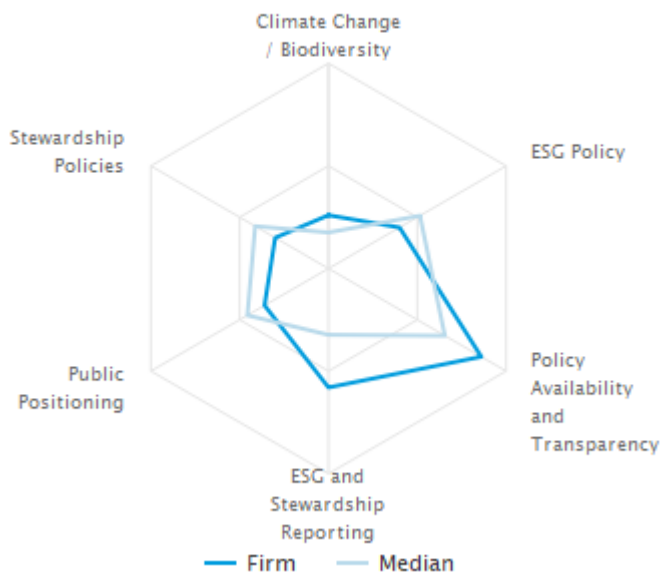
Overview

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

Product Level Approach

The Manager does not source general external ESG data instead relying on collecting its own ESG data through company meetings and web sites. This is less robust than peers. The Manager performs little internal ESG research for this Fund, relying on largely on external sources for assessment/ratings. Transparency on the transmission from research to portfolio construction is more opaque. While ESG risks are reflected in position sizing there is no clear portfolio level ESG monitoring or management with all monitoring activity focused on individual stocks. The Manager demonstrated a strong engagement program and a structured approach. Engagements are documented with clear objectives set and outcomes tracked. ESG does not form a component of the Manager's broader compliance framework and portfolio transparency is lagging.

ESG Snapshot



Strategy: Clarity, Measurability & Reporting

This product does not make any specific claim to being a sustainable, ethical or impact offering. As such, an alignment review for the product is not required and thus the product's risk of misalignment has been assessed as N/A.

Manager Level Approach

The Manager's overall ESG policy framework and disclosure is in-line with peers. The Manager has an articulated commitment to the integration of ESG within their investment process. The level of disclosure with respect to proxy voting policy and reporting is behind peers. While reporting is in line with peers and publicly available, the policy framework lacks depth compared to peers. Engagement is a key part of the Manager's investment process, however the engagement framework is high level and overall lags behind industry leading peers. Pleasingly the Manager has published a Stewardship Report with some engagement outcomes provided.

Product



Service Providers

Responsible entity	Equity Trustees Limited
Investment manager	Allan Gray Australia Pty Ltd
Sub-investment manager	Orbis Investment Management Limited
Custodian	Citibank N/A Sydney & Hong Kong Branches
Administrator	Citigroup Pty Ltd
Fund Auditor	Ernst & Young
Change in Key Providers? (Over last 12 months)	No

Product Details

Product size	\$153.00m
Fund 12-month net flows	Positive
Distribution model	Internal
Buy/sell spreads	0.20%/0.20%
Net transaction costs	0.04
Product type	Registered Managed Investment Scheme (Unitised)
Unlisted asset valuation frequency	N/A
Valuation externally audited	N/A

What is the Product Structure?

The Fund is an Australian unit trust, with Equity Trustees Limited appointed as the responsible entity.

Lonsec Opinion

Service Providers

The Fund uses an external 'Tier 1' Responsible Entity ('RE') provider. The use of external REs is a preferred operating model. Additionally, the Manager uses high quality 'tier 1' service providers, including its counterparties.

Operational 'Red Flags'

The Fund is a multi-asset strategy investing across a range of relatively liquid securities within growth and defensive assets classes and is not considered operationally challenging to implement.

Wind-up Risks

The Fund's size of \$153m as of July 2023 is modest relative to peers. The wind-up risk of the Fund is assessed to be moderate given the ongoing commitment of the Manager for this Fund.

Fees

Annual Fees and Costs (% p.a.)

Management fees & costs	0.76
Performance fee costs	0.15
Net Transaction Costs	0.04
Buy/Sell Spread	0.20/0.20
Annual fees and costs	0.95

Source: FE fundinfo

Performance Fees

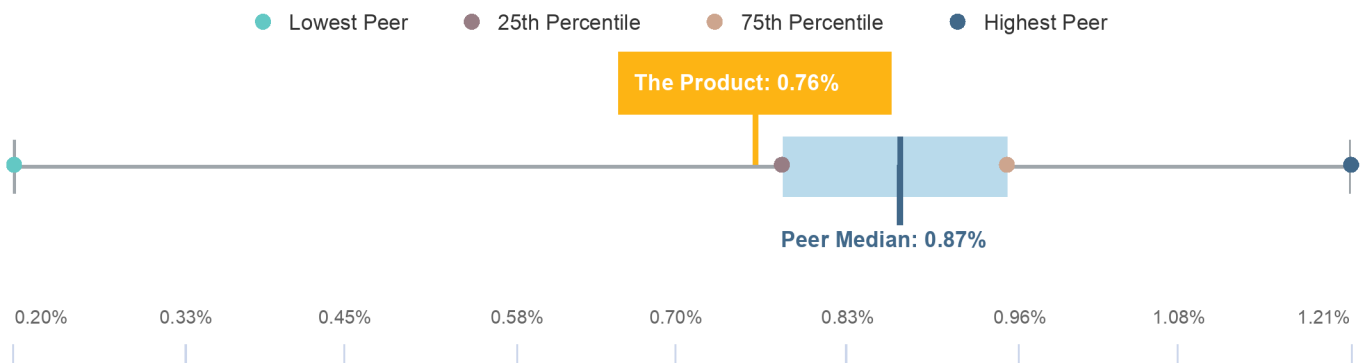
Applicable	Yes
Hurdle type	Benchmark relative
Hurdle	Outperform the benchmark net of fees
Rate	20%
Fee capping	No
High watermark	Yes
Above high watermark	No
Reset Allowed	No

Fees Explained

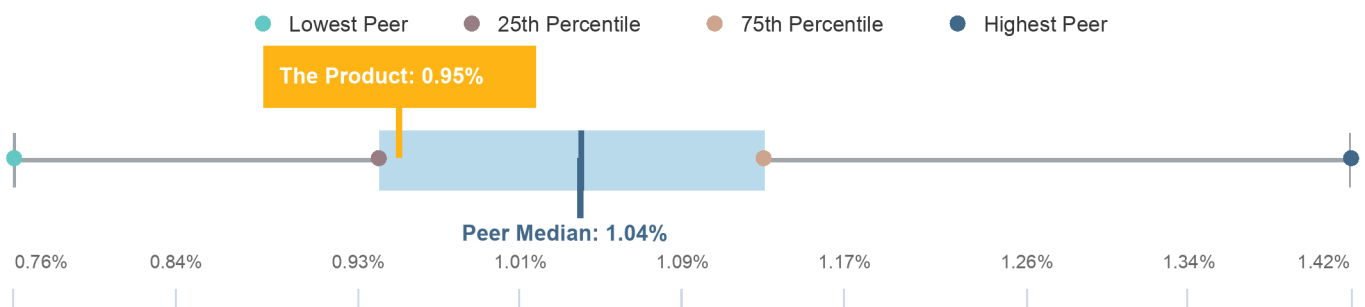
The Fund's 'Management Fees and Costs' component of its AFC (0.76% p.a.) and a net transaction cost of 0.04% p.a.

The performance fees accrue at a rate of 20.3% p.a. charged on excess returns, net of the base management fee, above the Fund's Benchmark, subject to a high-water mark.

Management Fees and Costs Peer Comparison (31/07/2023)



Annual Fees and Costs Peer Comparison (31/07/2023)



Peer Universe: Multi-Asset - 61-80% Growth Assets - Diversified

Lonsec Opinion

Annual Fees and Costs

The total fee load (AFC) for the Fund is below the peer median.

Fairness

Given the level of active risk taken by the Manager and the performance fee charged, the fee structure is relatively well structured and provides alignment.

Performance data is as at 31 October 2023

Performance

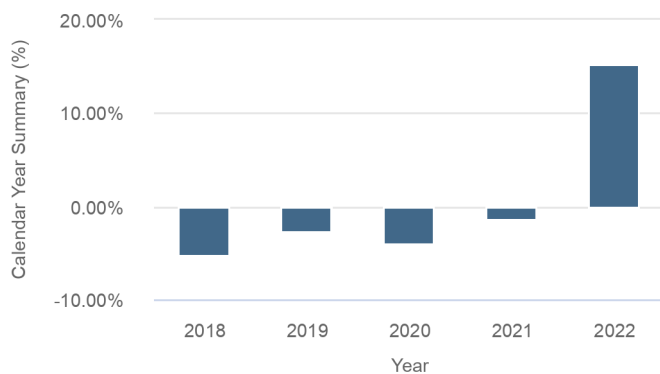
Performance Summary

PDS return objective	To seek long-term returns that are higher than the custom benchmark.
Internal return objective	To outperform the Fund's benchmark over the long term after fees.
Internal risk objective	N/A
Product benchmark	Lonsec Strategic Multi-Asset (Traditional) 60% Growth Index
Lonsec peer group	Diversified

Alpha Generation

The Fund has met its investment objective. The Fund in the short and medium term has benefitted from security selection in Global equities and Australian bonds. The Fund has typically performs well when the 'deep value' style is in favour.

Calendar Year Excess Return



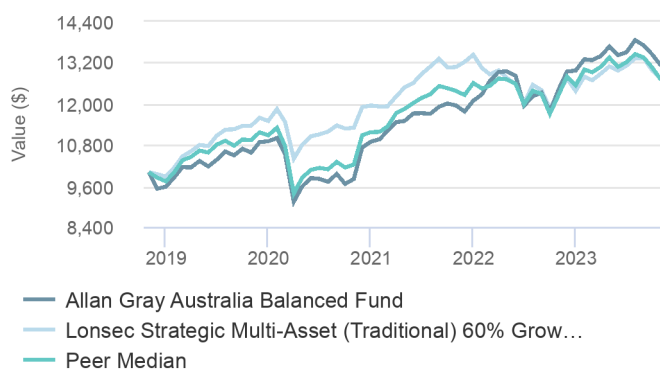
3 Year Risk and Return



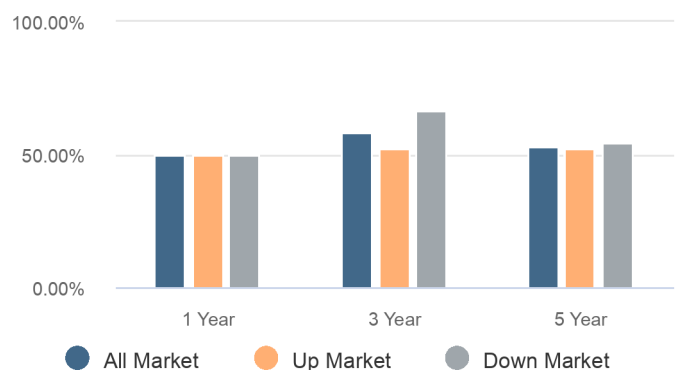
Alpha Consistency

The Fund's longer-term performance has improved driven by strong relative performance over one and three years. The Fund's performance is above the peer median over most assessed time periods, demonstrating an ability to generate alpha during periods when favourable market conditions and importantly fundamentals drive asset price returns. The Fund's outperformance ratio is above peers.

Growth of \$10,000 Over 5 Years



Returns Consistency



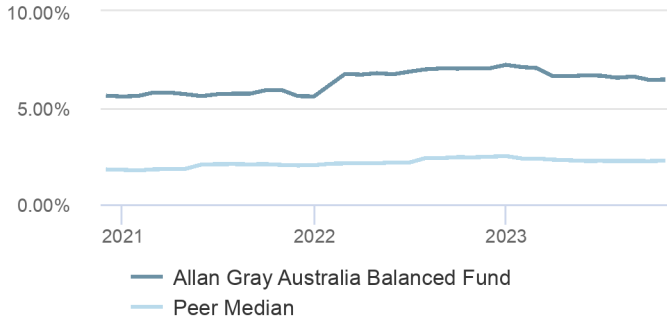
Performance data is as at 31 October 2023

Performance (continued)

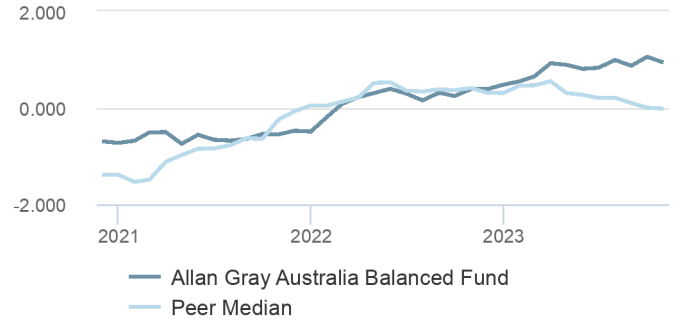
Benchmark Relativity

The Fund's tracking error is well-above peers given the relatively high conviction approach from a security selection perspective.

3 Year Rolling Tracking Error Over 3 Years



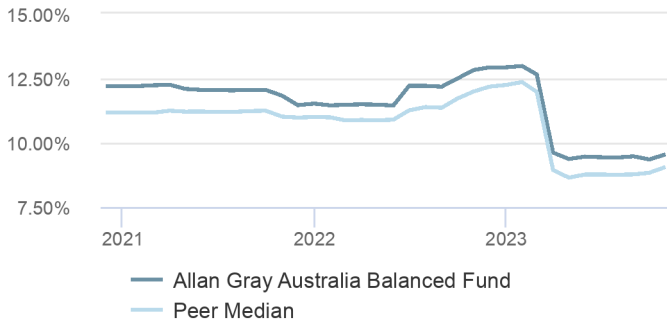
3 Year Rolling Information Ratio Over 3 Years



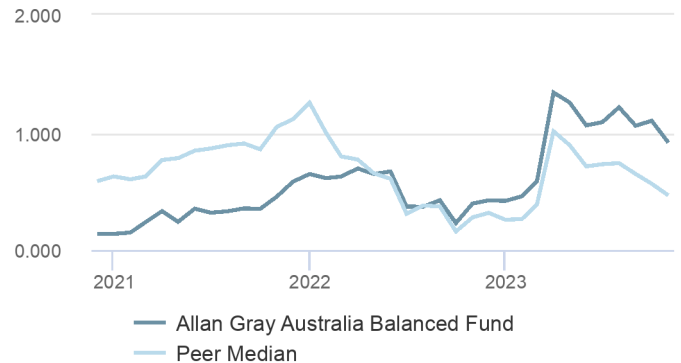
Return Volatility

The Fund's volatility over three and five year periods has been above peer median. The stronger relative performance has resulted in higher sharpe and information ratios over most assessed time periods.

3 Year Rolling Standard Deviation Over 3 Years



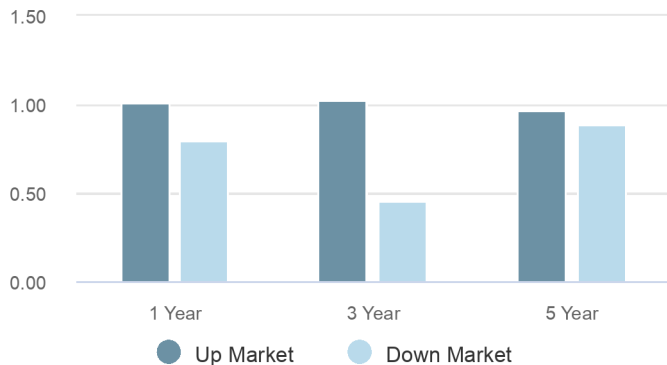
3 Year Rolling Sharpe Over 3 Years



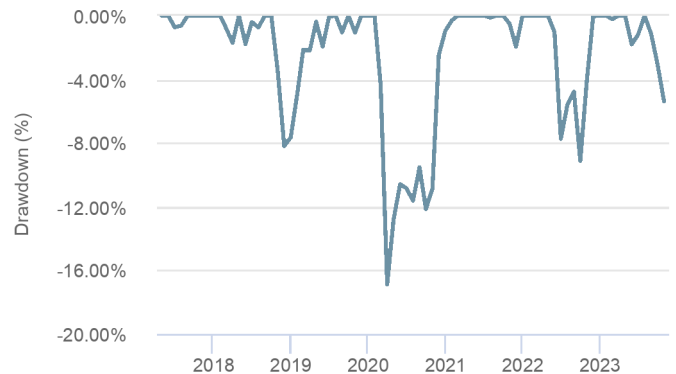
Product Defensiveness

The Fund's drawdown profile is less favourable than the peer median over five years, as evidenced by the worst drawdown of 16.9% vs 15.1% for the peer median over five years.

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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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 of 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)

Due to the specific nature of its charges, disclosure of Lonsec Research fees may not be ascertainable when you receive this FSG, but you are able to request this information in writing before a financial service is provided to you. The fees received by Lonsec Research do not have an effect on the inclusion (or otherwise) of a financial product in portfolios managed by Lonsec Investment Solutions; or in approved product lists as a result of Lonsec Investment Solutions consulting activities. We do not have any direct employees as all employees are contracted, for employment purposes, with Lonsec Fiscal, a subsidiary of Lonsec Holdings. All employees of Lonsec are paid a salary and may receive a discretionary bonus which is not guaranteed. Sales employees may have a sales commission plan, relevant for sales to Wholesale clients, as offered by Lonsec Research from time to time at its discretion.

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

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

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

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

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

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

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

This FSG was prepared on 9 June 2023.