



Refer to glossary for definition of the rating

## Product Review

### About this Product

|                    |                              |
|--------------------|------------------------------|
| Investment manager | Allan Gray Australia Pty Ltd |
| Benchmark          | S&P/ASX 300 TR Index AUD     |
| Product structure  | Managed Fund                 |
| Product size       | \$2.57b                      |
| Inception date     | May 2006                     |
| Asset class        | Australian Equities          |
| Sector             | Australian Large Cap         |
| Peer group         | Value                        |
| Rated peers        | 28                           |

### Product Characteristics

|                              |                     |
|------------------------------|---------------------|
| Business Life Cycle          | Growing             |
| Product Wind-Up Risk         | Low                 |
| Key Person Risk              | Medium              |
| Tenure of Decision Makers    | High                |
| Complex (RG240)              | No                  |
| Strategy Remaining Capacity  | \$7.2bn             |
| ESG Approach                 | Risk or Value       |
| Peer Relative Fees and Costs | In line with median |

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

|                              |             |
|------------------------------|-------------|
| Management fees & costs      | 0.77        |
| Performance fee costs        | 0.00        |
| Net Transaction Costs        | 0.00        |
| Buy/Sell Spread              | 0.20/0.20   |
| <b>Annual fees and costs</b> | <b>0.77</b> |

Source: FE fundinfo, PDS Date: 08/Oct/2024

### Strengths

- The Fund's lead portfolio manager, Simon Mawhinney, is an experienced and highly capable investment professional.
- The Manager adopts a contrarian investment philosophy that is consistently executed through a highly detail-oriented investment process.
- The investment team is highly educated with a diverse range of industry and academic backgrounds.
- The team exhibits strong buy-in to the firm's investment philosophy and are well-aligned with end investors.

### Weaknesses

- Key person risk in Simon Mawhinney is high, albeit he is supported capably by Portfolio Manager, Suhas Nayak.
- The Manager's high assets under management and the low liquidity of certain stocks could potentially cause liquidity challenges. However, this has been effectively managed so far.
- The Fund's performance fee has the potential to create an above average overall fee load relative to the broader Australian equity sector.

## Product Opinion

The Fund's rating has been maintained at **'Highly Recommended'** following the latest review, reflecting strong confidence in Portfolio Manager, Simon Mawhinney, who is considered a skilled investor. He is ably supported by Portfolio Manager, Suhas Nayak and a well-qualified team. Further, the Fund has typically displayed strong alpha when the Manager's investment style is favoured. However, the unconstrained approach may introduce elevated risk, and the firm's substantial holdings could pose liquidity issues and challenges in generating alpha, though these have been managed effectively to date.

### 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 outperform the benchmark over the long term            |
| Internal return objective | None stated   |
| Internal risk objective   | To avoid the permanent loss of capital over the long term |

#### Asset Allocation (%) (as at 30/06/2024)

|                     |               |
|---------------------|---------------|
| Australian Equities | 94.69         |
| Cash                | 5.31          |
| <b>Total</b>        | <b>100.00</b> |

Source: FE fundinfo

#### Rating History

|             |                    |
|-------------|--------------------|
| 22-Sep-2023 | Highly Recommended |
| 20-Sep-2022 | Highly Recommended |
| 17-Sep-2021 | Highly Recommended |

#### Product Distribution Profile

|  |                |
|--|----------------|
| Frequency  | Annually       |
| Last Missed Distribution                           | Not applicable |
| Number of Missed Distributions in the last 5 years | None           |
| AMIT Election                                      | Yes            |
| TOFA Election                                      | No             |

#### Top 10 Holdings (as at 30/06/2024)

|                       | Weight (%) |
|-----------------------|------------|
| ALUMINA               | 8.20       |
| NEWMONT               | 8.00       |
| WOODSIDE ENERGY GROUP | 7.80       |
| ANSELL                | 6.50       |
| QBE INSURANCE GROUP   | 5.00       |
| ANZ GROUP HOLDINGS    | 5.00       |
| VIRGIN MONEY UK       | 4.80       |
| SIMS                  | 3.10       |
| INCITEC PIVOT         | 3.00       |
| WESTPAC BANKING       | 3.00       |

Source: FE fundinfo

#### Target Market Determination

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

#### Performance Analysis - annualised after fees at 30/06/2024

|                              | 1 Year | Median | 2 Year | Median | 3 Year | Median | 5 Year | Median |
|------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Performance (% p.a)          | 5.73   | 9.58   | 11.27  | 12.30  | 9.37   | 7.28   | 6.30   | 7.37   |
| Standard deviation           | 13.02  | 10.99  | 13.59  | 12.13  | 14.77  | 12.59  | 20.89  | 17.21  |
| Excess return (% p.a)        | -6.19  | -2.43  | -1.88  | -1.00  | 3.30   | 1.06   | -0.92  | 0.15   |
| Outperformance ratio (% p.a) | 41.67  | 41.67  | 45.83  | 45.83  | 50.00  | 51.39  | 51.67  | 48.33  |
| Worst drawdown (%)           | -10.93 | -7.71  | -10.93 | -7.74  | -14.48 | -10.92 | -34.82 | -29.32 |
| Time to recovery (mths)      | 5      | -      | 5      | -      | 4      | -      | 17     | 9      |
| Sharpe ratio                 | 0.10   | 0.45   | 0.56   | 0.72   | 0.47   | 0.38   | 0.22   | 0.33   |
| Information ratio            | -0.81  | -0.53  | -0.27  | -0.27  | 0.39   | 0.23   | -0.10  | 0.06   |
| Tracking error (% p.a)       | 7.60   | 4.56   | 6.86   | 4.65   | 8.39   | 5.48   | 9.15   | 5.45   |

**Lonsec Peer Group:** Australian Equities - Australian Large Cap - Value

**Product Benchmark:** S&P/ASX 300 TR Index AUD

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

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

Business data is as at 31 December 2023

### Business

#### Facts

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

#### Governance

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

#### Who is the Manager?

Allan Gray Australia Pty Ltd ('Allan Gray' or 'the Manager') is a privately owned investment management firm founded in 2005 as Orbis Investment Management (Australia) Pty Ltd. Its ownership is divided between the Allan & Gill Gray Foundation ('the Foundation') (49.5%), Simon Marais Family Interests (33.5%), and senior staff members (17%). The Manager follows a contrarian, deep-value investment philosophy, which it has consistently adhered to since its inception. It offers a focused investment approach with three distinct strategies for investors.

## Lonsec Opinion

#### Profitability

The Manager is profitable at its current level of funds under management ('FUM'). Whilst the majority of the firm's assets are held in segregated accounts, it remains above break even. However, the firm's profitability is closely tied to performance fees, which can introduce variability, making its financial performance more sensitive to market conditions.

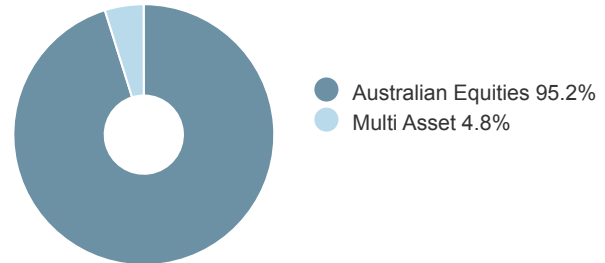
#### Business Track record

The Manager has a solid track record in the local market. Although the firm adopts a conservative approach to product development, it has consistently grown its FUM since its inception.

#### Metrics

|                                 |          |
|---------------------------------|----------|
| Total AUM                       | \$11.6bn |
| Investment Management Headcount | 25       |
| Investment Professionals        | 9        |
| Sales & Service                 | 8        |
| Distributor                     | Self     |

#### AUM



#### Business Ownership

The Foundation holds controlling ownership in the firm. It was created with the dual purpose of (i) fostering the commercial success, continuity, and independence of the Orbis and Allan Gray groups, and (ii) directing its distributable profits towards philanthropic efforts. The daily management of the businesses is entrusted to Orbis Allan Gray Limited, a holding company whose board is primarily composed of current executives and non-executive directors, ensuring the preservation of the firm's investment culture.

#### Business Governance

Business governance aligns with that of many 'boutique' peers and has generally been regarded positively. However, a recent breach of acquisition limits involving the firm's Southern Cross Media Group holding was noted in June 2023. Pleasingly, the Manager has since updated its compliance systems and processes to prevent reoccurrence, however, this will remain a watchpoint. Additionally, the firm's board lacks a majority of independent directors, and a greater separation of responsibilities between the Chair and CEO would be viewed favourably.

### Team



#### Key Decision Makers (KDM)

|                 | Primary function     | Dedicated to strategy | Appointed to strategy | Industry/Mgr exp. (yrs) | Exp. in PM roles (yrs) |
|-----------------|----------------------|-----------------------|-----------------------|-------------------------|------------------------|
| Simon Mawhinney | Portfolio management | Yes                   | 2006                  | 23/18                   | 12                     |
| Suhas Nayak     | Portfolio management | No                    | 2011                  | 13/13                   | 8                      |

#### KDM Change\*

No changes.

\* Last 3 years

#### Profile

|           |             |
|-----------|-------------|
| Size      | 9           |
| Structure | Centralised |
| Turnover  | Medium      |

#### Alignment

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

#### Resources

|                                    | Number | Average Years Experience |
|------------------------------------|--------|--------------------------|
| Key decision makers                | 2      | 18                       |
| Portfolio Managers                 |        |                          |
| Hybrid portfolio manager/ analysts |        |                          |
| Dedicated analysts                 | 6      | 10                       |
| Dedicated dealers                  |        |                          |
| Quantitative                       |        |                          |
| ESG/Sustainability                 | 1      | 2                        |
| Macro                              |        |                          |
| Investment Specialists             |        |                          |

#### Who is the Team?

The investment team consists of nine professionals, including a responsible investing analyst. Managing Director and Chief Investment Officer ('CIO'), Simon Mawhinney, leads the team, managing 65% of the Fund. Mawhinney is supported by Portfolio Manager and Analyst, Suhas Nayak, who manages the remaining portion of the portfolio. The broader investment team brings a high level of academic achievement, with several members holding PhDs in fields such as theoretical physics and mathematics. Additionally, several team members have commercial experience with leading business consulting firms. Allan Gray's approach to building its investment team is relatively unconventional, with the Manager typically seeking to recruit exceptional and numerate individuals with limited or no investment experience and train them in the firm's investment style and philosophy. The Manager does not employ a formal sector alignment for its analyst pool and each analyst is a 'generalist' with discretion to research any investment opportunity.



## Lonsec Opinion

### Skill

Mawhinney is regarded as a highly skilled and reliable investor and is believed to be committed to the firm's philosophy. Nayak brings a complementary skill set to Mawhinney and shares an alignment with the firm's investment approach. The rest of the team possesses solid experience, and the diversity of their professional backgrounds is expected to contribute to a wider range of perspectives, potentially enriching the team's market insights. The Manager is thought to uphold a competitive culture, where new hires who fail to align with the firm's philosophy or underperform are efficiently transitioned out of the business, helping to ensure the continued quality of the investment team.

### Team Size

The investment team of nine is comparable to peers, but due to the highly concentrated nature of the Manager's investment universe, the team is deemed well-suited for conducting thorough analysis. However, given the generalist approach, there is a perceived increased responsibility on Mawhinney to oversee the research process and ensure the focus remains on the best opportunities. Encouragingly, this has been well-managed so far.

### Track Record/Co-Tenure

The co-tenure within the investment team is seen as consistent with peers. While the Manager's recruitment approach can result in higher turnover, it is notable that there have been no departures in recent years. Turnover is typically more common at the junior analyst level. However, staff who remain for five years and demonstrate strong performance may be invited to participate in the Manager's equity program, helping to retain the most experienced team members. This retention strategy is reflected in the investment team's track record.

### Alignment

The team's alignment of interests with investors is viewed as a strength of the firm. The level of co-investment by the team has been historically high, with owners and staff accounting for circa 7.5% of total FUM. Notably, portfolio managers are not allowed to buy Australian-listed shares directly. Further enhancing the alignment of interest with investors is the Manager's remuneration structure, which is heavily incentive-based. Variable remuneration for analysts is predominantly driven by their stock calls and the Fund's performance. Likewise, 70-80% of variable remuneration for the portfolio managers is driven by Fund performance. In terms of the base remuneration, all investment personnel receive the same salary.

### Key Person Risk

Key person risk related to Mawhinney is regarded as high, though it is somewhat mitigated by the support from Nayak, along with Mawhinney's equity ownership and co-investment in the firm's strategies. Nevertheless, Mawhinney's departure would be considered significant, given his leadership of the process and team.



#### What is the Investment Process?

The Manager follows a long-term, fundamental 'bottom-up' investment strategy to identify undervalued companies. This approach is grounded in the belief that markets are not always efficient, or rational, as emotions can drive short-term investor behaviour. The Manager believes that the market often places too much weight on immediate news rather than considering a company's long-term fundamentals. By capitalising on such instances, the Manager invests in companies trading well below their intrinsic value, anticipating that irrational pessimism will eventually subside. This contrarian strategy gives the Fund a clear deep 'value' bias and tends to have a stronger small-cap exposure than some peers. The Manager is relatively 'benchmark unaware' and the Fund typically displays high tracking error and active share.

### Lonsec Opinion & Supporting Facts

#### Philosophy and Universe

|                     |                  |
|---------------------|------------------|
| Investment Type     | Fundamental      |
| Investment Approach | Bottom-up        |
| Investment Style    | Value/contrarian |
| Typical market cap  | All cap          |
| Minimum market cap  | Not applicable   |
| Available Universe  | 2,000            |

The 'value' strategy is well-suited to the Fund's investment universe and aligns with its performance objectives. The Fund's mandate provides ample flexibility, with capital preservation as its primary risk consideration, enabling the potential to outperform the benchmark. However, due to its deep 'value' investment style, the Fund may underperform during periods of market stress, and the Manager's 'true-to-label' contrarian approach can lead to early entry into falling stocks.

#### Research Process

|                            |   |
|----------------------------|---|
| Key screens                | Valuation   |
| Screened universe          | 2,000   |
| Idea generation            | Financial market data, newsflow/events, financial statements  |
| Stocks researched          | 80  |
| Annual manager meetings    | 120   |
| Key research inputs        | Financial statements, company meetings, company data, industry data, economic/market data, quantitative model |
| Primary valuation approach | Other   |

The Manager employs an opportunistic research approach, allowing individual analysts to focus on a portfolio of 'best investment ideas' rather than being restricted to specific sectors. While the Manager uses some quantitative screening, the primary focus is on individual analyst-generated ideas. Once a stock is identified, the analyst presents it to the Policy Group Meeting ('PGM'), where portfolio managers review and consider its inclusion in the portfolios. The key edge over peers is the Manager's strict adherence to its 'value' investment style, which significantly narrows the investment universe and allows for deeper, more focused analysis. Its 'bottom-up' research process is comprehensive and detailed, with a strong reliance on internally developed models and valuations, while broker research provides broader market insights. Although the research process is less standardised than that of peers, the team's academic backgrounds, experience, and consistent adherence to the investment philosophy are important factors in ensuring that the research effort remains disciplined and objective. The firm's investment tools are comparable to those used by similar boutique managers.

### Process (continued)



#### Portfolio Construction

|                                 |                    |
|---------------------------------|--------------------|
| Portfolio management structure  | Co-PM              |
| Approach to benchmark           | Benchmark Agnostic |
| Typical security numbers        | 57                 |
| Typical securities range        | 37-74              |
| Typical portfolio turnover p.a. | 30%                |
| Typical active share            | >80%               |

The final portfolio combines two sub-portfolios managed by Mawhinney and Nayak. The Manager's portfolio construction is less systematic than peers, lacking standard outputs like target prices or weights. Instead, the portfolio managers build the portfolio intuitively, focusing on stocks offering the best value while considering market liquidity and diversification. While the process lacks transparency, confidence lies in the Manager's performance-driven culture and the senior investors' expertise. Further, the Fund remains closely aligned with the team's top investment ideas, with both portfolios typically showing substantial overlap. That said, the Manager's contrarian approach also permits a greater tolerance for negative news and stock underperformance compared to its peers.

#### Capacity Management

|                                 |          |
|---------------------------------|----------|
| Capacity guidance               | \$18bn   |
| Strategy AUM                    | \$10.8bn |
| Portfolio liquidity (1 week)    | 52.00%   |
| Substantial holdings by manager | 13       |
| Strategy previously closed      | No       |

The Manager has ample capacity, with total firm FUM well below the stated limit. The Manager's profitability and team compensation are closely linked to performance fees, aligning interests with investors and reducing the focus on asset gathering. However, there is some latent liquidity risk with this strategy, due to the Manager's high conviction approach and large positions in relatively small stocks. This results in substantial ownership in many portfolio holdings. Although small-cap investments have been maintained at 10-25% in recent years, exiting these positions may be challenging in the event of a significant negative development.

#### Investment Risk Management

|  |                    |
|--|--------------------|
| Monitoring external to investment team | Yes                |
| Frequency of monitoring                | Quarterly          |
| Primary risk management system         | Proprietary        |
| Security Limits (Min./Max.)            | Not applicable     |
| Sector Limits (Min./Max.)              | Not applicable     |
| Country Limits (Min./Max.)             | Australia(100.00%) |
| Non-index Allocation (Typical, Max.)   | 4%, 0%             |
| Cash Allocation (Typical, Max.)        | 5%, 10%            |

The Fund's risk mandate is considered flexible, with less focus on 'top-down' risk management and strict sector limits than many peers. Instead, the Manager emphasises the research process and assesses the 'margin of safety' in valuation as the primary risk management tool. Although the risk management approach is seen as less sophisticated compared to some peers and relies mainly on fundamental analysis, internal quantitative risk models are used to monitor and measure risk exposures which is a positive. Due to the Fund's relatively concentrated and 'benchmark unaware' approach, it may exhibit higher risk characteristics at times.

### ESG



#### Manager Positioning

|                              |                 |
|------------------------------|-----------------|
| Responsible investment style | ESG Integration |
| ESG approach                 | Risk or Value   |
| Sustainability thematic      | Not applicable  |
| Non-financial objective      | None            |

#### Sustainability Score

No score.

#### What is the Manager's ESG approach?

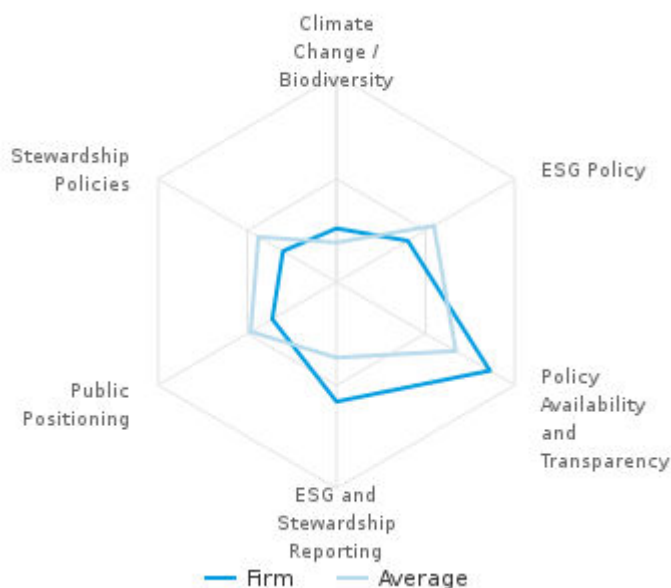
The Manager has indicated that their responsible investment style is 'ESG integration' and as such they consider environmental, social and governance factors when assessing investment opportunities. With a primary ESG style of 'risk or value,' managers will determine inclusion based on the balance of 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 client's 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 | Not applicable |

#### ESG Snapshot



#### Product Level Approach

The Manager sources ESG data in a structured and thorough manner. Multiple providers are accessed with underlying data as well as final scores incorporated. There are clear signs of defined ESG elements within the research process for the Fund, however, there is less structure to the Manager's approach than in leading managers. There are clear links from the Manager's research to the stock selection process through adjustment of price targets to account for outsized ESG risks. This adjustment is more ad-hoc than structured in nature. 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. While the Manager has systems in place to track and record engagements, there is no clear system for prioritising engagements or for measuring success.

#### Strategy: Clarity, Measurability & Reporting

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

#### Manager Level Approach

The Manager's overall ESG policy framework and disclosure align with their peers. The Manager's stewardship policy is weakly positioned with a strong focus on earnings sustainability. The stewardship policy score reflects a policy framework that lacks depth compared to peers. Although engagement is a key part of the Manager's investment process, the framework is very high level and lags behind industry-leading peers. Pleasingly, the Manager has disclosed an improvement in the number of engagements in their stewardship report, with some engagement outcomes provided. The improved disclosure is reflected in the ESG and stewardship reporting score.



### Product



#### Service Providers

|   |                              |
|---|------------------------------|
| Responsible entity                              | Equity Trustees Limited      |
| Investment manager                              | Allan Gray Australia Pty Ltd |
| Custodian                                       | Citibank, N.A                |
| Administrator                                   | Citigroup Pty Ltd            |
| Fund Auditor                                    | EY                           |
| Change in Key Providers? (Over last 12 months ) | No                           |

#### Product Details

|                         |                                      |
|-------------------------|--------------------------------------|
| Product size            | \$2.49b                              |
| Fund 12-month net flows | Positive                             |
| Distribution model      | Internal                             |
| Buy/sell spreads        | 0.20%/0.20%                          |
| Investment structure    | Direct                               |
| Product type            | Registered Managed Investment Scheme |
| Currency hedged         | N/A                                  |
| Use of derivatives      | Yes                                  |
| Types of derivatives    | Futures                              |

#### What is the Product Structure?

The Fund is a vanilla Australian-domiciled unit trust. The Fund is a long-term Australian equity product and it can invest across the market capitalisation spectrum, often showing notable exposures to smaller companies.

### Lonsec Opinion

#### Service Providers

The Manager has engaged large 'tier 1' service providers for critical functions such as custodial, administration and broking services. Additionally, the Fund has a 'big 4' accounting firm as its auditor.

#### Operational 'Red Flags'

The Fund is a straightforward listed Australian equity strategy but actively invests across the market cap spectrum, which can present operational and liquidity challenges during market dislocations due to its daily liquidity. The Manager has a large book of institutional mandates that mirror the Manager's retail funds and are permitted to be redeemed daily. Although the Manager's strategies are soft-closed to new institutional mandates, it is possible that a large enough withdrawal could impact the Fund's unit price in the short term given the relatively poor liquidity of the portfolio. Importantly, this risk has been managed well to date.

#### Wind-up Risks

The Fund and firm are well supported by the market with minimal wind-up risk.

### Fees

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

|                              |             |
|------------------------------|-------------|
| Management fees & costs      | 0.77        |
| Performance fee costs        | 0.00        |
| Net Transaction Costs        | 0.00        |
| Buy/Sell Spread              | 0.20/0.20   |
| <b>Annual fees and costs</b> | <b>0.77</b> |

Source: FE fundinfo, PDS Date: 08/Oct/2024

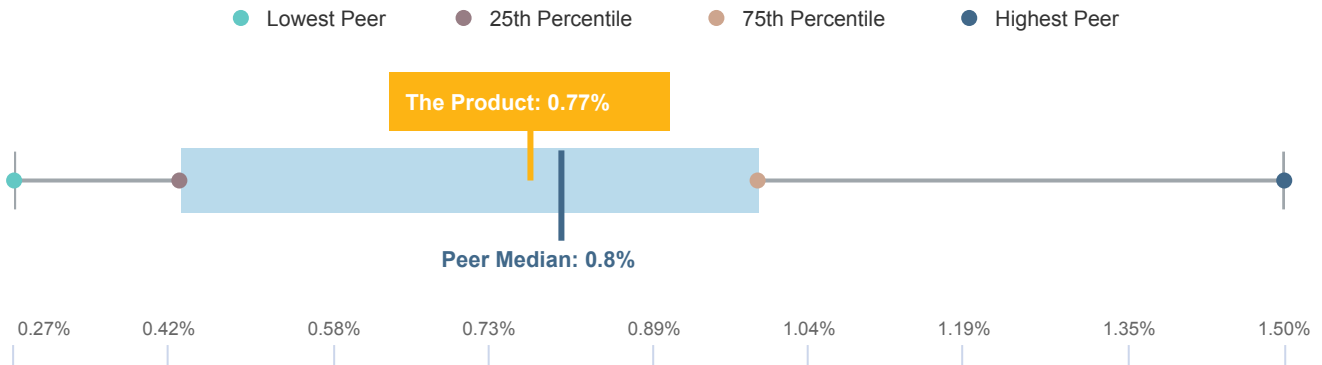
#### Performance Fees

|                      |                    |
|----------------------|--------------------|
| Applicable           | Yes                |
| Hurdle type          | Benchmark relative |
| Hurdle               | Outperformance     |
| Rate                 | 20.5%              |
| Fee capping          | No                 |
| High watermark       | Yes                |
| Above high watermark | No                 |
| Reset Allowed        | No                 |

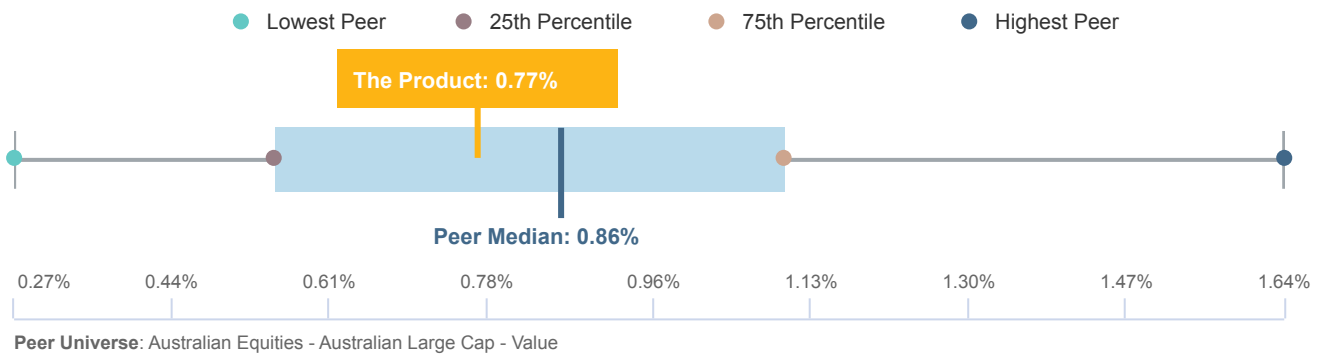
### Fees Explained

The Fund's annual fees and costs ('AFC') total 0.77% p.a. This value comprises management fees and costs of 0.77% p.a. with estimated performance fees of nil. In line with RG97, some fees and costs have been estimated by the issuer on a reasonable basis. Actual fees and costs may vary from these estimates

#### Management Fees and Costs Peer Comparison



#### Annual Fees and Costs Peer Comparison



## Lonsec Opinion

### Annual Fees and Costs

The Fund's total fee load is considered aligned with the peer median, especially given the 'benchmark unaware' approach.

### Fairness

The base management fee is lower than that of most peers, and the performance fee is well-structured, although it features a relatively high 20.5% charge on outperformance and does not have a cap.

Performance data is as at 30 June 2024

### Performance

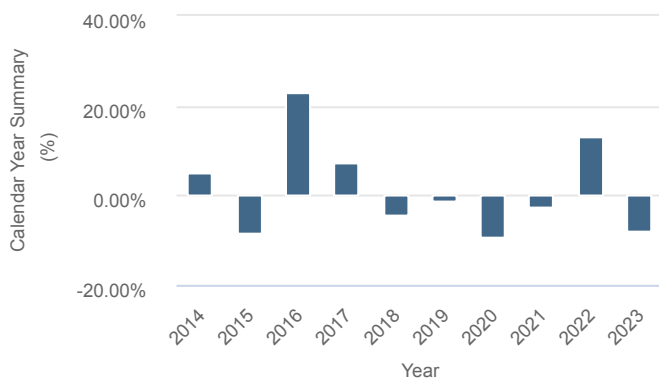
#### Performance Summary

|                           |   |
|---------------------------|---|
| PDS return objective      | To outperform the benchmark over the long term            |
| Internal return objective | None stated   |
| Internal risk objective   | To avoid the permanent loss of capital over the long term |
| Product benchmark         | S&P/ASX 300 TR Index AUD                                  |
| Lonsec peer group         | Value   |

#### Alpha Generation

The Fund has met its investment objective over the past three years but has underperformed over the five years ending June 2024. The Manager's performance over the last 12 months was notably weak compared to the benchmark, primarily due to the 'value' approach, which tends to lag in strong, upward-trending markets.

#### Calendar Year Excess Return



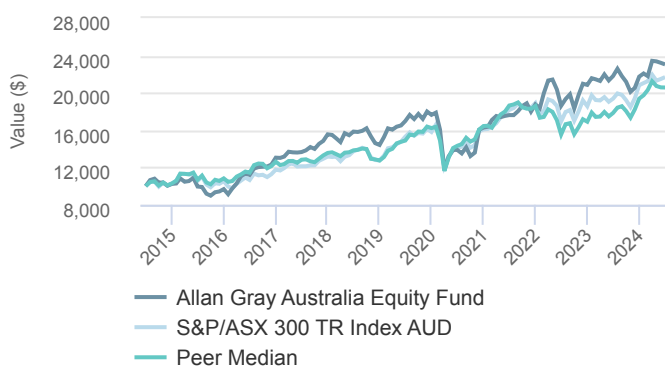
#### 3 Year Risk and Return



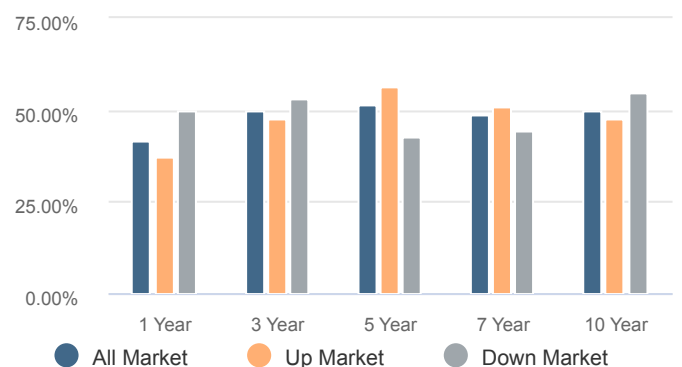
#### Alpha Consistency

The Fund's medium-term alpha has been diminished by its short-term underperformance, with the Fund trailing the benchmark by 1.8% p.a. over the five years through to June 2024, and also falling short compared to the peers. However, it outperformed by 4.2% p.a. over the past three years, showing strong performance relative to peers and highlighting an ability to generate alpha when the Manager's style is favoured.

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



#### Returns Consistency



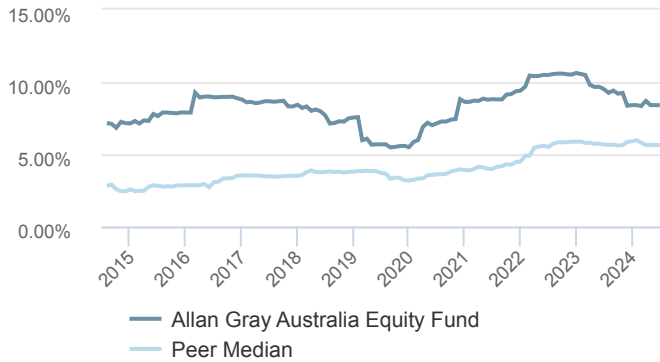
Performance data is as at 30 June 2024

### Performance (continued)

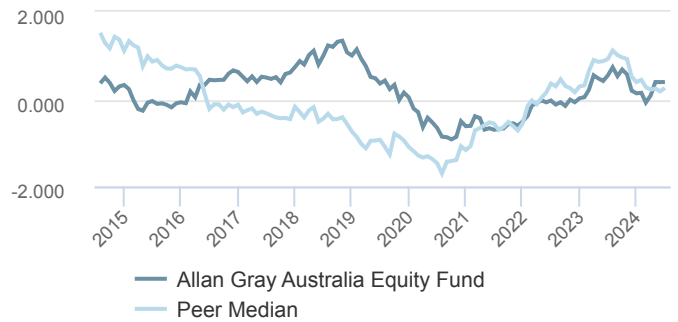
#### Benchmark Relativity

The Fund typically demonstrates a high level of activeness, attributed to its concentrated strategy and lack of formal risk constraints. The Fund's three-year tracking error of 8.4% was ahead of peers and the Fund consistently maintains a high active share of over 80%.

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



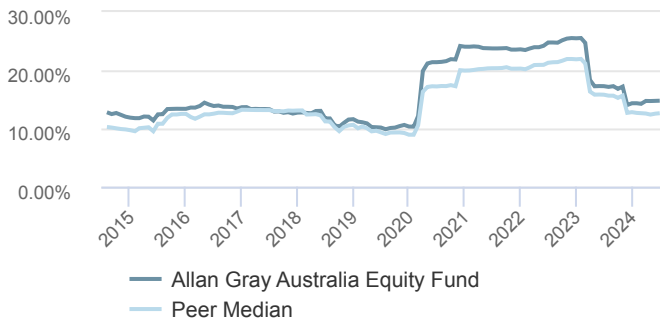
#### 3 Year Rolling Information Ratio Over 10 Years



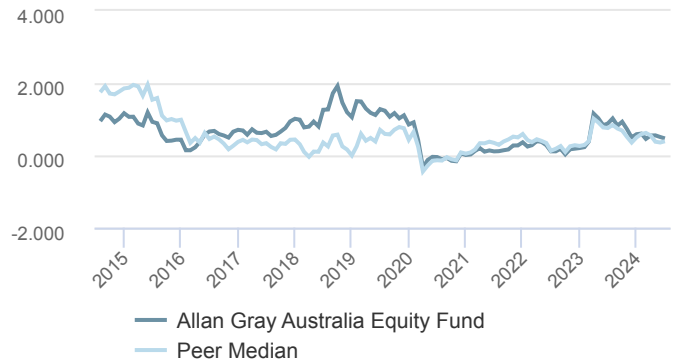
#### Return Volatility

The Fund's unconstrained approach and SMID-cap exposure have resulted in a more volatile return profile compared to the benchmark and peers. Nevertheless, the Fund's Sharpe Ratio has been consistent with that of its peers over the medium term, reflecting comparable risk-adjusted performance.

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



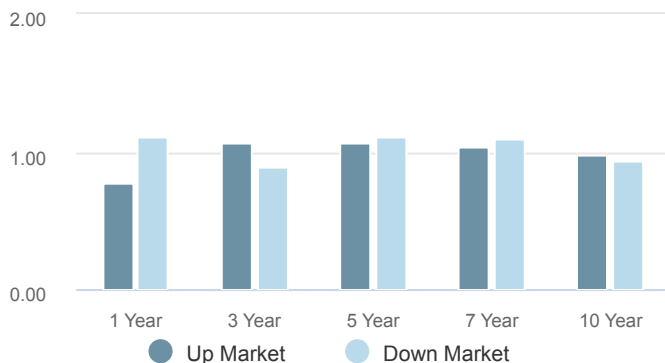
#### 3 Year Rolling Sharpe Over 10 Years



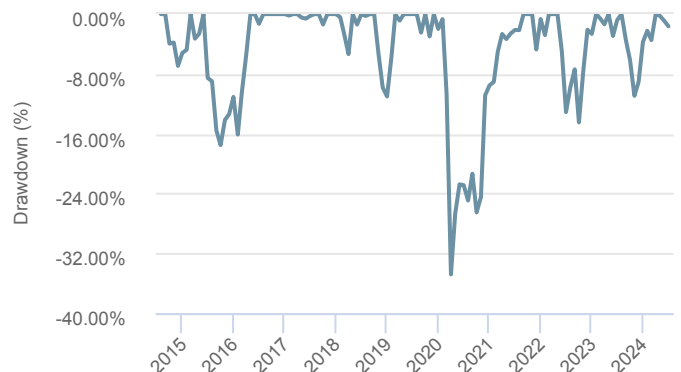
#### Product Defensiveness

Since its inception, the Fund has offered reasonable downside protection. However, its defensiveness can be challenged at times due to the Manager's contrarian approach, which may include stocks with relatively poor quality characteristics. Pleasingly, the Fund has generally outperformed during down markets since inception.

#### Market Capture Ratio



#### Drawdowns



## Ratings

'**Highly Recommended**' rating indicates that Lonsec has very strong conviction the product can meet its investment objectives.

'**Recommended**' rating indicates that Lonsec has strong conviction the product can meet its investment objectives.

'**Investment Grade**' rating indicates that Lonsec has conviction the product can meet its investment objectives.

'**Approved**' rating indicates that Lonsec believes the product can meet its investment objectives.

'**Not -Approved**' rating indicates that Lonsec does not believe the product can meet its investment objectives.

'**Closed / Wind Up**' status is applied when the product has been closed.

'**Fund Watch**' status is applied when a rating is under review due to the occurrence of a significant event relating to the product.

The '**Redeem**' rating indicates Lonsec no longer has sufficient conviction that the product can meet its investment objectives.

The '**Screened Out**' rating indicates Lonsec was unable to attain sufficient conviction that the product can meet its investment objectives.

'**Discontinued Review**' status is applied where a product issuer withdraws the product from the review process prior to completion, for any reason other than the product being closed or unavailable to investors.

The '**Ceased Coverage**' status is applied when a rated product is withdrawn from the research process by the product issuer.

## General

**Climate Change / Biodiversity:** the extent to which a manager has a leading climate and biodiversity policies.

**ESG and Stewardship Reporting:** the transparency, accessibility and usefulness of a manager's reporting.

**ESG Policy:** the strength of commitment to ESG as ascertained by a review of a manager's ESG policies.

**Excess return:** Return in excess of the benchmark return.

**Information ratio:** Relative reward for relative risk taken (Excess Returns / Tracking Error).

**Key decision maker (KDM):** A nominated investment professional who has portfolio decision making discretion for a Fund, e.g. 'buy' or 'sell' decisions.

**Market capture ratio:** A product's performance during either 'up' or 'down' market trends relative to an index.

**Policy Availability / Transparency:** the ease of public access to, and transparency of, a manager's overall ESG policy suite.

**Public Positioning:** the resolve of a manager's commitment to ESG as ascertained by their public positioning.

**Returns consistency:** The proportion of a product's monthly outperformance during a period relative to the benchmark when it was rising, falling and in aggregate.

**Sharpe ratio:** Excess return earned for additional volatility experienced when holding riskier assets versus risk-free asset.

**Standard deviation:** Volatility of monthly Absolute Returns.

**Stewardship Policies:** the strength of a manager's proxy voting and engagement policies with respect to ESG.

**Time to recovery:** The number of months taken to recover the Worst Drawdown.

**Total return:** 'Top line' actual return, after fees.

**Tracking error:** Volatility of monthly Excess Returns against the benchmark (the Standard Deviation of monthly Excess Returns).

**Worst drawdown:** The worst cumulative loss ('peak to trough') experienced over the period assessed.

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## Lonsec Research FSG Financial Services Guide

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### 1.1 What is a Financial Services Guide?

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

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

### 1.2 About Lonsec Research and its related parties

ASX listed Generation Development Group Limited (ABN 90 087 334 370) is the parent company of Lonsec Holdings Pty Ltd (ABN 41 151 235 406) (Lonsec Holdings). Lonsec Research is a wholly owned subsidiary of Lonsec Holdings Pty Ltd (ABN 41 151 235 406) (Lonsec Holdings) and provides in-depth, investigative investment research across a broad range of listed and unlisted investments.

Other subsidiaries of Lonsec Holdings include SuperRatings Pty Ltd (ABN 95 100 192 283), Implemented Portfolios Pty Limited (ABN 36 141 881 147) and Lonsec Investment Solutions Pty Ltd (ABN 95 608 837 583). All employees of the Lonsec group entities, including Lonsec Research, are employed by Lonsec Fiscal Pty Ltd (ABN 94 151 658 534).

### Contact Details

Lonsec Research Pty Ltd  
Level 39, 25 Martin Place  
Sydney NSW 2000  
Tel: 1300 826 395  
Email: [info@lonsec.com.au](mailto:info@lonsec.com.au)  
[www.lonsec.com.au](http://www.lonsec.com.au)

### 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;

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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)

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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 1 August 2024.