



Refer to glossary for definition of the rating

Product Review

About this Product

Investment manager	Allan Gray Australia Pty Ltd
Benchmark	RBA Cash Rate
Product structure	Managed Fund
Product size	\$354m
Inception date	Jul 2011
Asset class	Australian Equities
Sector	Australian Large Cap
Peer group	Absolute Return
Rated peers	8

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	Not applicable
ESG Approach	Risk or Value
Peer Relative Fees and Costs	Below median

Annual Fees and Costs (% p.a.)

Management fees & costs	0.26
Performance fee costs	0.69
Net Transaction Costs	0.00
Buy/Sell Spread	0.10/0.10
Annual fees and costs	0.95

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. They exhibit strong buy-in to the firm's investment philosophy and are strongly aligned with end investors.
- The Fund's management fees and costs (0.26%) is one of the lowest in the peer group.

Weaknesses

- Key person risk in Simon Mawhinney is high, albeit he is supported capably by Portfolio Manager, Suhas Nayak.
- The Manager's high funds under management and low liquidity in a number of the Fund's stocks may lead to liquidity issues. However, this has been managed effectively so far.
- The performance fee hurdle of outperforming the prevailing RBA Cash Rate can lead to elevated fees relative to the Fund's return.

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. Further, the team is considered well-qualified and benefits from the firm's strong performance culture. The Fund has delivered strong risk-adjusted returns over the long term. The 50% cash floor also ensures that the Fund's volatility will be much lower than peers, however, the Fund may not be suitable for investors seeking full exposure to the Australian market.

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	The Fund aims to provide a long-term return that exceeds the benchmark, with less volatility
Internal return objective	The Fund aims to provide a long-term return that exceeds the benchmark, with less volatility
Internal risk objective	To avoid the permanent loss of capital over the long term

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

Australian Equities	17.53
Australian Fixed Interest	1.56
Cash	80.91
Total	100.00

Source: FE fundinfo

Rating History

22-Sep-2023	Highly Recommended
20-Sep-2022	Highly Recommended
23-Sep-2021	Highly Recommended

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

	1 Year	Median	2 Year	Median	3 Year	Median	5 Year	Median
Performance (% p.a)	4.94	7.04	5.88	9.34	4.85	4.85	4.27	7.29
Standard deviation	3.35	8.93	3.60	8.93	4.06	10.40	5.32	12.36
Excess return (% p.a)	0.67	-0.30	2.29	0.65	2.41	-1.16	2.65	2.48
Outperformance ratio (% p.a)	58.33	50.00	66.67	54.17	63.89	52.78	63.33	58.33
Worst drawdown (%)	-1.76	-5.59	-2.10	-5.59	-4.11	-5.94	-7.29	-16.96
Time to recovery (mths)	2	2	1	2	3	8	8	12
Sharpe ratio	0.17	0.42	0.63	0.67	0.59	0.49	0.50	0.50
Information ratio	0.20	-0.03	0.63	0.09	0.59	-0.15	0.50	0.26
Tracking error (% p.a)	3.32	5.73	3.62	4.68	4.06	5.11	5.33	5.33

Lonsec Peer Group: Australian Equities - Australian Large Cap - Absolute Return

Product Benchmark: RBA Cash Rate

Cash Benchmark: Bloomberg AusBond Bank Bill Index AUD

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

Product Distribution Profile

Frequency	Quarterly
Last Missed Distribution	Not applicable
Number of Missed Distributions in the last 5 years	0
AMIT Election	Yes
TOFA Election	No

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

	Weight (%)
ALUMINA	2.90
NEWMONT	2.70
WOODSIDE ENERGY GROUP	2.70
ANSELL	1.20
TOP ASX-LISTED SECURITIES <1%	4.40

Source: FE fundinfo

Target Market Determination

Produced by issuer	Yes
Provided to Lonsec	Yes

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.

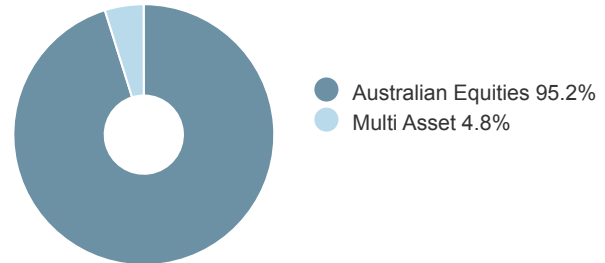
Business Track record

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 and is the portfolio manager for the Fund. Mawhinney is supported by Portfolio Manager and Analyst, Suhas Nayak, although he does not have any formal portfolio management responsibilities for the strategy. 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.

Process



What is the Investment Process?

The Fund is a long-only, all-cap contrarian Australian equity fund, with at least 50% of its assets held in cash. The remaining assets are invested in Australian equities, typically spread across 25 to 35 stocks. This high cash holding is in service to its investment objectives which are to outperform the RBA cash rate over the long term while maintaining a lower level of volatility than the equity market. The Manager will reduce the Fund's exposure to cash when they uncover stock ideas that offer compelling long-term value relative to cash with limited downside risk. Since its inception, the Fund's cash allocation has ranged between 60-80%. The term deposits are laddered across various maturities and have a duration of less than or equal to 12 months.

Lonsec Opinion & Supporting Facts

Philosophy and Universe

Investment Type	Fundamental
Investment Approach	Bottom-up
Investment Style	Other
Typical market cap	All cap
Minimum market cap	Not applicable
Available Universe	All ASX-listed securities

The default position of the Fund is to be wholly invested in cash and term deposits only being reduced below this default position down to a minimum when Allan Gray's equity research effort uncovers stock ideas that offer compelling long-term value relative to cash with limited downside risk. Pleasingly, the asset allocation is largely driven by the bottom-up research process. The 'value' strategy applied to the Fund's equity exposure is well-suited to its 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.

Research Process

Key screens	Balance Sheet, Earnings, Liquidity, Market Cap, Yield
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	Sole PM
Approach to benchmark	Benchmark Agnostic
Typical security numbers	28
Typical securities range	10-38
Typical portfolio turnover p.a.	>20%
Typical active share	>90%

The Manager's portfolio construction is less systematic than peers, lacking standard outputs like target prices or weights. Instead, the portfolio manager builds the portfolio intuitively, focusing on stocks offering the best value while considering market liquidity and diversification. Alternatively, Mawhinney will go to cash and term deposits (allowable cash exposures are cash and term deposits with the big four banks with a maturity of 12 months or less). While the process lacks transparency, confidence lies in the Manager's performance-driven culture and the senior investor's expertise. Further, the Fund remains closely aligned with the team's top investment ideas. 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	\$351m
Portfolio liquidity (1 week)	22.00%
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 which may challenge the Manager's ability to exit these stocks after a material negative event impacting the stock. However, the Manager has managed this well to date.

Investment Risk Management

Monitoring external to investment team	Yes
Frequency of monitoring	Quarterly
Primary risk management system	Proprietary
Security Limits (Min./Max.)	Hard: Absolute, 0-5%
Sector Limits (Min./Max.)	Unconstrained
Country Limits (Min./Max.)	Australia(100.00%)
Cash Allocation (Typical, Max.)	69%, 100%

The Fund has an absolute return target of providing long-term returns that exceed the cash rate; thus, the primary risk is concerning capital losses rather than relative performance. The central tool employed to manage the risk of not beating cash is the in-built portfolio rule that the Fund must always invest at least 50% in cash and term deposits. In terms of risk management surrounding the equities portion of the portfolio, the risk management approach is seen as less sophisticated compared to some peers and relies mainly on fundamental analysis, however, internal quantitative risk models are used to monitor and measure risk exposures which is a positive.

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?

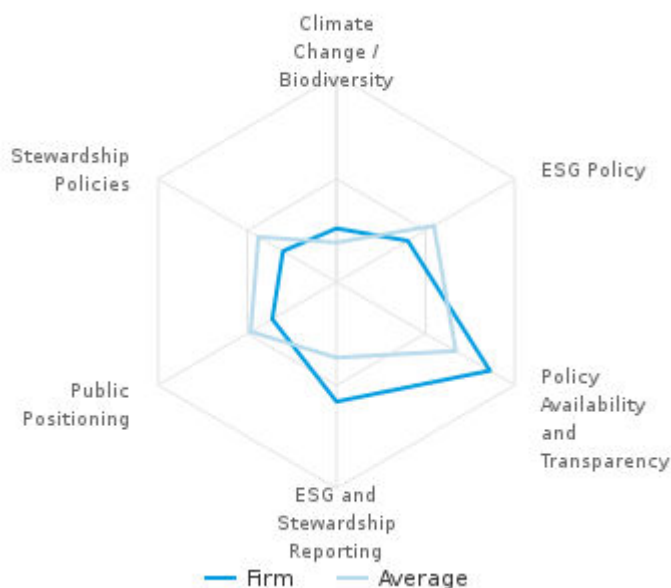
The Manager has indicated that their responsible investment style is 'ESG integration' and as such they consider environmental, social and governance factors when assessing investment opportunities. With a primary ESG style of 'risk or value,' managers will determine inclusion based on the balance of 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	\$354.00m
Fund 12-month net flows	Positive
Distribution model	Internal
Buy/sell spreads	0.10%/0.10%
Investment structure	Direct
Product type	Registered Managed Investment Scheme
Currency hedged	N/A
Use of derivatives	No

What is the Product Structure?

The Fund is a vanilla Australian-domiciled unit trust. The Fund is a long-only Australian equity strategy with significant exposure to cash and cash-like securities.

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 and is not considered operationally challenging to implement. There have been no issues identified 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	0.26
Performance fee costs	0.69
Net Transaction Costs	0.00
Buy/Sell Spread	0.10/0.10
Annual fees and costs	0.95

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

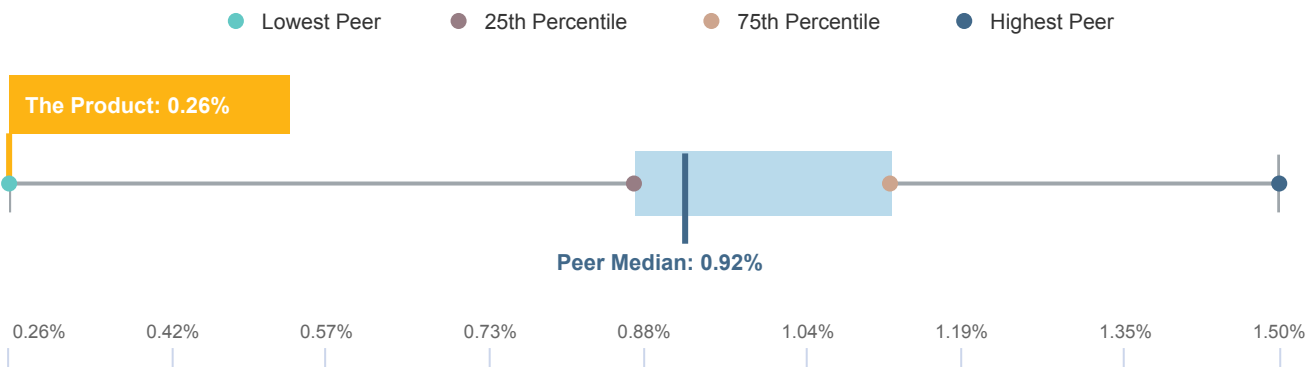
Performance Fees

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

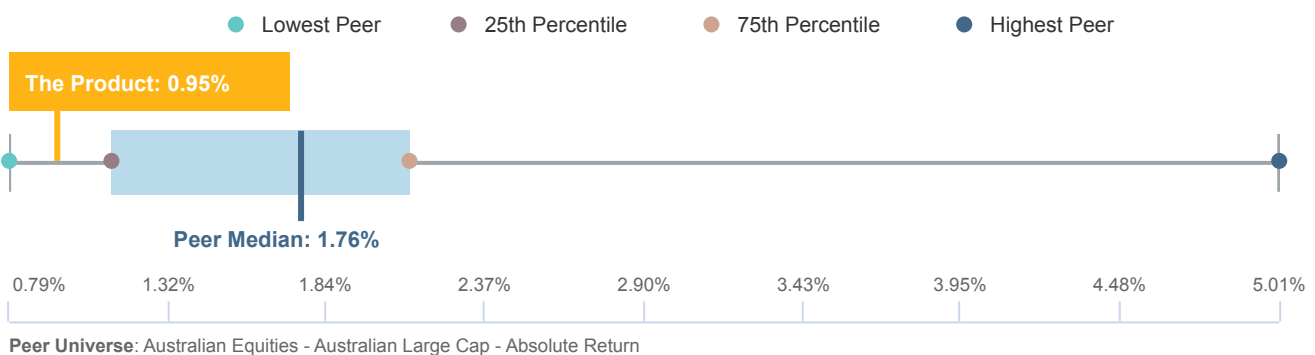
Fees Explained

The Fund's annual fees and costs ('AFC') total 0.95% p.a. This value comprises management fees and costs of 0.26% p.a. with estimated performance fees of 0.69% p.a. The Fund charges a performance fee of 20.5% of its outperformance of the RBA cash rate, subject to a high watermark. 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 AFC for the Fund is high when considering the return outcomes. Much of the AFC, however, stems from the elevated performance fee estimate following a period of strong returns.

Fairness

The base management fees and costs of 0.26% p.a. are appealing, however, the performance fee structure could be improved due to performance fees accruing with outperformance against the RBA cash rate. Given the equity risk taken in the Fund, an additional hurdle rate before performance fees are paid would be welcomed.

Performance data is as at 30 June 2024

Performance

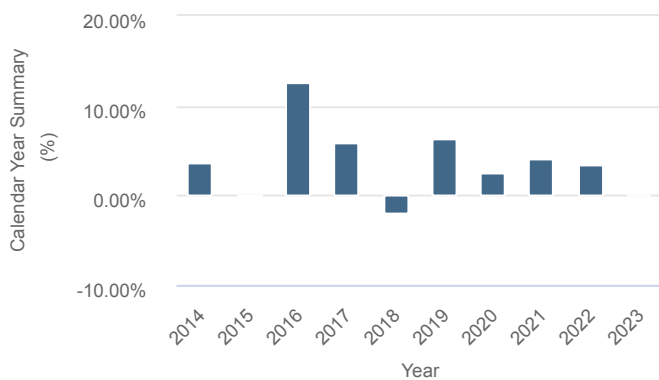
Performance Summary

PDS return objective	The Fund aims to provide a long-term return that exceeds the benchmark, with less volatility
Internal return objective	The Fund aims to provide a long-term return that exceeds the benchmark, with less volatility
Internal risk objective	To avoid the permanent loss of capital over the long term
Product benchmark	RBA Cash Rate
Lonsec peer group	Absolute Return

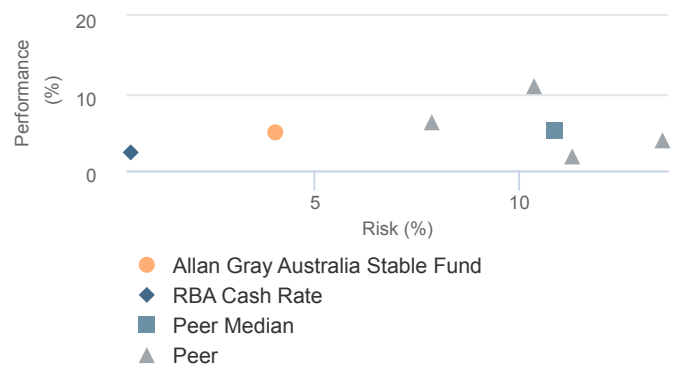
Alpha Generation

The Fund has comfortably achieved its investment objective over three and five years to June 2024, outperforming the benchmark by 2.4% p.a. and 2.7% p.a., respectively. Over the year, the Fund delivered an outperformance of 0.7%, noting the Manager reduced the Fund's equity exposure meaningfully over this period.

Calendar Year Excess Return



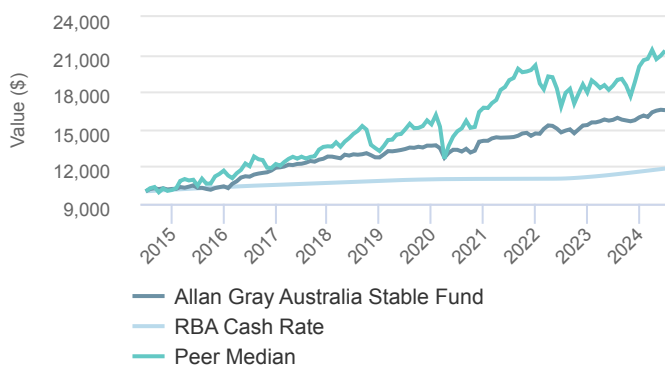
3 Year Risk and Return



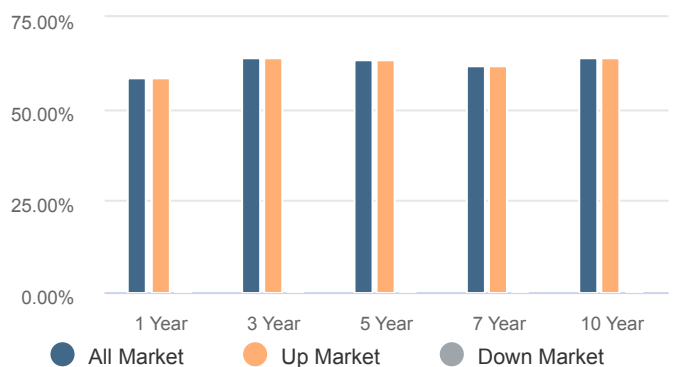
Alpha Consistency

The Fund has built a strong history of outperforming its benchmark, delivering an alpha of 3.7% p.a. since inception. This outperformance has been achieved despite the Fund maintaining significant cash holdings, ranging from 60% to 85%, well above the stated minimum cash allocation.

Growth of \$10,000 Over 10 Years



Returns Consistency



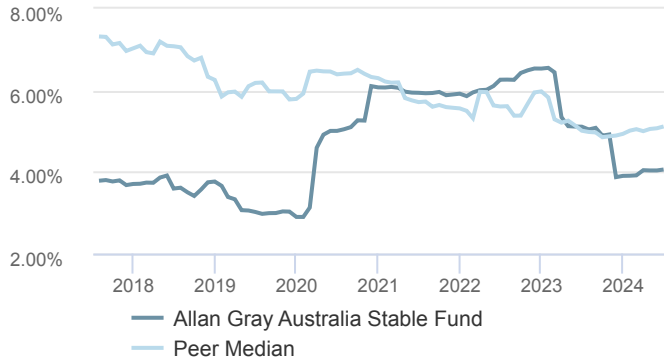
Performance data is as at 30 June 2024

Performance (continued)

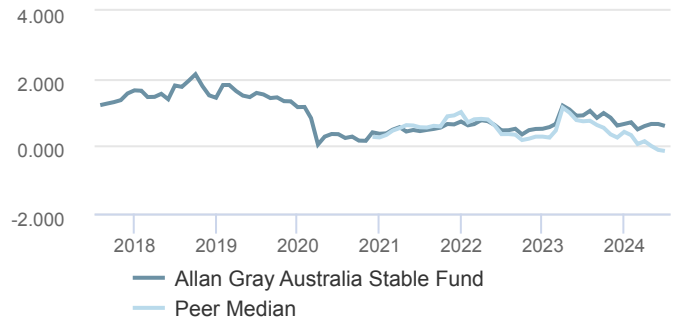
Benchmark Relativity

The Fund demonstrates a reasonable level of activeness, attributed to the hybrid cash and equity exposures. Over the three years to June 2024, the Fund's tracking error was 4.1%, which was below that of peers.

3 Year Rolling Tracking Error Over 7 Years



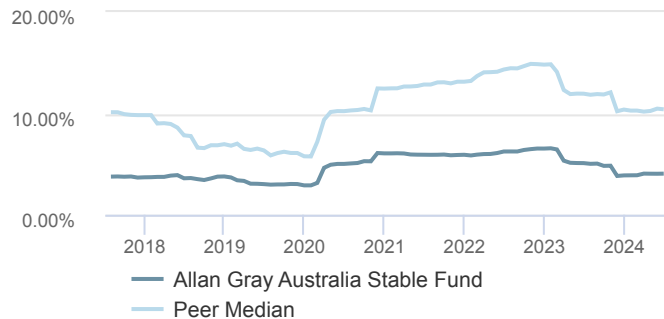
3 Year Rolling Information Ratio Over 7 Years



Return Volatility

The Fund's volatility of returns has been significantly lower than the broader market and peers. Over the three years to June 2024, the Fund's volatility was 4.1%, versus the S&P/ASX 300 Accumulation Index of 13.7%. As such the Fund has met its return and risk objectives over this period. The Fund's Sharpe Ratio has typically tracked in line with the peer median, indicative of similar risk-adjusted returns.

3 Year Rolling Standard Deviation Over 7 Years



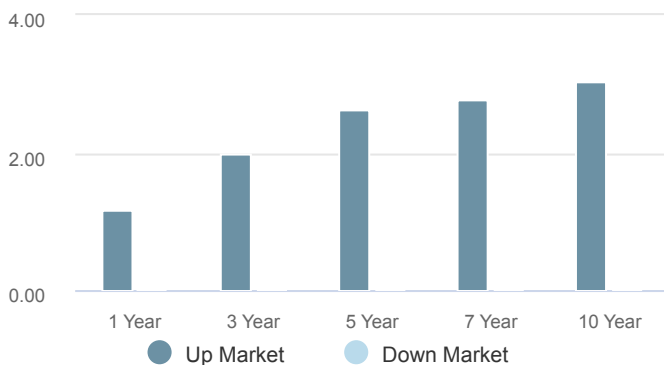
3 Year Rolling Sharpe Over 7 Years



Product Defensiveness

The Fund exhibits a solid level of defensiveness, with its largest drawdown of 7.3% over the five years to June 2024, which compares favourably to the peer median of 17%. However, the drawdown level is relatively high for a cash-enhanced product.

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

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

1.1 What is a Financial Services Guide?

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

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

1.2 About Lonsec Research and its related parties

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

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

Contact Details

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

1.3 What kind of financial services can Lonsec Research provide?

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

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

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

1.4 Provision of general advice

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

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. 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

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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.

Lonsec Research review and rate products for Fund and Equity Managers who may from time to time have holdings within Generation Development Group Limited. Lonsec Research manages any potential conflict by disclosing to investors who access the research for these products and by implementing a comprehensive ratings process, information barriers and monitoring program. For further information on how Lonsec manages its conflicts refer to our Conflicts of Interest Statement accessible here <https://www.lonsec.com.au/lonsec-group-conflicts-of-interest-statement/>. 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 1 August 2024.