



Refer to glossary for definition of the rating

Product Review

About this Product

Investment manager	BlackRock Investment Management (Australia) Limited
Benchmark	MSCI World ex Australia NR Index AUD
Product structure	Managed Fund
Inception date	Dec 1997
Asset class	Global Equities
Sector	Global Large Cap
Peer group	Quantitative
Rated peers	27
Product size	\$257.00m

Product Characteristics

Business Life Cycle	Mature
Product Wind-Up Risk	Low
Key Person Risk	Low
Tenure of Decision Makers	High
Complex (RG240)	No
Strategy Remaining Capacity	Not provided
ESG Approach	Benchmark Selection
Peer Relative Fees and Costs	In line with median

Annual Fees and Costs (% p.a.)

Management fees & costs	0.50
Performance fee costs	0.00
Net Transaction Costs	0.00
Buy/Sell Spread	0.17/0.17
Annual fees and costs	0.50

Source: FE fundinfo

Strengths

- BlackRock possesses a long history in managing quantitative strategies.
- The Fund is managed by a large and experienced team that is supported by the broader BlackRock network.
- The team displays a significant commitment with respect to the research and development of proprietary signals. The team refreshes a meaningful proportion of the strategy's signals on an on-going basis, to enhance model efficacy.
- The Fund is considered well-priced for the overall capability on offer.

Weaknesses

- The investment team are a collection of functional research and implementation specialists who have broader responsibilities beyond this Fund.
- Portfolio managers can exercise a degree of discretion over weights of signal groups, stocks and levels of active risk within the portfolio, which may deliver mixed results.
- Relative performance outcomes versus the benchmark have been lacklustre, with active risk being persistently below targeted levels.

Product Opinion

The Fund's **'Recommended'** rating has been retained at this review. The Fund is well-priced for the capability on offer and managed by a large and experienced team with a long track record of managing quantitative strategies, extensively developing proprietary signals and refreshing its quantitative model. Detracting factors include the Fund's performance outcomes which have been underwhelming, with active risk levels persistently below expectations. Additionally, the degree of discretion over the strategy's execution presents difficulty in linking strategy performance with model enhancements.

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 by 2% p.a. over rolling three-year periods (net), while maintaining a similar level of investment risk to the Benchmark
Internal return objective	Benchmark plus 2.5-3.0% p.a., gross, over rolling three-year periods
Internal risk objective	Maintain a similar level of investment risk to the Benchmark

Asset Allocation (%)

International Equities	99.23
Cash	0.77
Total	100.0

Source: FE fundinfo

Rating History

31-Mar-2023	Recommended
27-Apr-2022	Recommended
26-Mar-2021	Recommended

Product Distribution Profile

Frequency	Semi-Annual
Last Missed Distribution	None
AMIT Election	Yes
TOFA Election	No

Top 10 Holdings (as at 31/07/2023)

	Weight (%)
MICROSOFT CORP	5.180
APPLE INC	4.790
AMAZON COM INC	3.250
NVIDIA CORP	3.050
ALPHABET INC CLASS A	1.710
NESTLE SA	1.680
NOVARTIS AG	1.520
CHEVRON CORP	1.380
APPLIED MATERIAL INC	1.360
ALPHABET INC CLASS C	1.340

Source: FE fundinfo

Target Market Determination

Produced by issuer	Yes
Provided to Lonsec	Yes

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

	1 Year	Median	2 Year	Median	3 Year	Median	5 Year	Median
Performance (% p.a)	14.78	9.56	4.88	4.68	12.28	12.74	10.89	10.47
Standard deviation	10.43	9.77	13.15	12.38	12.25	11.90	12.57	12.59
Excess return (% p.a)	3.06	-2.09	1.49	1.49	0.30	0.77	0.08	-0.12
Outperformance ratio (% p.a)	83.33	50.00	70.83	58.33	61.11	58.33	53.33	51.67
Worst drawdown (%)	-5.40	-5.16	-16.84	-13.94	-16.84	-13.95	-16.84	-16.75
Time to recovery (mths)	3	-	11	7	11	10	11	11
Sharpe ratio	1.07	0.51	0.20	0.22	0.88	0.95	0.76	0.75
Information ratio	2.60	-0.37	1.04	0.50	0.21	0.26	0.05	-0.05
Tracking error (% p.a)	1.18	3.95	1.44	3.42	1.46	4.31	1.59	4.09

Lonsec Peer Group: Global Equities - Global Large Cap - Quantitative

Product Benchmark: MSCI World ex Australia NR Index AUD

Cash Benchmark: Bloomberg AusBond Bank Bill Index AUD

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

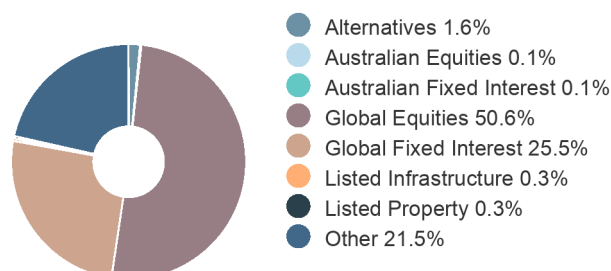
Business



Facts

Investment Manager	BlackRock Investment Management (Australia) Limited
Ultimate Parent Company	BlackRock, Inc.®
Headquarters	New York, New York, United States of America
% Staff Ownership	0-10%
Inception Date	Jan 1988

AUM



Governance

% Independent board members	0
% Female board members	20
Independent chair	No
CEO as Chair	Yes
Seperate Audit Committee	Yes

Metrics

Investment Management Headcount	Parent: 19,311
Investment Professionals	Parent: 2,756
Sales & Service	79 (Parent: 2,702)
Distributor	Internal
Total AUM	Parent: US\$9.4tn

Who is the Manager?

BlackRock, Inc. is a provider of global investment management, risk management and advisory services to institutional and retail clients around the world. The firm manages significant amount of capital across equity, fixed income, cash management, alternative investment and real estate strategies. The Fund is managed by the Systematic Active Equities ('SAE') team, based out of San Francisco and London.

Lonsec Opinion

Profitability

BlackRock is a large global asset manager and is highly profitable. Earnings quality is relatively high due to the diversified nature of firm's AUM across multiple distribution channels, offering a range of equity, fixed income, cash, alternatives, and real estate capabilities in the market. The SAE team manages a significant amount of capital and is a very profitable part of the business. The team manages long only active equity strategies (US\$129bn), as well as partial long-short (US\$7bn), and absolute return (US\$5bn) strategies.

Business Track record

The firm manages a significant amount of capital, with strong AUM growth in a sustainable manner, and a strong track record of operating over many years. The BlackRock business has built a decent footprint in Australia and is considered to be committed to continuing offering products and services in the region.

Business Ownership

BlackRock, Inc. is publicly listed on the New York Stock Exchange (NYSE). The company has a majority of independent directors. BlackRock Asset Management Australia Limited is a wholly owned subsidiary of BlackRock, Inc.

Business Governance

Business governance is line with many large global asset managers, with no regulatory findings in recent history. There is a high degree of segregation of duties between the investment team and the operations and compliance teams.

Team



Key Decision Makers (KDM)

	Primary function	Dedicated to strategy	Appointed to strategy	Industry/Mgr exp. (yrs)	Exp. in PM roles (yrs)
Raffaele Savi	CIO	No	2010	25/17	18
Kevin Franklin	Portfolio management	No	2010	23/13	13

KDM Change*

No changes.

* Last 3 years

Profile

Size	101
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	15.5
Portfolio Managers		
Hybrid portfolio manager/ analysts	43	13
Dedicated analysts	36	9
Dedicated dealers		
Quantitative		
ESG/Sustainability		
Macro		
Investment Specialists	20	11

Who is the Team?

The Systematic Active Equity ('SAE'), based in San Francisco and London, is jointly led by Raffaele Savi and Jeff Shen. Kevin Franklin is directly responsible for the management of the Fund. The SAE team is responsible for this strategy and has over 90 investment professionals, ranging from researchers, portfolio managers and data scientists.

Team (continued)



Lonsec Opinion

Skill

Portfolio management is split across two regional teams with Savi being responsible for SAE's North America/Europe/Developed Cross-Border strategies and Shen responsible for SAE's Asia-Pac/Emerging Market strategies, with each regional team responsible for portfolio management across their respective markets. The SAE team is organised into Portfolio Management, Research and Strategy divisions. Research can operate across all markets. Importantly, the team in aggregate are viewed as high quality, experienced investors. Additionally, BlackRock has been a keen adopter of 'big data' techniques and has committed significant resourcing in this area which is viewed positively. This includes both in personnel, systems and acquisition of data.

Team Size

BlackRock's SAE team is one of the largest in its global equities universe. The large team has the potential to provide BlackRock with an advantage, relative to its smaller-sized quantitative peers, considering the data and research intensiveness of quantitative strategies. Given BlackRock's team-based portfolio management approach, the responsible investment team are a collection of functional research and implementation specialists who have responsibilities beyond this Fund.

Track Record/Co-Tenure

The SAE team has a long track record of implementing quantitative strategies. The portfolio management team has a high level of co-tenure, with senior PMs having over 20 years together.

Franklin, who is directly responsible for the Fund, is suitably experienced and qualified. Franklin holds 22 years' industry experience across quantitative portfolio management and trading related roles with BlackRock and predecessor Barclays Global Investors (BGI).

The SAE investment team has been relatively stable over the past year with no significant departures reported. Further, the Manager is supportive of and has been able to attract and retain experienced talent through the offer of flexibility with work hours and location.

Alignment

Remuneration for investment staff is based on a Total Compensation Philosophy, which aims to pay total remuneration packages in the top quartile for fund managers. These packages include a fixed compensation reward, a profit share and a variable incentive scheme. The variable compensation element of any package is driven by corporate and individual performance. The Manager is considered to have a moderate level of alignment with investors, not too dissimilar to other very large asset managers. The investment team's bonuses are largely linked to the performance of the various Funds to which they contribute, with only a small component linked to firm profitability. The investment team may also co-invest their bonuses with investors in the strategy. At the senior management level, a significant percentage of the annual bonus is paid in the form of restricted stock awards that vest over three years. Conversely, remuneration for more junior members is typically skewed more towards cash.

Key Person Risk

Key person risk is considered to be low to moderate, largely reflecting the Manager's quantitative investment process. However, the high pace of process evolution and discretion over the quantitative model compared to peers elevates key person risk to a degree. Given this assessment, there is a degree of key person risk residing with the portfolio manager, key researchers and the co-CIOs. Mitigating factors include the depth and breadth of the team and substantial tenure of the existing senior investors.

Process

What is the Investment Process?

The Fund is managed using a quantitative model which statistically ranks stocks in accordance with an ‘alpha’ score derived from three major components of varying time horizons: Fundamentals such as earnings quality and relative valuation, Sentiment and Macro Themes. BlackRock’s research is focused on developing quantitative models or signals to exploit perceived market inefficiencies and systematically applying these models to a large universe of stocks.

The process has evolved over time, drifting away from traditional signals such as valuation/earnings quality metrics, towards ‘macro’ signals and the use of esoteric alternative data sources, with approximately 70% of the risk budget allocation stemming from said sources. In addition, some of the more recently developed themes have tended to be designed for a very specific environment or time setting. This aspect is considered to be more opportunistic and a step away from the traditional long-term quantitative signal approach employed by BlackRock throughout its history.

Lonsec Opinion & Supporting Facts

Philosophy and Universe

Investment Type	Quantitative
Investment Approach	Both
Investment Style	Core/Style Neutral
Typical market cap	All Cap
Minimum market cap	Not applicable
Available Universe	Investable securities include the entire universe of securities in the countries that are included in the MSCI World ex-Australia Index.

Investable securities comprise the entire universe of securities in the countries that are included within the MSCI World ex Australia Index, excluding any thermal coal, tobacco, controversial weapons and nuclear weapons companies.

BlackRock’s quantitative global model has approximately 100 different signals, which are grouped into three main components. There are typically 50-55 Fundamental and Sentiment signals combined and around 45 Macro Theme signals. In total, approximately 60-70% of signals try to capture information on the market’s expectation of future fundamentals. Most signals have relatively short time horizons, varying between three-and-nine months.

Research Process

Key screens	No screens
Screened universe	All Index Stocks
Idea generation	Internal research, academic consultation, and industry research
Stocks researched	All Index Stocks
Annual manager meetings	0
Key research inputs	Models populated with externally sourced data for over 70,000 forecast items, for all the stocks in the investible universe
Primary valuation approach	Various

The research process is concentrated on identifying and testing the reliability and consistency of new ‘signals’ for possible substitution or addition to existing models. These signals are expected to draw upon aspects, such as behavioural finance, and all data are externally sourced.

The Manager is more active in changing the underlying signals and their weights compared to quantitative peers, aligning with its 15-20% p.a. signal turnover target. When a signal is deemed to be less effective, its weight in the stock selection model will either be reduced or completely removed – vice versa with ‘new’ signals. Signals are not built with any pre-determined life expectancy; this depends on their observed effectiveness over time with the Manager’s signal-refresh agenda is underpinned by an economically sound, rigorous research and validation process. This also applies to models.

BlackRock’s significant commitment to the research and development of proprietary signals is viewed positively. The research process sits within a robust peer review and governance framework with only meaningful research outcomes being approved for portfolio/strategy inclusion. The Manager recognises that sources of return embedded into signals decay over time and therefore constant innovation and research is essential in generating alpha-yielding signal outcomes.

Process (continued)



Portfolio Construction

Portfolio management structure	Model Driven
Approach to benchmark	Benchmark Aware
Typical security numbers	550
Typical securities range	400-700
Typical portfolio turnover p.a.	150
Typical active share	55

The Manager's portfolio construction process is mostly systematic and guided by the creation of security rankings within the model. Accordingly, 'buy' and 'sell' decisions tend to strongly reflect the output of the model. Additionally, the Manager regularly reviews performance attribution to measure the efficacy of signals and the quantitative model which is viewed positively.

That said, the portfolio management group are also able to exercise a degree of discretion over individual security selection and signal weightings within the portfolio for risk management purposes. Typically, this may be used to neutralise stock positions back to benchmark weight, typically for risk management purposes. Overall, there appears to be a higher degree of discretion afforded to the portfolio management group to alter signal weights and to remove signals compared to peers. BlackRock's reweighting of signals may at times be more 'reactive' than 'proactive', highlighting that there is a degree of subjectivity associated with the discretion afforded to the portfolio management group which contrasts with the repeatable nature of quantitative strategies.

All things considered, BlackRock's integration of portfolio construction, risk management and portfolio implementation is considered to be a strength of the process.

Capacity Management

Capacity guidance	No Guidance
Strategy AUM	US\$49bn
Portfolio liquidity (1 week)	100.00%
Substantial holdings by manager	None
Strategy previously closed	No

There are reservations around BlackRock's ability to generate ongoing alpha to meet the internal return objective at current AUM. The Manager has not detailed a set capacity limit but has advised that it does not view capacity as an issue for its 'long only' benchmark-aware strategies, the Fund is highly diversified with modest active positions relative to the benchmark. Firmer guidance around an indicative capacity limit would however be preferred.

Investment Risk Management

Monitoring external to investment team	Yes
Frequency of monitoring	Daily
Primary risk management system	Aladdin
Security Limits (Min./Max.)	Soft Limit: +/-2% Benchmark Relative
Sector Limits (Min./Max.)	Soft Limit: +/-10% Benchmark Relative
Country Limits (Min./Max.)	Soft Limit: +/-10% Benchmark Relative
Non-index Allocation (Typical, Max.)	5%, 15%
Cash Allocation (Typical, Max.)	0%, 5%

Risk monitoring and management is highly integrated within the investment process. The Manager utilises the well known 'BlackRock Aladdin' portfolio and order management platform with its functionality and depth of coverage considered to be sophisticated. As such, risk systems and processes at the Manager's disposal are considered to be well-developed and high quality.

The Manager regularly reassesses its risk exposures between macro, sentiment and fundamental factors and will generally adjust underlying signal weights more frequently than peers. Similar to competing strategies that utilise a quantitatively-driven investment process, BlackRock constructs this portfolio with an optimisation model that ensures portfolio risk and ex-ante Tracking Error limits are adhered to. The Fund is managed to a strict maximum Tracking Error constraint of 3% p.a. and is one of the lowest ceilings within the peer group.

ESG

Manager Positioning

Responsible investment style	ESG Integration
ESG approach	Benchmark Selection
Sustainability thematic	General Sustainability or Impact
Non-financial objective	None

Sustainability Score

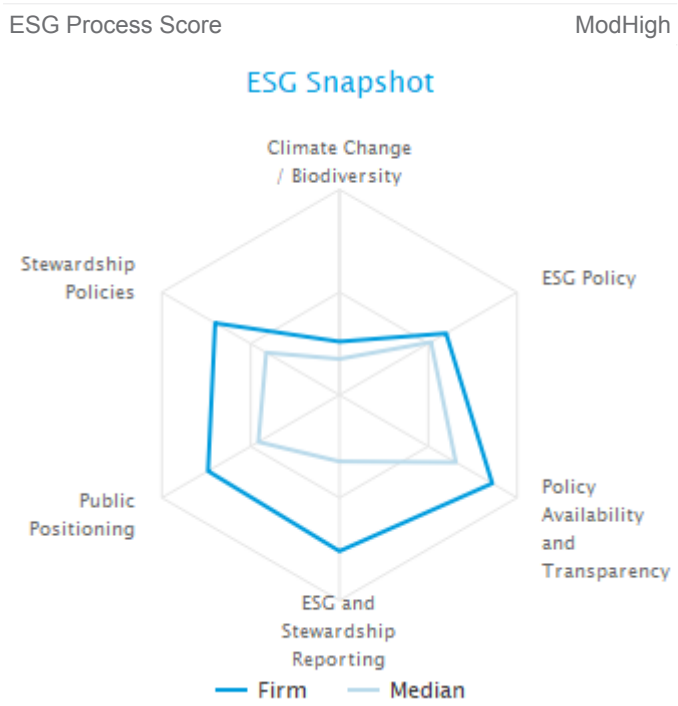
No score.

What is the Manager’s ESG approach?

The Manager has indicated that their Responsible Investment style is 'ESG Integration' and as such they take Environmental, Social and Governance factors into consideration when assessing investment opportunities. With a primary ESG style of 'Benchmark Selection' the Manager is relying on the screening of the index provider to perform the key ESG analysis rather than using an internal process. Note that such an approach does not automatically ensure that the resulting portfolio will adhere to any particular structure or provide any particular level of ethicalness, greenness or sustainability, depending on the Benchmark chosen.

Lonsec Opinion & Supporting Facts

Overview



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. The Manager performs little internal ESG research for this Fund, relying on largely on external sources for assessment/ratings. There are defined links from the Manager’s research to the stock selection process through their quantitative stock selection models. There little in the way of portfolio level ESG risks measurement apparent. There are no Portfolio level ESG based limits or targets in place for the fund. The Manager demonstrated a clear engagement program and a structured approach. Engagements are tracked with defined objectives set and outcomes tracked. ESG does not form a component of the Managers broader compliance framework and portfolio transparency is lagging.

Strategy: Clarity, Measurability & Reporting

This product does not make any specific claim to being a sustainable, ethical or impact offering. As such an alignment review to the product is not applicable and thus scores its risk of misalignment as not applicable.

Manager Level Approach

The Manager’s overall ESG policy framework and disclosure are considered to be ahead of peers. The updated ESG policy and stewardship principles are freely available on the firm’s website. The proxy voting policy and reporting on voting outcomes is stronger than peers with particular credit paid to the disclosure of voting rationale for controversial votes. The level of disclosure with respect to the Manager’s engagement policies and outcomes is considered ahead of peers, particularly the firm’s stewardship policies. Reporting on engagement outcomes is publicly available and the Manager is transparent about the engagement priorities, which focus on disclosure and climate change related issues.

Product

Service Providers	
Responsible entity	BlackRock Investment Management (Australia) Limited
Investment manager	BlackRock Investment Management (Australia) Limited
Custodian	JP Morgan
Administrator	JP Morgan
Fund Auditor	Deloitte
Change in Key Providers? (Over last 12 months)	No

Product Details	
Product size	\$257.00m
Fund 12-month net flows	Negative
Distribution model	Internal
Buy/sell spreads	0.17%/0.17%
Investment structure	Feeder Fund
Product type	Registered Managed Investment Scheme (Unitised)
Currency hedged	Unhedged
Use of derivatives	Yes
Types of derivatives	Equity Futures

What is the Product Structure?

The Fund is a vanilla Australian-domiciled unit trust and is currency unhedged. The Fund is a ‘long only’, quantitative equities strategy that is highly diversified which invests in global listed equities in developed markets.

Lonsec Opinion

Service Providers

The Manager employs high quality ‘tier 1’ service providers. However, the Fund uses a related-party Responsible Entity (‘RE’) which may lead to conflicts which need to be managed. This RE relationship has been stable since the inception of the Fund and no outstanding compliance issues have been identified.

Operational 'Red Flags'

The Fund is a long-only, global equities product that invests across the market cap spectrum, as such it is not considered to be operationally challenging to implement.

Wind-up Risks

The product is well-supported from the retail market with wind-up risk for the Fund considered low, however, the Fund has seen net outflows since prior review which will remain a watchpoint.

Fees

Annual Fees and Costs (% p.a.)	
Management fees & costs	0.50
Performance fee costs	0.00
Net Transaction Costs	0.00
Buy/Sell Spread	0.17/0.17
Annual fees and costs	0.50

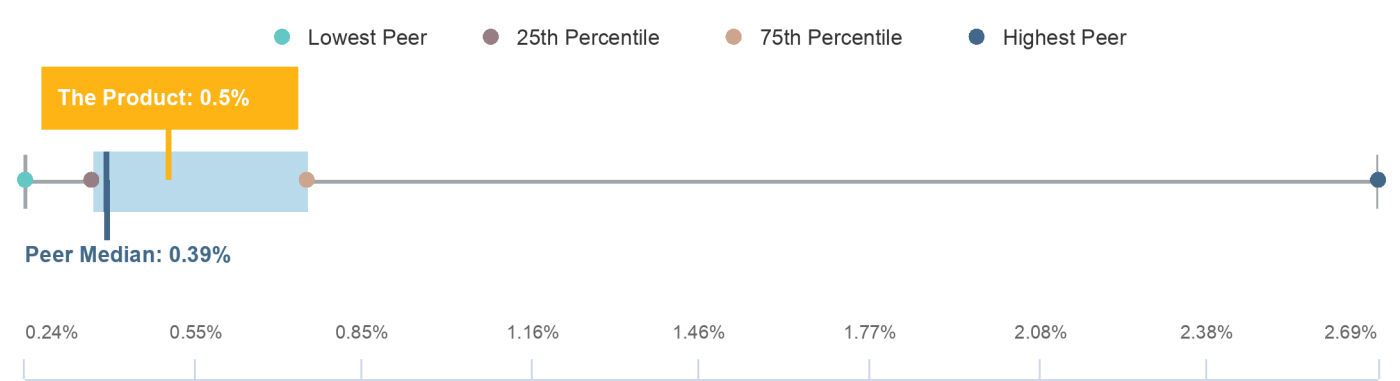
Source: FE fundinfo

Performance Fees	
Applicable	No

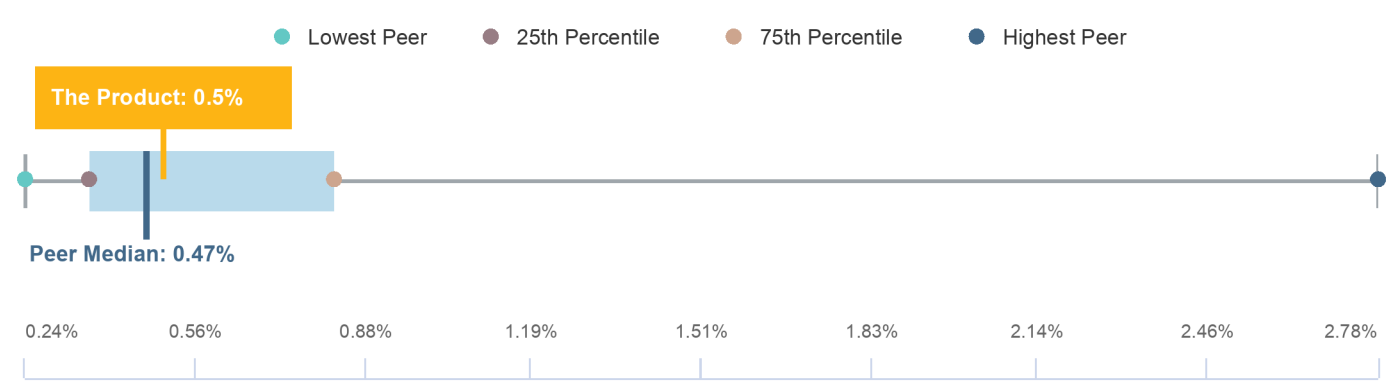
Fees Explained

The Fund's 'Management Fees and Costs' component of its AFC is 0.50% p.a. The Fund does not charge a performance fee. The Fund charges buy/sell spreads set at +0.17% / -0.17%. These spreads can be subject to change, most notably during periods of market volatility, and can be sourced from the Manager's website during such times.

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



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



Lonsec Opinion

Annual Fees and Costs

The Fund's PDS dated 4 August 2023 disclosed Annual Fees and Costs ('AFC') totalling 0.50% p.a. This value comprises (1) management fees and costs of 0.50% p.a.; and (2) nil net transaction costs. The Fund's annual fees and costs are considered competitive relative to quantitative peers.

Fairness

Despite fees being competitive relative to quantitative peers, the product has delivered low levels of active risk relative to other similarly priced products.

Performance data is as at 31 October 2023

Performance

Performance Summary

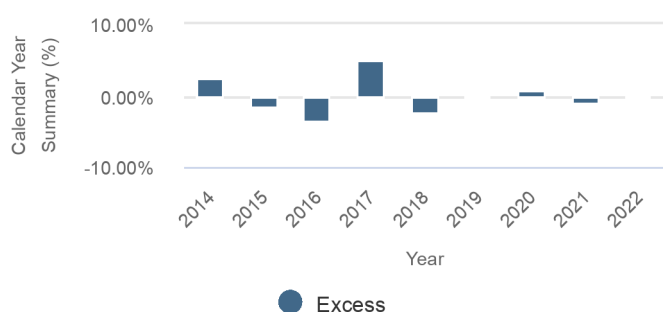
PDS return objective	To outperform the Benchmark by 2% p.a. over rolling three-year periods (net), while maintaining a similar level of investment risk to the Benchmark
Internal return objective	Benchmark plus 2.5-3.0% p.a., gross, over rolling three-year periods
Internal risk objective	Maintain a similar level of investment risk to the Benchmark
Product benchmark	MSCI World ex Australia NR Index AUD
Lonsec peer group	Quantitative

Alpha Generation

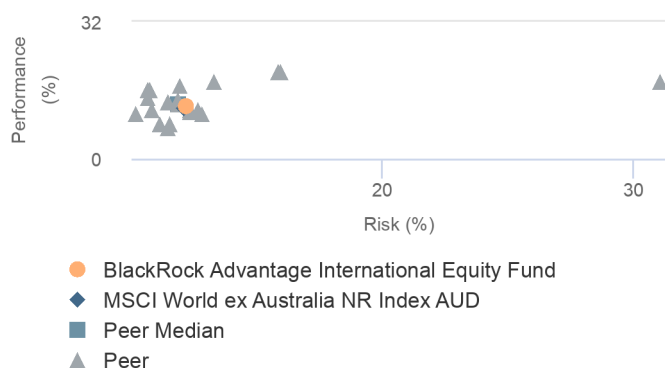
Over the three and five years, the Fund delivered a net return of 12.3% p.a. and 10.9% p.a. respectively, marginally outperforming the Benchmark and the peer median over three years whilst essentially in line with the Benchmark the peer median over five years. The Fund has therefore been unable to meet its internal investment objective as judged by its three-year excess return figure. The Fund delivered strong performance over the one year period, returning 14.8%, outperforming the Benchmark by 3.1% as well as the peer median by 4.8%.

Calendar Year Excess Return

BlackRock Advantage International Equity Fund vs MSCI World ex Australia NR Index AUD



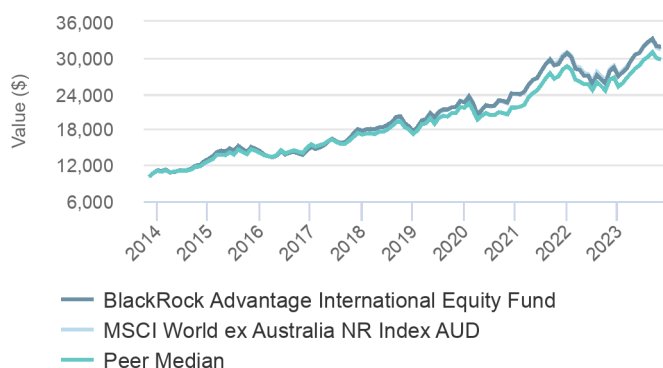
3 Year Risk and Return



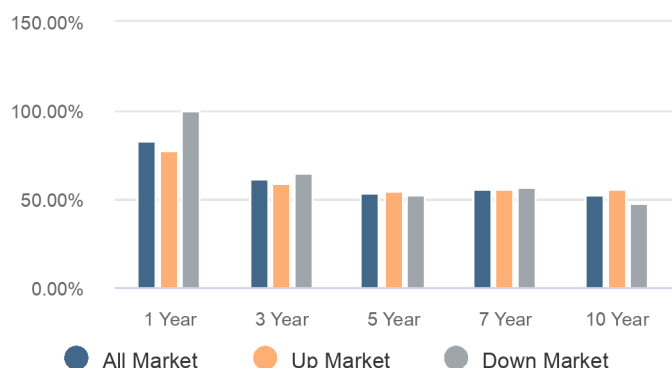
Alpha Consistency

The Fund has generally produced benchmark-like performance over an extended period, suggesting that despite a robust signal refresh program, its implementation has not resulted in meaningful outperformance.

Growth of \$10,000 Over 10 Years



Returns Consistency



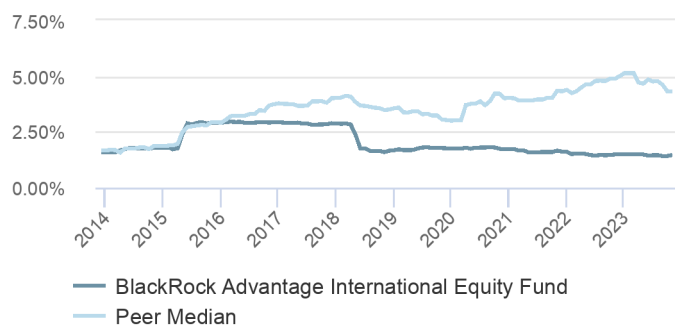
Performance data is as at 31 October 2023

Performance (continued)

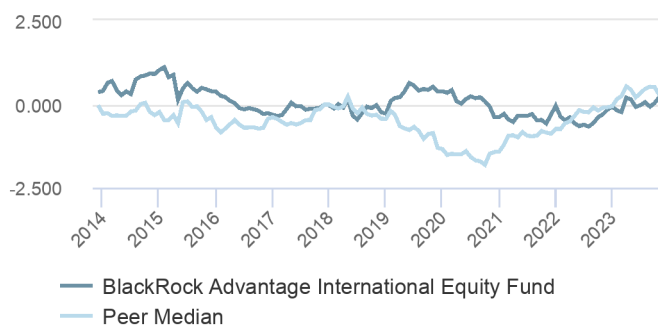
Benchmark Relativity

The Fund's ex-post Tracking Error has consistently been lower than its 2.5-3.0% p.a. target and that of the peer group median for an extended period of time. This is indicative of lower levels of active risk which may limit potential outperformance. Higher levels of active risk may be required to achieve the internal return objective over longer performance periods.

3 Year Rolling Tracking Error Over 10 Years



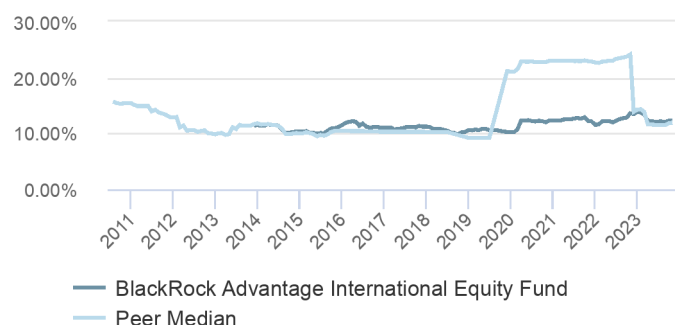
3 Year Rolling Information Ratio Over 10 Years



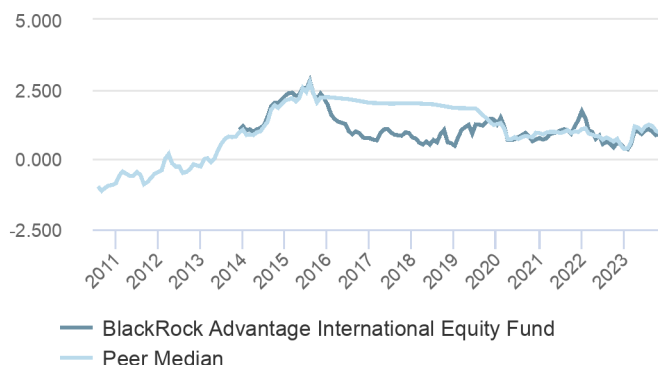
Return Volatility

The Fund's ex-post volatility has typically been similar to the Benchmark.

3 Year Rolling Standard Deviation Over 10 Years



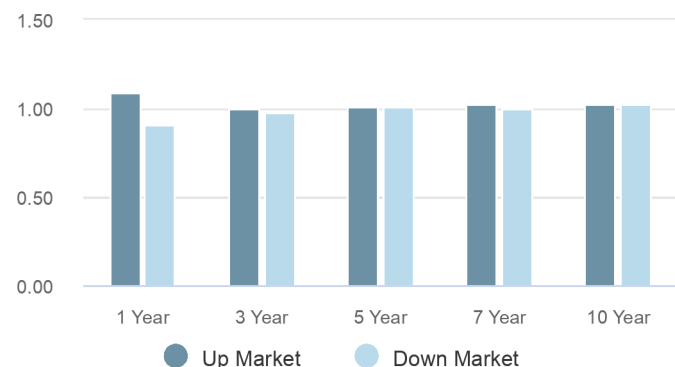
3 Year Rolling Sharpe Over 10 Years



Product Defensiveness

Over the past five years, the Fund's defensive characteristics have been similar to the Benchmark.

Market Capture Ratio



Drawdowns



Ratings

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

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

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

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

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

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

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

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

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

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

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

General

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

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

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

Excess return: Return in excess of the benchmark return.

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

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

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

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

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

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

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

Standard deviation: Volatility of monthly Absolute Returns.

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

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

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

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

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

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Lonsec Research FSG Financial Services Guide Lonsec Research 9 June 2023

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

1.1 What is a Financial Services Guide?

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

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

1.2 About Lonsec Research and its related parties

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

All employees of the Lonsec group entities, including Lonsec Research, are employed by Lonsec Fiscal Pty Ltd (ABN 94 151 658 534).

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

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.

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This FSG was prepared on 9 June 2023.