



Refer to glossary for definition of the rating

Product Review

About this Product

Investment manager	BlackRock Investment Management (Australia) Limited
Benchmark	MSCI World NR Index AUD
Product structure	Managed Fund
Product size	\$0.00m
Inception date	Sep 2023
Asset class	Global Equities
Sector	Global Large Cap
Peer group	Fundamental Growth
Rated peers	55

Product Characteristics

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

Annual Fees and Costs (% p.a.)

Management fees & costs	0.30
Performance fee costs	0.66
Net Transaction Costs	0.06
Buy/Sell Spread	0.00/0.00
Annual fees and costs	1.02

Source: FE fundinfo

Strengths

- Well-articulated and disciplined investment process, emphasising internally generated stock insights.
- The investment philosophy is highly focused, concentrating the opportunity set to a manageable research list.
- Performance of the Fund's composite has been solid relative to peers and the benchmark since inception.

Weaknesses

- The Fund's stock concentration and narrow focus results in higher sensitivities to certain risk factors, particularly 'quality' and 'growth' risk premia.
- Key person risk is moderate, albeit somewhat offset by Hibbert's and Constatis' long tenure and access to the firm's research networks and infrastructure, which is unlikely to be replicated elsewhere.

Product Opinion

The Fund has been assigned a **'Recommended'** rating reflecting conviction in the Manager's well-defined long term investment philosophy and disciplined investment process. The five-member investment team is well-aligned with Fund's investors, and whilst small, is considered adequate for this high conviction strategy, given the narrow set of investable companies. Whilst performance outcomes have been strong since inception, the Fund's stock concentration and narrow focus results in higher sensitivities to certain risk factors, particularly 'quality' and 'growth' risk premia.

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 achieve long-term capital growth by investing in a global portfolio of equity securities
Internal return objective	Excess Return of 3.0% p.a. over rolling three to five years
Internal risk objective	Not stated

Asset Allocation (%)

International Equities	99.7
Cash	0.3
Total	100.0

Source: FE fundinfo

Rating History

This is the initial review of the Product.

Product Distribution Profile

Frequency	Annually
Last Missed Distribution	None
Number of Missed Distributions in the last 5 years	None
AMIT Election	Yes
TOFA Election	No

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

	Weight (%)
MICROSOFT CORP	9.400
LVMH	8.800
ASML HOLDING NV	7.900
CADENCE DESIGN SYSTEMS INC	6.400
NOVO NORDISK CLASS B	6.100
ALPHABET INC CLASS C	4.900
MASTERCARD INC CLASS A	4.800
S&P GLOBAL INC	4.500
COSTCO WHOLESALE CORP	4.300
FERRARI NV	4.300

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)	-	11.38	-	-2.48	-	5.64	-	10.43
Standard deviation	-	12.64	-	14.48	-	13.92	-	13.46
Excess return (% p.a)	-	-0.35	-	-5.20	-	-5.48	-	-0.19
Outperformance ratio (% p.a)	-	41.67	-	41.67	-	41.67	-	50.00
Worst drawdown (%)	-	-6.45	-	-22.84	-	-22.96	-	-23.06
Time to recovery (mths)	-	3	-	NR	-	-	-	12
Sharpe ratio	-	0.65	-	-0.31	-	0.29	-	0.68
Information ratio	-	-0.02	-	-0.79	-	-0.76	-	-0.03
Tracking error (% p.a)	-	5.58	-	6.20	-	6.78	-	6.23

Lonsec Peer Group: Global Equities - Global Large Cap - Fundamental Growth

Product Benchmark: MSCI World 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
Inception Date	Jan 1988
% Staff Ownership	0-10%

Governance

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

Who is the Manager?

BlackRock, Inc. ('BlackRock' or 'the Manager') is a provider of global investment management, risk management and advisory services to institutional and retail clients around the world. BlackRock offers capabilities across equity, fixed income, cash management, alternative investment and real estate strategies.

The Fund is managed by the Strategic Equity team, based in London, and part of BlackRock's broad Fundamental Equities Platform.

Lonsec Opinion

Profitability

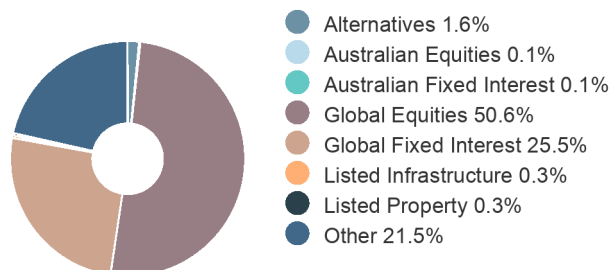
BlackRock is a large global asset manager and is highly profitable. Earnings quality is relatively high due to the diversified nature of firm's AUM across multiple distribution channels, offering a range of equity, fixed income, cash, alternatives, and real estate capabilities in the market.

AUM within the Strategic Equity team is US\$16.6bn, and is a profitable unit within the business. The team manages a global long-short strategy (US\$11bn), in addition to the Global Unconstrained strategy (US\$5.2bn).

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.

AUM



Metrics

Total AUM	Parent: US\$9.4tn
Investment Management Headcount	Parent: 19311
Investment Professionals	Parent: 2756
Sales & Service	79 (Parent: 2702)
Distributor	Internal

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 in 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)
Alister Hibbert	Portfolio management	No	2020	30/28	25
Michael Constantis	Portfolio management	No	2020	23/23	17

KDM Change*

No changes.

* Last 3 years

Profile

Size	5
Structure	Centralised
Turnover	Low

Alignment

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

Resources

	Number	Average Years Experience
Key decision makers	2	26
Portfolio Managers	2	26
Hybrid portfolio manager/ analysts	3	12
Dedicated analysts		
Dedicated dealers	2	13
Quantitative		
ESG/Sustainability		
Macro		
Investment Specialists	3	13

Who is the Team?

The Strategic Equity team, led by Alister Hibbert and Michael Constantis, sits within the broader BlackRock Fundamental Equities platform and offer two individual strategies including the Global Unconstrained strategy, as well as a Global long/short hedge fund. Hibbert and Constantis are the Fund's co-Portfolio Managers and are jointly responsible for the strategy, supported by a further three dedicated investment resources. The teams background lies largely within European equities, however, have been investing globally since 2013. Additionally, the origins of the Global Unconstrained strategy stem from the teams hedge fund strategy, which has been implemented since 2010, of which the Global Unconstrained strategy is effectively a lift out of the 'duration' growth businesses in the hedge fund.

The team structure is effectively all generalists as a starting point. The universe is then split up into several different mega-sectors, with each member of the investment team looking at a different mega-sector. Analysts are however free to explore ideas outside of assigned coverage areas.



Lonsec Opinion

Skill

Hibbert and Constantis are strong leaders of the investment team with significant global equities experience, both of which are considered to be highly capable specialist global equity investors with compelling investment insights. The key decision makers are supported by a three person analyst team who possess a very good level of experience, and are well supported on the client side, allowing the team to focus more on investment related activities.

Team culture is aided by a collegiate structure where intellectual freedom is encouraged to express new ideas. Additionally, the centralised team facilitates the cross fertilisation of ideas and research collaboration, not only within the immediate team, but also between other teams within the broader BlackRock Fundamental Equities platform.

Team Size

The investment team of five is small compared to peers, however, is considered adequate given the narrow subset of target companies that are eligible for investment. The experience of the team's two senior investors and their familiarity with the eligible universe, use of broader BlackRock research resources and infrastructure, and support from the operational and client servicing side of the business, allows the investment team to dedicate themselves to investment related activities which is viewed positively. Whilst the team is also responsible for a long/short hedge fund strategy, for which this strategy originates, there is high crossover in holdings and is therefore not considered to meaningfully add to the team's workload.

Track Record/Co-Tenure

Hibbert and Constantis have a strong track record of implementing the investment philosophy and process over time. The pair have a long shared co-tenure, having over 15 years together. Furthermore, the pair's tenure within BlackRock stretches back to 2008 and 2005 respectively, and as such have a strong familiarity and experience in working with the BlackRock research platform which is viewed positively. More broadly co-tenure generally among the entire team is considered meaningful.

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

KPR is moderate to high due to the significant experience of Hibbert and Constantis, the architects of the process, and the smaller and specialised nature of the broader team. That said, the pairs long tenure at the Firm, remuneration structure, and access to the Firm's vast research networks and infrastructure, which is unlikely to be replicated elsewhere, all provide strong mitigation against departures.

Process



What is the Investment Process?

The Fund adopts an 'unconstrained' benchmark agnostic investment style, utilising fundamental analysis that is concentrated on franchise strength and reinvestment opportunity, without regard for factors, sector weights, country weights or near-term prospects. The Fund is designed to be a powerful expression of the team's fundamental stock conviction that can take advantage of long-term investing and compounding. The long-term approach allows investment theses time to compound returns while avoiding the distraction of short-term opportunism.

The investment process seeks companies with established market positions, structural tailwinds, high returns over long periods, and strong management teams. Sourcing these companies requires a broad worldview, persistence and human insight. The team constructs a view of the world from the bottom up, with a focus on real world feedback and outcomes, believing this to give a strong sense of the dynamics at play within specific industries and economic ecosystems.

Lonsec Opinion & Supporting Facts

Philosophy and Universe

Investment Type	Fundamental
Investment Approach	Bottom-up
Investment Style	Quality / Growth
Typical market cap	Large
Minimum market cap	US\$2bn
Available Universe	Companies domiciled in, or exercising a significant part of their economic activity in, global developed markets

The investment philosophy is highly aligned with the investment process and objective. The philosophy has been implemented over many years, initially as a sleeve within the team's long/short hedge fund strategy before being launched as a standalone long only strategy in 2019. A key tenet of the Fund's philosophy is that businesses capable of high returns are discounted by the market to fade over the longer term. Where the team believes these earnings will not fade, or will increase, provides opportunity to invest in long duration growth-oriented businesses that are potentially materially undervalued by the market. As time progresses and earnings do not fade, this is where the Fund seeks to add value.

The philosophy seeks to eliminate behavioural mistakes that can be made by focusing on short term or benchmark relative outcomes. As such, will endure short term volatility in cases where there is something that is negatively afflicting a portfolio holding that is purely cyclical, thereby holding true to their investment process. The Fund is unlikely to sell out of a portfolio company unless there is an extremely strong fundamental reason to do so, instead intending to hold names for many years.

Research Process

Key screens	Not applicable
Screened universe	Not applicable
Idea generation	Analyst research, research trips, company meetings, expert networks, industry/thematic research
Stocks researched	Not provided
Annual manager meetings	1,000
Key research inputs	Company meetings, industry information, financial statements
Primary valuation approach	Various

The Manager employs a repeatable and disciplined research process driven by bottom-up analysis. The output of investment research is a thorough investment report containing key details of the investment case. This follows a standardised template to ensure consistency of approach and includes a qualitative assessment in addition to quantitative details of company fundamentals. The process also benefits by the team's ability to leverage the broader BlackRock research platform, covering multiple geographies.

The team does not aim to cover the full universe, believing that blanket coverage can result in time spent on research in unprofitable areas of the market. This is a pragmatic approach given the philosophy and strict investment criteria, with the majority of stocks in the universe effectively not relevant.

Furthermore, the team's flagship long/short hedge fund strategy, which operates under the same process and is in a practical sense, the proving ground for many of the names that make it into this unconstrained long-only strategy, allows the team to build a strong conviction in portfolio names that ultimately make it into the portfolio.

Process (continued)



Portfolio Construction

Portfolio management structure	Co-Portfolio Manager
Approach to benchmark	Benchmark agnostic
Typical security numbers	25
Typical securities range	20-30
Typical portfolio turnover p.a.	10-20%
Typical active share	90%

The final portfolio is constructed using a team-based approach which comprises the entire investment team, that said the Fund's two Portfolio Managers have ultimate authority.

Portfolio construction demonstrates a clear link to the investment philosophy and research process. This is evidenced by the Fund's excess returns exhibiting a positive and consistent correlation to the 'quality' and 'growth' risk factor premia, which is considered to be confirmatory to the process.

The Fund delivers a true to label portfolio, with the active share of this high conviction process in excess of 90%. Furthermore, the Fund's turnover is very low, typically 10% or lower, with 19 of 22 portfolio stocks having been held for more than three years, consistent with the philosophical long-term approach.

Capacity Management

Capacity guidance	Not provided
Strategy AUM	US\$5.2bn
Portfolio liquidity (1 week)	98.84
Substantial holdings by manager	None
Strategy previously closed	No

The strategy does not have a formal capacity limit imposed. BlackRock's Product Development Committee (PDC), upon inception conducted a liquidity-based analysis, where the strategy was stressed up to US\$20bn and deemed to be highly liquid. With strategy assets at US\$5.2bn, there is material headroom at this stage. As such there are no concerns from a capacity standpoint.

Investment Risk Management

Monitoring external to investment team	Yes
Frequency of monitoring	Monthly
Primary risk management system	Aladdin
Security Limits (Min./Max.)	Hard Limit: Absolute, 0-10%
Sector Limits (Min./Max.)	No Limit
Country Limits (Min./Max.)	No Limit
Non-index Allocation (Typical, Max.)	0%, 0%
Cash Allocation (Typical, Max.)	0%, 10%

Risk management is considered to be largely embedded in the research process. The Fund is managed to few risk limits, consistent with the unconstrained design, resulting in a highly concentrated portfolio with high levels of idiosyncratic risk. Given the narrow universe, there is also a reasonable level of factor risk as a result of the quality/growth nature of the underlying stocks.

The Manager seeks companies that demonstrate cash flow resilience, with at least 50% of the Fund invested in 'defensive' businesses to provide fundamental resilience to the economic cycle. Additionally, the fund abides by UCITS restrictions and so the maximum holding in one stock is 10% and the total value of holdings in which the fund invests more than 5% of its assets may not exceed 40% of the fund's assets.

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.

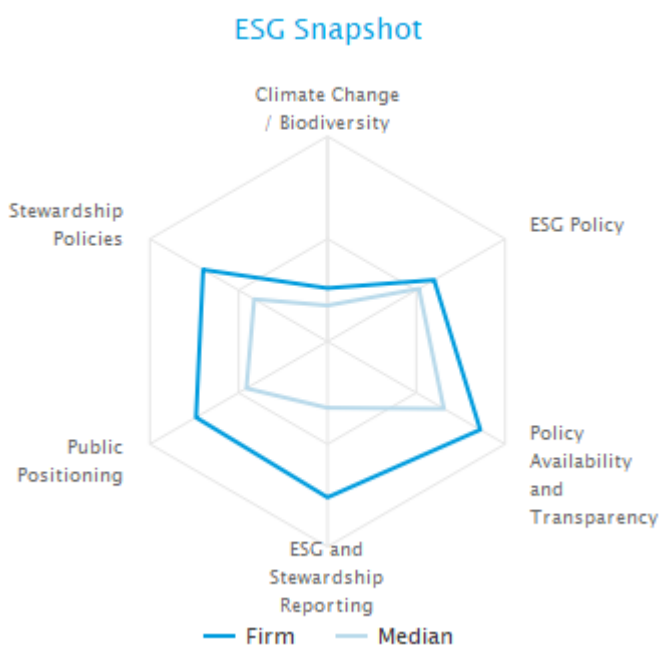
What is the Manager's ESG approach?

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

ESG Process Score ModHigh



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 is 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 Manager's 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	\$0.00m
Fund 12-month net flows	Positive
Distribution model	Internal
Buy/sell spreads	0.00/0.00
Investment structure	Feeder Fund
Product type	Registered Managed Investment Scheme (Unitised)
Currency hedged	Unhedged
Use of derivatives	No

What is the Product Structure?

The Fund is a long only global equity strategy and typically invests in large cap stocks. The Fund is an Australian-domiciled unit trust with currency exposures unhedged.

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 investing primarily in liquid large cap stocks, as such it is not considered to be operationally challenging to implement.

Wind-up Risks

The Fund is a recently launched vehicle within the Australian marketplace, with low levels of FUM. The Manager has however articulated its support of this product from a distribution perspective, as such wind-up risk is considered moderate.

Fees

Annual Fees and Costs (% p.a.)

Management fees & costs	0.30
Performance fee costs	0.66
Net Transaction Costs	0.06
Buy/Sell Spread	0.00/0.00
Annual fees and costs	1.02

Source: FE fundinfo

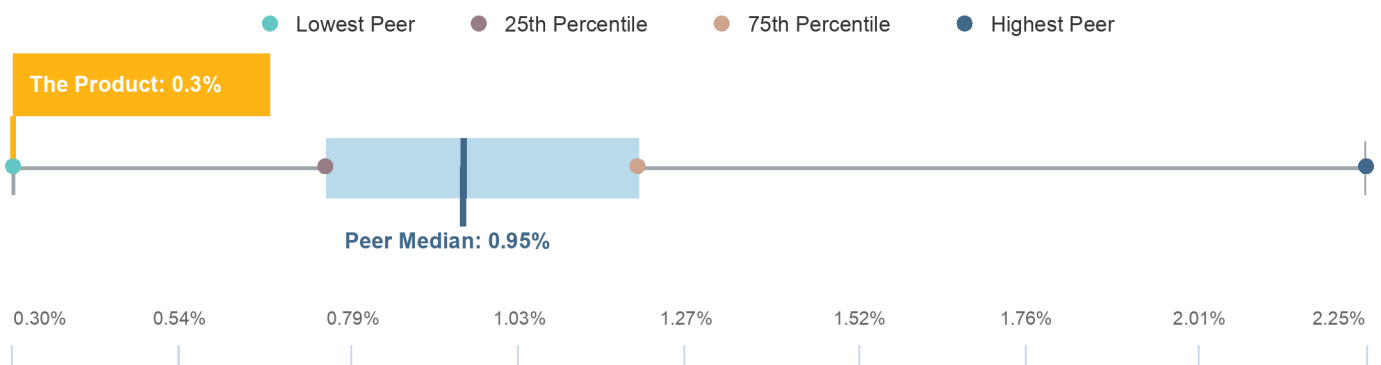
Performance Fees

Applicable	Yes
Hurdle type	Excess return
Hurdle	Benchmark +0.30% p.a.
Rate	20%
Fee capping	No
High watermark	Yes
Above high watermark	Yes
Reset Allowed	No

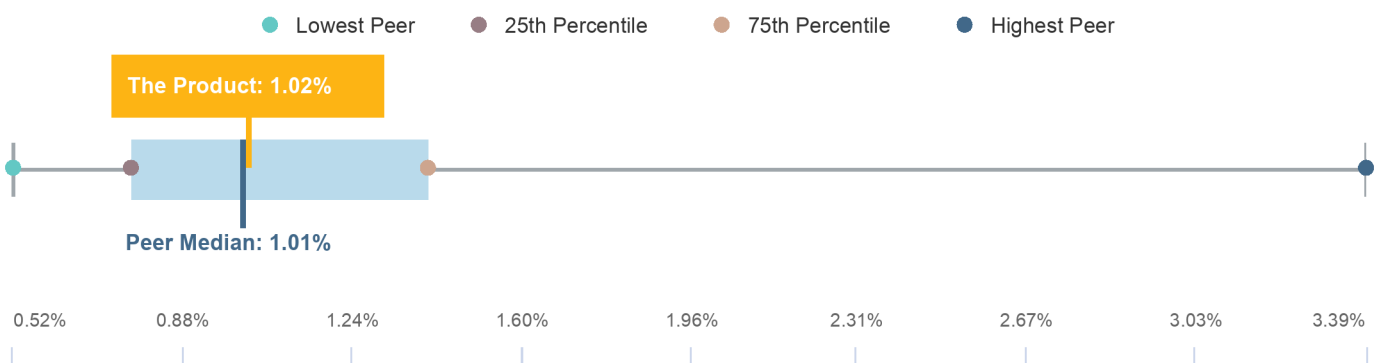
Fees Explained

The Fund's 'Management Fees and Costs' component of its AFC is 0.30% p.a. The Fund also charges a performance fee, which is calculated as 20% of net relative out performance to the Benchmark, subject to a high watermark. The Fund does not charge a buy sell spread.

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 28 September 2023 disclosed Annual Fees and Costs ('AFC') totalling 1.02% p.a. This value comprises (1) management fees and costs of 0.30% p.a.; (2) estimated performance fees of 0.66% p.a., and; (3) net transaction costs of 0.06% p.a. Fees are considered competitive relative to global equity peers.

Fairness

Total Annual Fees and Costs for the Fund of 1.01% p.a. is considered competitive relative to similar strategies within the peer group. Pleasingly, the Fund has a reduced base management fee to offset the inclusion of a performance fee. The Fund does not charge a buy-sell spread which may result in higher net transaction costs borne by Fund investors in the event of large outflows from the Fund.

Performance data is as at 31 October 2023

Performance



Performance Summary

PDS return objective	To achieve long-term capital growth by investing in a global portfolio of equity securities
Internal return objective	Excess Return of 3.0% p.a. over rolling three to five years
Internal risk objective	Not stated
Product benchmark	MSCI World NR Index AUD
Lonsec peer group	Fundamental Growth

Alpha Generation

The Fund's inception dates back to September 2023, as such the performance track record for analysis is limited. That said, analysis of the Managers composite strategy, which has a track record that stretches back to February 2019, delivered strong performance outcomes through to October 2023, with an absolute return of 19.0% p.a. and outperforming the Benchmark by 6.7% p.a.

Alpha Consistency

The composite strategy has delivered consistent outperformance since inception. Whilst returns can deviate from the Benchmark over shorter time horizons, both positively and negatively.

Performance data is as at 31 October 2023

Performance (*continued*)



Benchmark Relativity

Active share and tracking error have been in accordance with the high conviction nature of the strategy. Ex-post tracking error of the composite strategy has ranged between 8-10% p.a. driven largely by the concentrated nature of the portfolio, its idiosyncratic exposures, as well as the growth and quality characteristics that it consistently delivers.

Return Volatility

Realised volatility has typically been elevated relative to the Fund's Benchmark, which is not unexpected given the concentration of holdings.

Product Defensiveness

Defensive characteristics have been mixed relative to the Benchmark, with the composite strategy having sustained a larger relative drawdown throughout calendar year 2022, noting that the Fund's style bias was out of favour throughout this period.

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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Disclosures (continued)

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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.

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

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

This FSG was prepared on 9 June 2023.