



Product Review

iShares Enhanced Strategic All Growth Portfolio

About this Review

ASSET CLASS REVIEWED	MULTI-ASSET
SECTOR REVIEWED	81-100% GROWTH ASSETS
SUB SECTOR REVIEWED	SMA
TOTAL MODELS RATED	3

About this Product

ASIC RG240 CLASSIFIED	NO
PRODUCT NAME	ISHARES ENHANCED STRATEGIC ALL GROWTH PORTFOLIO
OBJECTIVE	TO MATCH OR OUTPERFORM A COMPOSITE, MULTI-ASSET CLASS AGGRESSIVE BENCHMARK, OVER A ROLLING FIVE-YEAR PERIOD.
STATED RISK OBJECTIVE	TRACKING ERROR OF 0.5% - 1.5% P.A. OVER A ROLLING FIVE-YEAR PERIOD.
PRODUCT SIZE (AT 28-2-2023)	\$0.2M
PRODUCT INCEPTION	08-09-2022
MANAGEMENT COSTS	0.22% P.A. (PLATFORM SPECIFIC FEES AND COSTS WILL APPLY)
STRUCTURE AVAILABILITY	(PLATFORM SPECIFIC)
LIQUIDITY	DAILY

About the Fund Manager

FUND MANAGER	BLACKROCK INVESTMENT MANAGEMENT (AUSTRALIA) LIMITED
OWNERSHIP	100% OWNED BY BLACKROCK INC (NYSE: BLK)
ASSETS MANAGED IN THIS SECTOR	\$64BN (DECEMBER 2022)
YEARS MANAGING THIS ASSET CLASS	30

Investment Team

PORTFOLIO MANAGER	CHRIS DOWNING
INVESTMENT TEAM SIZE	8
INVESTMENT TEAM TURNOVER	LOW
STRUCTURE / LOCATION	MODEL MANAGER & INVESTMENT COMMITTEE / GLOBAL

Investment process

BENCHMARK	SAA WEIGHTED GLOBAL MULTI-ASSET CLASS COMPOSITE BENCHMARKS
ASSET ALLOCATION	SAA & TAA
SECTOR EXPOSURES	PASSIVE & ACTIVE
SAA GROWTH DEFENSIVE SPLIT %	98/2
USE OF ALTERNATIVES	NO

Product rating history

APRIL 2023	RECOMMENDED SMA
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What this Rating means

The 'Recommended SMA' rating indicates that Lonsec has strong conviction the financial product can generate risk adjusted returns in line with relevant objectives. The financial product is considered an appropriate entry point to this asset class or strategy.

Strengths

- Experienced investment team with a long track record managing similar portfolios.
- Access to well-resourced global research team with a strong research agenda.
- Most of the underlying ETFs are highly regarded by Lonsec.
- Well-regarded risk management teams and proprietary risk systems, Aladdin.

Weaknesses

- The choice of asset classes and underlying funds are limited to a subset of iShares ETFs on the ASX. The limited choice of ETFs could potentially restrict the Manager's ability to carry out TAA.
- There is no alternatives asset class, limiting the potential benefits from diversification.

Product Risk Characteristics

	LOW	MODERATE	HIGH
BUSINESS SUSTAINABILITY RISK	●		
CAPITAL VOLATILITY			●
FOREIGN CURRENCY EXPOSURE		●	
REDEMPTION RISK	●		
SECURITY CONCENTRATION RISK	●		
SECURITY LIQUIDITY RISK		●	

Risk categories are based on Lonsec's qualitative opinion of the risks inherent in the financial product's asset class and the risks relative to other financial products in the relevant Lonsec sector universe.

BIometrics

Aggregated risks

	1	2	3	4	5	6	7
STD RISK MEASURE						●	

A Standard Risk Measure score of 6 equates to a Risk Label of 'High' and an estimated number of negative annual returns over any 20 year period of 4 to less than 6. This is a measure of expected frequency (not magnitude) of capital losses, calculated in accordance with ASFA/FSC guidelines.

Features and benefits

	LOW	MODERATE	HIGH
COMPLEXITY		●	
ESG			●

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Fee profile

	LOW	MODERATE	HIGH
FEES VS. UNIVERSE	●		
FEES VS. ASSET CLASS	●		

Fee BIOmetrics are a function of expected total fee as a percentage of expected total return.

What is this Product?

- The iShares Enhanced Strategic All Growth Model Portfolio (the 'Portfolio') is a low-cost multi-asset model seeking to outperform its composite benchmark over a rolling five-year period. The Portfolio allocates to ASX listed ETFs in its Strategic Asset Allocation ('SAA'), with approximately 98% in growth assets and 2% allocation to cash. The Portfolio uses tactical tilts to its SAA and rebalances four to six times per year.
- The Portfolio is managed by BlackRock Investment Management (Australia) Ltd ('BlackRock' or 'the Manager'), specifically the BlackRock Model Portfolio Solutions team, in consultation with the Investment Committee which also comprises local BlackRock Multi-Asset Strategies & Solutions ('MASS') individuals.
- The Portfolio obtains the majority of its asset class exposures via iShares ETFs available on the ASX. These iShares ETFs are largely passively managed and designed to mimic the performance of the underlying indices, such as the S&P/ASX200, or the Bloomberg AusBond Composite Bond 0+ Yr Index. The Portfolio's asset allocation is rebalanced to the target weight quarterly.
- The Portfolio is constructed based on the long-term SAA. The Manager uses a mean-variance optimisation approach in its asset allocation framework and expects to capture short to medium term market mispricings via quarterly tactical asset allocation tilts.
- Based on the Portfolio's constituents and weights as of 14 March 2023, the Portfolio's management fee, as measured by the indirect cost ratio, is 0.22% p.a. In addition, there may be other platform specific fees and costs, including management fees and costs, administration fees and a Responsible Entity fee levied by the platform provider. The level of these additional fees and costs are dependent on the platform. The Portfolio will also incur transactional and operational costs which are platform-specific, borne by investors indirectly but not paid to the Responsible Entity or the Manager. Realised returns will vary based upon the costs specific to the platform selected. Please refer to the respective platform's PDS for further details.

Using this Product

This is General Advice only and should be read in conjunction with the Disclaimer, Disclosure and Warning on the final page. Lonsec recommends all potential investors consult the SMA platform provider's PDS for further details on the nature of the risks associated with the Model Portfolio.

- Lonsec notes the Manager has produced a Target Market Determination ('TMD') which forms part of its design and distribution arrangements for the Portfolio. Lonsec has sighted the TMD that has been provided by the Manager and notes this should be referred to for further details on the Target Market Summary, Description of Target Market and Review Triggers.
- With an 'All-Growth' exposure to growth assets, this Portfolio is expected to have higher short-term fluctuations in value than lower growth-based investment portfolios. Its aim is to produce capital growth in a medium- and long-term time frame.

Suggested Lonsec risk profile suitability

SECURE DEFENSIVE CONSERVATIVE BALANCED GROWTH HIGH GROWTH

●

For guidance on appropriate asset allocations and risk profiles, refer to the latest Lonsec Strategic Asset Allocation Review and Risk Profile Definitions on our website.

Changes Since Previous Lonsec Review

- This is Lonsec's initial review of the Portfolio.

Lonsec Opinion of this Product

People and resources

- BlackRock is a large, well-resourced firm with over US\$9.1tn of assets as of 31 March 2023 managed across asset classes. BlackRock has a long track record in managing multi asset portfolios since 1992, with over US\$771.9bn assets as of 31 March 2023 in multi-asset products globally, of which \$64bn is sourced from the Australian business as of 31 December 2022. Lonsec views the Manager's investment management business as sustainable.
- BlackRock's Model Portfolio Solutions ('MPS') team is responsible for the management of the Portfolio. As at December 2022, the MPS team managed over \$140bn globally, mainly specialising in ETF portfolios. Lonsec believes the MPS team is well resourced and benefits from BlackRock's broader infrastructure. The MPS team presently consists of 20 members globally across portfolio management, investment research and investment strategy. The broader MPS team is headquartered in San Francisco, although the team responsible for the Portfolio is based in Hong Kong with support from Australia Multi-Asset Strategies and Solutions ('MASS') team.
- Lonsec considers Lead Model Manager, MPS Asia Pacific Chris Downing to be a credible and experienced investment professional in providing oversight to these portfolios. Lead Model Manager, MPS Asia Pacific Ilyas Chabane assists Downing in the day-to-day management of the Portfolio. Lonsec considers Chabane to have relevant experience to carry out the Portfolio's quantitative based research methodology. Further, both Chabane and Downing exemplify the team's stability with their long tenures at BlackRock which Lonsec views favourably.
- The Portfolio benefits from the expertise of the local MASS and iShares teams. Specifically, Downing is supported by the Portfolio's Investment Committee which comprise of Downing and three other senior members. Lonsec considers the local MASS team as a valuable resource in contributing domestic

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insights as well as asset allocation expertise to the management of the Portfolio. Lonsec acknowledges BlackRock's depth of resources available globally and the individual teams' ability to extract the best ideas and views from those resources.

- Lonsec highlights the aforementioned MPS and MASS individuals are also responsible for multiple other strategies run within the wider BlackRock umbrella. Lonsec will continue to monitor the workload of the team.
- Lonsec considers the alignment of interests between the MPS team and external investors to be low to moderate, albeit in line with many industry peers. In addition to a base salary, a portfolio manager is awarded a discretionary bonus driven by non-financial goals and overall financial measures, as well as investment performance. A portion of the bonus is issued in the form of restricted stock in BlackRock and units in the strategy, such as co-investment which vest over a period of time. Members of the team may also participate in BlackRock's employee stock purchase plan.

Asset Allocation

- Lonsec views the asset allocation process to be robust and consistently applied. BlackRock uses a proprietary mean-variance optimisation model which incorporates internally-derived asset class forecasts for returns, volatility and correlations to determine the SAA. The asset allocation process uses valuation signals based on arbitrage pricing theory, momentum signals using ETF returns in local currency, as well as economic and fundamental views. Tactical Asset Allocation ('TAA'), conducting through quarterly rebalancing, is designed to capture short to medium term market mispricings.
- Lonsec notes the investable universe of the Portfolio is limited to a subset of locally listed iShares ETFs for both platform trading accessibility and commercial reasons. Lonsec highlights this approach potentially results in the Portfolio being less diversified than its peers, as it currently is not able to allocate to certain asset classes on a stand-alone basis such as property, infrastructure and alternatives. Lonsec is cognisant BlackRock has a wider set of iShares ETFs it could invest in and is also continually introducing ETFs to the market.
- The Portfolio has been relatively active with regards to its TAA positioning. Significant changes have been made on a quarterly basis, and at times, intra-quarter. Lonsec notes the TAA positioning has been proactive, as well as reactive to changes in global markets. Lonsec notes the performance of the TAA process has been inconsistent since inception, and it will look to firm up conviction in forthcoming reviews for evidence of alpha generation.

Research and portfolio construction

- All investments are made into BlackRock managed ASX listed iShares ETFs. Lonsec acknowledges BlackRock's pedigree in managing ETFs with the first iShares ETF debuting in 1996 and BlackRock now managing close to US\$3.1 trillion within its ETF strategies as of 31 March 2023.
- Positions are largely implemented with passive ETFs, however the Manager has also used a quantitative,

factor-based ETF within its global equities allocation (WVOL) and an enhanced cash ETF (ISEC). Lonsec rates most of the underlying iShares ETFs available in Australia and across the board has high regard for the iShares ETFs, reflecting their ability to provide efficient, low-cost exposure to the underlying indices.

- The Portfolio consists of 'core' ETFs which make up the bulk of the portfolio, with the remainder consisting of 'satellite' ETFs. Turnover is expected to be moderate in the range of 40% to 60% p.a. which Lonsec considers to be reasonable given its quarterly tactical asset allocation approach.
- Once the asset allocation has been determined, portfolio construction is a relatively unequivocal affair. Generally, Lonsec considers the systematic nature of the investment management processes leads to highly structured, consistent and repeatable portfolio construction.

ESG Integration

- Lonsec's ESG integration assessment considers how rigorous, robust and structured the ESG process for the Portfolio is as well as how well it integrates into the overall investment process and the Manager's overall policy and reporting framework. The assessment is not intended to assess the underlying holdings of the portfolio or the Manager's adherence to any form of impact, green/sustainable or ethical standards.
- At the corporate level, Lonsec views the Manager's overall ESG policy framework and disclosure as ahead of peers. The Manager has an articulated commitment to the integration of ESG within their investment process with clear public positioning and evidence of a strong policy framework. The ESG policy together with stewardship guidelines 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 is high, particularly the firm's stewardship policies, however reporting on engagement outcomes lacks depth compared to industry-leading peers.
- With a primary ESG style of 'Stewardship' Managers will usually focus their ESG strategy on Engagement and Voting as the key tool in managing their ESG risks. While stewardship approaches are common across most Managers, they can form the key ESG strategy employed by some Managers. Due to the qualitative nature of this style Lonsec highlights the need for Managers to provide clear and detailed reporting on both engagement and voting activities and recommends investors review the fund stewardship reporting where available.
- Lonsec's review of ESG integration for Multi Asset funds such as this, reviews only the ESG components of the selection of underlying strategies or managers. It does not review the ESG integration at the level of each of the underlying funds or strategies.
- Within the Manager's internal approach ESG data management is strong and evidence of an ESG research effort is clear.
- Engagement activity is evident with overall structures and tracking broadly aligned with peers.

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- Compliance Monitoring of ESG factors is deemed adequate however overall transparency provided to investors is lagging. Voting on the Portfolio is decided on a company wide basis potentially limiting the Portfolio's ability to vote in alignment with its own analysts' views or investment/sustainability priorities.

Risk management

- Lonsec considers BlackRock a market leader in risk management, with extensive risk management systems and resources at its disposal. The risk management platform at BlackRock includes the Risk & Quantitative Analytics ('RQA') team, an internal group with a separate reporting line to the investment teams providing in-depth portfolio analysis, as well as the BlackRock Solutions group, a separate sister business group which supplies customised risk models and reports. The proprietary risk management tool Aladdin is also viewed as market leading, allowing portfolio risk to be disaggregated and analysed on a granular level.
- Lonsec assesses the liquidity risks of the Portfolio's investments to be low, given the listed nature of the underlying ETFs. Lonsec notes during periods of stress, liquidity may be lower than usual. In turn, underlying security pricing issues may impact the indicative Net Asset Value ('iNAV') of the ETFs and the ability of investors to transact close to iNAV.

Funds under management

- Lonsec has no immediate concerns around capacity based on the Manager's current level of FUM and given the highly liquid and tradeable nature of the underlying ETFs.

Performance - Model Portfolio

- The aim of the portfolio is to provide returns in excess of its composite, multi-asset class benchmark over a rolling five-year period.
- The Portfolio was launched in September 2022 and does not have a sufficient track record to conduct reliable performance analysis.
- Lonsec acknowledges the quality of the Manager as an ETF provider and has a high confidence in the ability of the Portfolio's underlying ETFs to match the performance of their respective underlying indices, before fees and taxes, although during recent volatile markets this has become more challenging.

SMA considerations

- The iShares Enhanced Strategic series was launched in January 2015. Lonsec acknowledges BlackRock's experience in managing model portfolios globally and has confidence in the adequacy and robustness of existing processes and systems in place to house a SMA strategy.
- Given the nature of the underlying ETFs and the quarterly rebalancing, Lonsec considers the Portfolio to be well suited to SMA platforms and provides an efficient means of obtaining a diversified exposure to different asset classes.

Platform trading and co-ordination

- BlackRock aims to convey trading information to the SMA platforms simultaneously and prior to the daily cutoff times to ensure consistency across the models and so no platform is at a disadvantage. Given the nature of the underlying ETFs which are generally highly liquid, Lonsec is comfortable with the Portfolio being able to closely track the performance of the models. Additionally, Lonsec considers positively the multiple market makers for the underlying ETFs.

Fees

- Lonsec considers the BlackRock composite fee load for the Portfolio as fair given its diversified risk profile focus, as well as relative to similar strategies within the peer group. The Portfolio is currently available on the CFS, Wealth O2, FinClear, OpenInvest, BT Panorama, Hub24, Macquarie Wrap, Netwealth and Praemium platforms. Note the fees in the following table refer only to the management fee paid to the Manager, which may include Responsible Entity fee levied by the platform providers, and exclude the underlying ETF fees, as well as administration fee paid to the SMA platform providers.

SMA PLATFORM	FEES % P.A.
BT PANORAMA	0.05%
HUB24	0.10%
MACQUARIE WRAP	0.10%
PRAEMIUM	0.05%
NETWEALTH	0.10%
CFS	0.05%
WEALTH O2	0.10%
FINCLEAR	0.10%
OPENINVEST	0.10%

NOTE: INVESTMENT MANAGER FEES ONLY EXCLUDING PLATFORM SPECIFIC ADMINISTRATION, TRANSACTION AND OTHER APPLICABLE COSTS. REFER TO SMA PLATFORM PDS FOR FURTHER DETAILS.

Overall

- Lonsec has assigned the Portfolio a '**Recommended SMA**' rating at its initial review. The Product offers access to a low cost, diversified portfolio constructed using ETFs. The favourable rating is backed by our conviction in Head of MPS, Chris Downing, and the strength and stability of senior investors across the BlackRock MASS team.
- Notwithstanding our positive view on the SAA process, the TAA framework has yet to demonstrate its ability to consistently add value. Further, the investable universe is restricted to a subset of ASX listed iShares ETFs, which could potentially limit the Manager's ability to add diversification benefits and carry out desired TAA positionings. Lonsec acknowledges iShares has products across more granular sub-asset classes which mitigates some of these risks.

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People and Resources

Corporate overview

BlackRock is one of the world's largest asset managers. As of 31 March 2023, the firm employed more than 19,400 professionals and maintains offices in 36 countries. BlackRock Inc. (NYSE: BLK) has no single majority stockholder and has a majority of external directors. The Portfolio is managed by the Model Portfolio Solutions team.

BlackRock manages a total of US\$9.1tn of assets as of 31 March 2023, of which approximately US\$771.9bn was in the multi-asset sector. As of 31 December 2022, the Model Portfolio Solutions team managed \$140bn of assets, and MASS Australia managed \$64bn.

Size and experience

NAME	POSITION	EXPERIENCE INDUSTRY / FIRM
CHRIS DOWNING	DIRECTOR, HEAD OF MPS (APAC)	24 / 15
ILYAS CHABANE	LEAD MODEL MANAGER, MPS (APAC)	12 / 8
MICHAEL MCCORY	CIO BLACKROCK (AUSTRALIA), MASS	30 / 24
KARSTEN KUMPF	HEAD OF PORTFOLIO MANAGEMENT, MASS (AUSTRALIA)	15 / 15
DAVID GRIFFITH	HEAD OF PORTFOLIO SOLUTIONS, MASS (AUSTRALIA)	24 / 15
UWE HELMES	LEAD MODELS STRATEGIST	12 / 5
KATIE PETERING	HEAD OF STRATEGY, MASS (AUSTRALIA)	25 / 4

MPS: Model Portfolio & Solutions; MASS: Multi-Asset Strategies & Solutions.

The Model Portfolio & Solutions ('MPS') team is responsible for managing the Portfolio. Specific to this Portfolio, Head of MPS APAC, Chris Downing, is supported by the Investment Committee which consists of Michael McCorry, Karsten Kumpf, David Griffith.

Downing joined the firm's predecessor, BGI in February 2007 and has since accumulated a diverse set of experience through various rotations. In 2013, Downing was appointed team leader of the MPS team, heading the APAC region. Downing was promoted to Managing Director in December 2018, however his roles and responsibilities have not changed and he retains ownership and accountability for the Australian suite of model portfolios.

As CIO BlackRock Australia, McCorry leads the local Multi-Asset Strategies & Solutions ('MASS') team. McCorry joined BGI in 1997. Prior to assuming the sole CIO role in October 2012, he held a number of senior roles across a range of asset classes. McCorry has qualifications in Science, a MBA and a PhD in Finance. McCorry is supported by Head of Portfolio Management Karsten Kumpf and Head of Portfolio Solutions, MASS David Griffith.

Lead Model Manager, MPS (APAC) Ilyas Chabane is a senior member of the Model Portfolio Solutions team in APAC. His team is responsible for the research and management of strategic and tactical asset-allocation

models implemented over iShares ETFs and BlackRock active funds. Chabane has previously worked as an equity trader within the Trading and Liquidity Strategies ('TLS') team at BlackRock and has been with the firm since 2013.

Remuneration

The remuneration structure for portfolio managers varies depending on their role in the overall investment process. 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, profit share and a variable incentive scheme. The variable compensation element of any package is driven by corporate and individual performance.

Research Approach

Overview

The investment process at BlackRock aims to capture the following factors:

- Valuation: Mean reversion of under or overvaluation based on market fundamentals.
- Momentum: Markets' under-reaction to news for behavioural and market structure reasons in the mid-term horizon.
- Economic and fundamental: momentum of underlying fundamental ratios, industrial metals prices and economic surprise.

The Manager has introduced additional signals over the years and varied their weightings.

Valuation

An Arbitrage Pricing Theory ('APT') style framework is used to build long-run expected excess returns which are updated monthly.

- The Average Short Rate ('ASR') is the proprietary computation of 10-year risk free rate, based on modelling the trajectory of cash rates over the next 10 years, for the relevant yield curve based on the base portfolio currency. The ASR incorporates longer-run growth and inflation views.
- Equity risk premium is calculated as the long-run forecast expected returns based on fundamental economic drivers, incorporating dividend yields and payout ratios, less the ASR.
- Bond risk premium is calculated as the nominal sovereign yields based on the yield curves at the duration point relevant to the rate exposure of the bond being priced, less the ASR.

Momentum

The Manager uses the one-year realised performance of the local iShares ETFs, in local currency returns, to model its momentum signal. This signal is scaled for volatility and updated monthly.

Asset allocation

The Manager uses a mean-variance optimisation model to determine its asset allocation, incorporating the internally derived asset class forecasts for returns. The Manager considers all three valuation, momentum and thematic factors/views, in forming its asset allocation. The Portfolio is rebalanced quarterly, or more frequently as triggered by the MPS team.

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The asset allocation is designed specifically for Australian investors, has incorporated a high share of Australian equity and an Australian dollar denominated cash bucket.

The following represents the Portfolio's asset allocation as at March 2023:

Australian equity

- Current weight: 39.5%
- SAA range: 20-60%

International equity

- Current weight: 58.5%
- SAA range: 45-85%

Cash

- Current weight: 2.0%
- SAA range: 1-10%

Portfolio Construction

Overview

The Portfolio's investable universe is limited to a subset of the iShares ETF's available in Australia. As at March 2023, the investable universe includes all iShares ETFs listed on the ASX.

The Portfolio invests into the following as at March 2023:

Australian equity

- iShares Core S&P/ASX 200 ETF (ASX:IOZ)

International equity

- iShares S&P 500 ETF (ASX:IVV)
- iShares S&P 500 AUD Hedged ETF (ASX:IHVV)
- iShares Edge MSCI World Min Vol ETF (ASX:WVOL)
- iShares MSCI Japan ETF (ASX:IJP)
- iShares Europe ETF (ASX:IEU)
- iShares MSCI EAFE ETF (ASX:IVE)

Emerging equity

- iShares MSCI Emerging Markets ETF (ASX:IEM)
- iShares China Large-Cap ETF (ASX:IZZ)

Cash

- iShares Enhanced Cash ETF (ASX:ISEC)
- Platform-managed cash

Risk Management

Risk limits

Risk management is an integral pillar of the process. In addition to risk being constrained as part of the portfolio optimisation process and the earlier defined asset allocation ranges, other constraints include a +/- 5% tolerance range of the SAA weight at the ETF level and a +/-10% at the asset class level.

Risk monitoring

BlackRock's Risk & Quantitative Analysis team works closely with portfolio managers to identify, monitor and minimize risk throughout the investment process. Proprietary risk models are used to monitor portfolio exposures, the marginal contribution of active stock positions, tracking error, style drift and liquidity.

Risks

An investment in the Model Portfolio carries a number of standard investment risks associated with investment markets. These include performance, liquidity, counterparty, market and tax risks. These and other risks are outlined in each SMA platform providers' PDS and should be read in full and understood by potential investors. Lonsec considers the following to be the major risks:

Market risk

Market risk is the risk from being exposed to a particular investment market, such as international investment markets, or the Australian share or property markets. There is no guarantee these markets will increase over the investment time frame.

Security and investment-specific risk

Within each asset class and each ETF, individual securities can be affected by risks that are specific to that investment or that security. For example, the value of a company's shares can be influenced by changes in company management, its business environment or profitability. These risks can also impact on the company's ability to repay its debt.

Currency risk

Investments in global markets or securities which are denominated in foreign currencies give rise to foreign currency exposure. This means that the value of these investments will vary depending on changes in the exchange rate.

Implementation risk

There is a risk that the performance of the Manager's Model Portfolio may not match the SMA version of the Model Portfolio due to each individual platform's procedures and processes.

Tracking error risk

The underlying ETFs seek to minimise the tracking error against their respective indices. There is no guarantee that these objectives will be met.

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Quantitative Performance Analysis - annualised before-fee % returns (at 28-2-2023)

Performance metrics

	3 MTH		6 MTH		9 MTH		12 MTH	
	FUND	PEER MEDIAN	FUND	PEER MEDIAN	FUND	PEER MEDIAN	FUND	PEER MEDIAN
PERFORMANCE (% PA)	1.26	0.96	6.27	5.42	-	-	-	-
STANDARD DEVIATION (% PA) *	-	-	-	-	-	-	-	-
EXCESS RETURN (% PA)	1.70	1.40	2.61	1.76	-	-	-	-
OUTPERFORMANCE RATIO (% PA)	66.67	66.67	66.67	66.67	-	-	-	-
WORST DRAWDOWN (%)	-1.70	-1.70	-4.94	-4.94	-	-	-	-
TIME TO RECOVERY (MTHS)	1	1	1	1	-	-	-	-
SHARPE RATIO *	-	-	-	-	-	-	-	-
INFORMATION RATIO *	-	-	-	-	-	-	-	-
TRACKING ERROR (% PA) *	-	-	-	-	-	-	-	-

PRODUCT: ISHARES ENHANCED STRATEGIC ALL GROWTH PORTFOLIO

LONSEC PEER GROUP: MULTI-ASSET - 81-100% GROWTH ASSETS - SMA

PRODUCT BENCHMARK: LONSEC STRATEGIC MULTI-ASSET (TRADITIONAL) 90% GROWTH INDEX

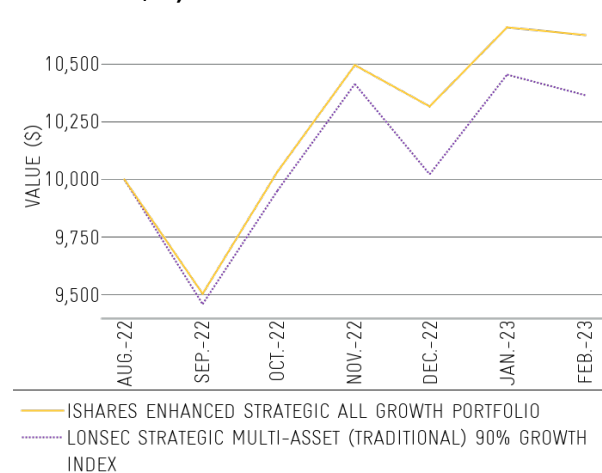
CASH BENCHMARK: BLOOMBERG AUSBOND BANK BILL INDEX AUD

NOTE: PERFORMANCE PROVIDED BY MANAGER IS GROSS OF FEES, NOT NET OF FEES.

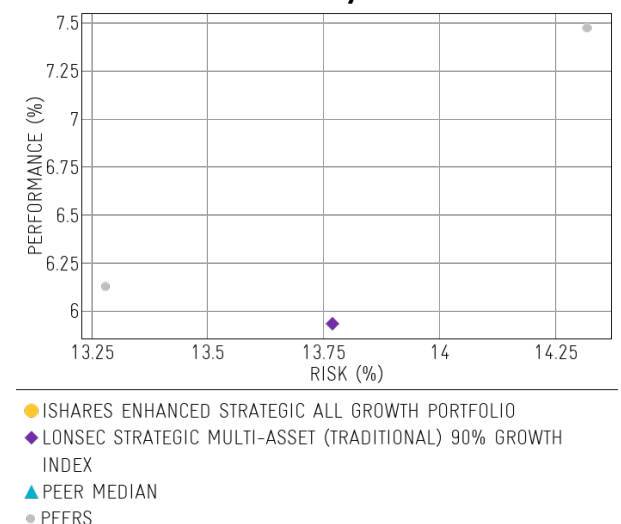
* PERIODS LESS THAN 12 MONTHS ARE NOT CALCULATED

TIME TO RECOVERY: NR - NOT RECOVERED, DASH - NO DRAWDOWN DURING PERIOD

Growth of \$10,000 over six months



Risk-return chart over three years



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Glossary

Active Share is a measure of the percentage of stock holdings in a manager's portfolio that differ from the benchmark

Total Return 'Top line' returns before fees

Excess return Return in excess of the benchmark return

Standard deviation Volatility of monthly Absolute Returns

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

Sharpe ratio Absolute reward for absolute risk taken (outperformance of the risk free return (Bank Bills) / Standard Deviation)

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

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

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

About Lonsec

Lonsec Research Pty Ltd (Lonsec) is an investment research house with specialist areas of expertise, that was originally established in 1994 and the current entity was registered on 23 June 2011. From 1 July 2011, Lonsec became a fully owned subsidiary of Lonsec Fiscal Holdings Pty Ltd, a privately owned entity with a multi-brand strategy of providing leading financial services research and investment execution. Lonsec believes that professional financial advisers need informed opinions on the best investment strategies and financial products to provide real value for their clients. To meet this need, Lonsec has in place an experienced research team, which draws on a robust research process to undertake in-depth assessment of managed fund products.

Analyst Disclosure and Certification

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