



Refer to glossary for definition of the rating

### Product Review

#### About this Product

Benchmark	SR50 Balanced (60-76) Index
Product structure	Super Option
Product size	\$12.2b
Asset class	Multi-Asset
Sector	61-80% Growth Assets
Growth/defensive split	75/25
Peer group	Superannuation
Rated peers	31
Inception date	Dec 2010

#### Product Characteristics

Business Life Cycle	Mature
Product Wind-Up Risk	Low
Key Person Risk	Medium
Tenure of Decision Makers	High
ESG Approach	Stewardship
Peer Relative Fees and Costs	In line with median

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

Administration fees and costs	0.23
Investment fees and costs	0.04
Net Transaction Costs	0.00
Buy/Sell Spread	0.00/0.00
<b>Annual fees and costs</b>	<b>0.27</b>

Source: FE fundinfo

#### Strengths

- High-quality, experienced and stable senior investment team.
- Lowest fee load in the Lonsec-rated peer group

#### Weaknesses

- Limited diversification relative to actively managed multi-asset peers has resulted in higher volatility relative to the peer median over multiple time periods.
- Typically carries higher equity market beta relative to actively managed Lonsec rated peers.

### Product Opinion

Lonsec retains its 'Recommended' rating for the Option, noting confidence in Hostplus's investment team and its operational and risk management. While the investment team is smaller than peers of a similar size and complexity, Lonsec continues to rate the experience of senior members of the investment team. The Option's fee load is a key competitive strength in this peer group, providing a very competitively-priced and passive exposure to traditional asset classes. The Option's limited diversification leads to higher volatility and larger drawdowns compared to active peers, albeit typical for low-cost diversified products.

#### 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	CPI plus 2.5% p.a. (accumulation) and 3.0% p.a. (pension) on average over 20 years, after fees and taxes.
Internal return objective	Other
Internal risk objective	Other
Non-financial objective	N/A

#### Asset Allocation (%)

	SAA Benchmark %	Min %	Max %	Current Allocation %
Australian Equities	35.0	20.0	60.0	35.0
International Equities	40.0	20.0	60.0	40.0
Listed Property	0.0	0.0	0.0	0.0
Unlisted Property	0.0	0.0	20.0	0.0
Australian Fixed Interest	8.0	10.0	30.0	8.0
Global Fixed Interest	9.0	10.0	30.0	9.0
Alternative Assets	0.0	0.0	20.0	0.0
Cash	8.0	0.0	20.0	8.0
Others	0.0	0.0	10.0	0.0
Total	100.0			100.0

#### Rating History

13-Apr-2023	Recommended
25-Mar-2022	Recommended
01-Apr-2021	Recommended

#### 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)	5.14	4.85	0.17	0.25	6.40	5.94	6.09	6.17
Standard deviation	8.06	6.17	9.61	7.20	9.03	6.94	9.81	8.31
Excess return (% p.a)	0.82	0.53	-0.26	-0.17	0.49	-0.01	0.72	0.73
Outperformance ratio (% p.a)	50.00	50.00	45.83	45.83	50.00	48.61	56.67	55.00
Worst drawdown (%)	-4.55	-3.62	-10.80	-9.45	-10.80	-9.45	-14.58	-13.63
Time to recovery (mths)	NR	-	9	-	9	-	8	-
Sharpe ratio	0.18	0.20	-0.21	-0.30	0.55	0.64	0.49	0.63
Information ratio	0.37	0.42	-0.08	-0.16	0.18	-0.02	0.26	0.48
Tracking error (% p.a)	2.24	1.35	3.07	1.59	2.78	1.82	2.77	1.95

**Lonsec Peer Group:** Multi-Asset - 61-80% Growth Assets - Superannuation

**Product Benchmark:** SR50 Balanced (60-76) Index

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

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

### Business



#### Facts

Fund Name	Hostplus
Fund ABN	79 008 634 704
RSE licensee profit status	Not For Profit
Membership	1,770,908
Inception Date	Feb 1988

#### Governance

% Independent board members	33
CEO as Chair	No
Separate Audit Committee	Yes
% Female board members	33
Independent chair	Yes

#### Who is the Manager?

Host-Plus Pty Limited ('Hostplus' or 'the Fund') is one of the country's largest profit-to-member industry superannuation funds, managing the retirement savings of over 1.8 million members across 305,000 employers. The superannuation industry has experienced a spate of fund mergers and acquisitions over the past few years. More recently, Hostplus merged with Maritime Super in September 2023, adding 23,000 members and \$6 billion in FUM. As at 31 October 2023, funds under management stood at \$100.9bn, with strong annual cashflow.

## Lonsec Opinion

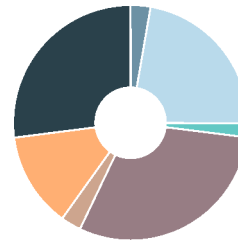
#### Profitability

Hostplus is considered a leading Australian provider of superannuation services and is one of the largest funds in the superannuation industry. With the current levels of funds under management, the Fund is considered to have sufficient scale to benefit members in terms of lower costs and reinvestment in member services.

#### Business Track record

Hostplus is a well established superannuation offering with a heritage dating back to 1988 starting as the the industry fund for hospitality workers. It has built an impressive track record in accumulation accounts and in serving the needs of a predominantly younger member base. The Fund has grown significantly, particularly in the last five years, which can be a stretch on resources and operational infrastructure. That said, growth is thought to be sustainable and positively, strong cash flows have supported a strong investment programme. Further, Hostplus has continued to invest in both human resourcing and technology to help manage its scale.

#### AUM



- Alternatives 2.7%
- Australian Equities 22.3%
- Australian Fixed Interest 1.9%
- Global Equities 30.1%
- Global Fixed Interest 2.8%
- Other 13.1%
- Unlisted Assets 27.0%

#### Metrics

Investment Management Headcount	10
Investment Professionals	8
Total AUM	\$94.5b

#### Business Ownership

The Fund operates a not for profit, quasi-mutual structure and solely operates to benefit the members of the Fund. This structure is well aligned to the long term focus of providing retirement benefits to members and builds a strong foundation from which to act in the best interest of the demographics of the Fund.

#### Business Governance

Hostplus is overseen by its trustee board and various sub-committees. As is typical for many industry funds, the composition of the Board aims to provide equal representation to both members and employers. Pleasingly, the Board also has three independent members one of whom is the Chair. All else equal, a greater number of independent directors is viewed favourably and may improve the level of diversity, objectivity and independence from a governance perspective. The Fund has not reported any significant regulatory findings in recent years.

### Team



#### Key Decision Makers (KDM)

	Primary function	Dedicated to strategy	Appointed to strategy	Industry/Mgr exp. (yrs)	Exp. in PM roles (yrs)
Sam Sicilia	CIO	No	2008	29/15	15
Greg Clerk	Deputy CIO - Investment Strategy & Risk	No	2016	25/7	7
Con Michalakis	Deputy CIO - Portfolio Construction	No	2022	31/-1	15

#### KDM Change\*

	Function	Change	Type	Tenure (yrs)	Date of change
Con Michalakis	Portfolio Management	Joined	New	2	April 2022
Jordan Kraiten	Head of Infrastructure	Departed	Exit	10	Oct 2023
Spiros Deftereos	Head of Property	Departed	Exit	9	Dec 2023

\* Last 3 years

#### Profile

Structure	Centralised
Size	23
Turnover	Medium

#### Alignment

Performance-Based bonus	Yes
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#### Resources

	Number	Average Years Experience
Key decision makers	3	12.33
Portfolio Managers	7	10
Hybrid portfolio manager/ analysts		
Dedicated analysts	4	7
Dedicated dealers		
Quantitative	1	3
ESG/Sustainability	1	17
Macro		
Investment Specialists	2	5

#### Who is the Team?

The Hostplus Investment team, led by CIO Sam Sicilia and supported by Deputy CIOs Greg Clerk and Con Michalakis, comprises 23 professionals managing a broad diversified set of asset classes, though the Fund a heavier focus on unlisted assets versus some of its peers.

Sicilia, who has 30 years of industry experience, is responsible for capital markets and generating investment insights for the Fund. Clerk joined the Fund in 2016 but had a lengthy working relationship with the Fund prior to his appointment in his role at JANA where he spent 17 years, most recently as the primary asset consultant to the Fund. Michalakis joined the Fund in May 2022 following the merger with Statewide (where he was CIO) and is responsible for leading the fund's portfolio construction team.

The investment team is rounded out by a number of analysts reporting through to Michalakis and Clerk. This includes sectors heads Dmitry Capel (International Equities), Alice Hardie (Credit, Diversified Fixed Interest and Cash), Chris Williams (Private Equity), Daniel Dujmovic (Alternatives) and David Obst (Australian Equities).

The Deputy CIO's and Heads of are supported by a dedicated team within JANA.



## Lonsec Opinion

### Skill

The investment team, led by Sicilia and supported by Clerk and Michalakis, is highly experienced. The senior leaders have significant tenure within the team and bring a broad range of experience in investment consulting and asset ownership. Since 2002, the Fund has exclusively used JANA for asset consulting, acknowledging JANA's extensive research capabilities. JANA is responsible for researching and monitoring the strategic asset allocation ('SAA') and dynamic asset allocation ('DAA') at the Fund. Furthermore, the Fund leverages JANA's manager research process however, both entities are involved in the the manager diligence process and meetings with all potential managers prior to onboarding.

### Team Size

The investment team is considered to be smaller than peers with a similar level of assets under management. That said, the Fund predominantly outsources the management of its investments to external managers, except for direct investments and co-investments in property, infrastructure, and private equity, which have grown in recent years. To enhance its capabilities, aside from its own 23-member investment team, the Fund benefits from an additional 27-member team dedicated by JANA, focusing on Capital Markets & Portfolio Construction and various asset classes. It is believed that the internal team at Hostplus have sufficient expertise to test assumptions, modelling and other output from JANA to ensure its in the best interests of the Fund and members.

### Track Record/Co-Tenure

The key decision makers have a demonstrable track record developed over multiple market cycles with a reasonable level of co-tenure, noting Michalakis is a recent joiner as co-Deputy CIO via Statewide Super. The recent departures of Kraiten and Deftereos as Heads of Infrastructure and Property respectively is noteworthy given their tenure and responsibilities at the Fund, however mitigated by the overall level of experience and track record exhibited by other key decision makers. Replacements for these the two departures would be welcomed and viewed favourably in the medium term.

### Alignment

The level of alignment is considered to be relatively low but considered adequate, and in-line with the Fund's profit-for-member philosophy, governance, and decision making structures. The investment team is paid a base salary, with asset class Heads also receiving a discretionary component related to the performance of the Fund and the Option rather than their sector of responsibility. This promotes and incentivises greater collaboration across asset classes and 'whole of portfolio' thinking.

### Key Person Risk

Key person risk has been alleviated by the growth of the team following the merger with Statewide. That said, Sicilia, Clerk and Michalakis are considered key professionals in providing leadership over the strategy and integral in driving improvements with the investment process.



#### What is the Investment Process?

The Fund adopts a long-term investing approach supported by JANA's asset allocation and manager research processes supplemented by internal resources and requirements. JANA is responsible for researching and monitoring the strategic asset allocation ('SAA'). JANA's asset allocation is determined quarterly by the in-house committee and then tailored to meet the objectives of the Fund. As a passive alternative option, this Option does not employ dynamic or tactical asset allocation. To keep costs low, the Option is restricted to the major equity and bond asset classes which results in a portfolio that is less diversified when compared to active multi-asset peers.

HostPlus has been committed to outsourcing its investment requirements to external managers, except for some investments within the property, infrastructure, and private equity asset classes, where the Fund has increased its direct investments and co-investments in the past few years. For external managers, mandates are predominantly used with selection focused on high-conviction, boutique-style managers.

Similar to other industry superannuation funds, the Fund has investments in related parties, e.g. IFM and ISPT.

### Lonsec Opinion & Supporting Facts

#### Philosophy and Universe

Investment Style	Multi-Manager
Asset Allocation Approach	Strategic AA
Sector Exposure	Passive
Available Universe	Mandates, pooled trusts, derivatives

The Fund's investment philosophy focuses on employing a selection of specialist indexed fund managers. This Option was designed as a passive alternative to the Balanced (MySuper) option. Compared to the Fund's other active multi-asset options, the involvement of the team and JANA in this Option to be minimal (and focused on asset allocation), albeit adequate given the passive nature of the Option.

#### Research Process

Idea generation	JANA, External Managers, Network
SAA review frequency	Annual
DAA/TAA signals	N/A
Managers actively tracked	<5
External consultant	JANA Investment Advisers Pty Ltd

In its allocation towards external managers, the Option utilises specific mandates where possible, or pooled trusts otherwise. Lonsec regards JANA's asset allocation process as robust and compatible with the Fund's investment approach. Additionally, JANA's approach to manager research is comprehensive, with a dual focus on quantitative and qualitative analysis, ensuring thorough evaluation of investment managers.

### Process (continued)



#### Portfolio Construction

Use of unlisted assets	No
Portfolio decision making	Other
Use of mandates	Yes
Use of alternatives	No

All of the Option's investments are outsourced to external managers, where pooled trusts and mandates are used. Overall, Lonsec believes that mandate tailoring or blending of individual asset class exposures can facilitate tighter portfolio construction and better control of product design to achieve desired performance and tracking error objectives though acknowledges this may not be as practical or relevant for index funds, where economies of scale assist in keeping costs down.

The portfolio consists entirely of underlying indexed strategies which are designed to benefit from a cost and simplicity perspective. Hence in contrast to the active option, where more qualitative factors feature more heavily, cost considerations were a key driver in the allocation decision for this Option.

Similar to other industry superannuation funds, the Option has investments in related parties, i.e. IFM. While related party investments have the perceived conflict of interest which may compromise the objectivity of the portfolio construction process, Lonsec notes the investment team has strict governance processes in place which is supported by the independence of JANA, which reports directly to the Board.

#### Capacity Management

Super funds should have a strategic plan to manage capacity issues. In the case of Hostplus, a growing pool of assets can lead to capacity issues in more capacity constrained asset classes such as Australian equities. As such, the Fund can lean on greater international investments including equities and unlisted assets as part of its capacity strategy. The Manager is aware of potential capacity issues domestically and continues to scope out its strategy. Lonsec will continue to monitor these challenges but believes there are a number of levers and strategies that can be used to alleviate capacity concerns.

#### Investment Risk Management

Rebalancing bands	0-0%
Country Limits (Min./Max.)	N/A
Monitoring external to investment team	Yes
Frequency of monitoring	N/A
Primary risk management system	Aladdin
Rebalancing frequency	Weekly
Gross exposure range	N/A

The investment team conducts portfolio analytics primarily via Aladdin (integrated with eFront for private markets), which has been operational since Q1 2023. The addition of Aladdin is viewed favourably given its viewed as a best in class risk management system noting that it may take time to fully implement and make the most use of its functionality. The Manager still accesses JANA's tools including Solve for top down asset allocation. However, Hostplus has improved its investment risk and performance analytical systems in recent years which is viewed as a significant uplift and enables a much greater 'whole-of-portfolio' view.

### ESG



#### Manager Positioning

ESG approach	Stewardship
Sustainability thematic	SDG Alignment
Responsible investment style	ESG Integration
Non-financial objective	None

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

The Fund has indicated that their Responsible Investment style is "ESG Integration" and as such they consider Environmental, Social and Governance factors when assessing investment opportunities. With a primary ESG style of "Stewardship" Funds 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 Funds, they can form the key ESG strategy employed by some Funds. Due to the qualitative nature of this style, Lonsec highlights the need for Funds to provide clear and detailed reporting on both engagement and voting activities and recommends investors review the fund stewardship reporting where available.

### Lonsec Opinion & Supporting Facts

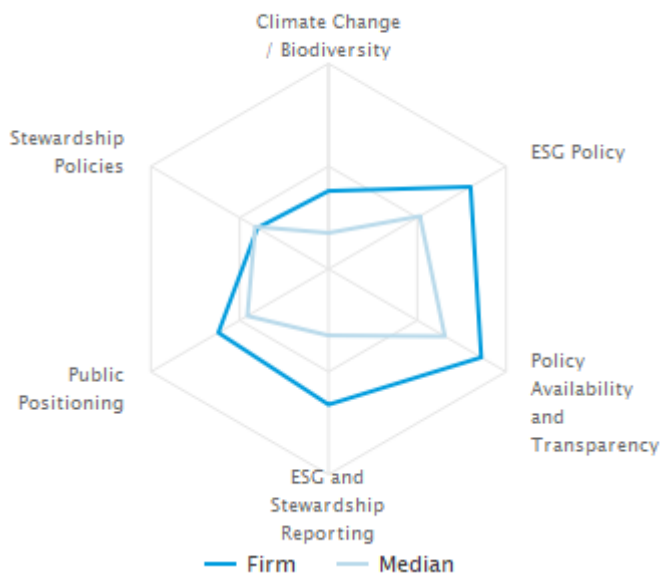
#### Overview

ESG Process Score	Mod
Responsible Investment strategy risk: Clarity, measurability & reporting	N/A

#### Product Level Approach

Lonsec's review of ESG integration for Multi Asset Funds, reviews only the ESG components of the selection underlying Options or Funds, or the extent to which ESG impacts asset allocation. It does not review the ESG integration at the level of each of the underlying Funds or Options. The Fund has a clear ESG element in their manager selection process. Managers have to adhere to other minimum ESG based investment standards. Documentation requirements are appropriate. There is no regular independent monitoring of the ESG characteristics of the underlying stocks performed by the Fund, however ongoing monitoring of the policies of the underlying managers is performed regularly. There are only limited signs that company engagement on ESG issues is a component of the Funds investment approach. Portfolio transparency is strong and ESG based compliance monitoring is seen as appropriate.

#### ESG Snapshot



#### Strategy: Clarity, Measurability & Reporting

This Option does not make any specific claim to being a sustainable, ethical or impact offering. As such Lonsec does not apply its alignment review to the product and thus scores its risk of misalignment as N/A.

#### Manager Level Approach

At the corporate level Lonsec views the Funds overall ESG policy framework and disclosure as aligned with peers. The Fund has an articulated commitment to the integration of ESG within their investment process with evidence of policy framework and clear public positioning. The responsible investment policy and stewardship policy are freely available on the firm's website and include voting guidelines. The level of disclosure with respect to the proxy voting policy and voting outcomes is in-line with peers supported by publicly available reporting and high-level voting beliefs. The Fund has outsourced engagement activities and reporting to stewardship providers.



### Product



#### Service Providers

Custodian	Citigroup Pty Limited and Pacific Custodians Pty Limited
Administrator	Australian Administration Services Pty Ltd (Member of the Link Group of companies)
Registrable Superannuation Entity	Host-Plus Pty Limited
Fund Auditor	PricewaterhouseCoopers
Change in Key Providers? (Over last 12 months )	No

#### Product Details

Product size	\$12.2b
Fund 12-month net flows	Positive
Buy/sell spreads	0.00/0.00
Net transaction costs	0.00
Product type	Registrable superannuation entity
Unlisted asset valuation frequency	Quarterly
Valuation externally audited	Yes

#### What is the Product Structure?

The Fund is a registrable superannuation entity (RSE) for which Hostplus Pty Ltd is the issuer and the Trustee. APRA regulates the trustees of superannuation funds who are required to act in the best interest of their members.

The Fund may hold a reasonable allocation towards assets that are illiquid and not marked to market.

The Fund is subject to the Federal Government's Your Future, Your Super (YFYS) reforms which came into effect on 1 July 2021. Under these reforms, a key requirement is for APRA to conduct an annual Performance Test ('the test'), which has the purpose to increase transparency and accountability of superannuation funds. The failure of the test can result in a decline in future contributions and member outflows.

### Lonsec Opinion

#### Service Providers

The Fund employs high quality Tier 1 service providers.

#### Wind-up Risks

The total assets for superannuation products were \$100.9bn as of 31 October 2023, which indicates strong support from the market. As such, the wind-up risk is considered low.

Further, the Option has performed well in relation to the YFYS benchmarks and the risks of not meeting this benchmark are considered low at the time of review.

#### Operational 'Red Flags'

Unlike the Hostplus Balanced investment option which holds a reasonable allocation towards assets that are not marked to market, Lonsec highlights this Option is invested purely in major equity and bond asset classes using a passive approach. As a result, the Option is less diversified, carries higher equity market beta and higher volatility relative to other Hostplus investment options as well as actively managed Lonsec-rated peers.

### Fees



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

Administration fees and costs	0.23
Investment fees and costs	0.04
Net Transaction Costs	0.00
Buy/Sell Spread	0.00/0.00
<b>Annual fees and costs</b>	<b>0.27</b>

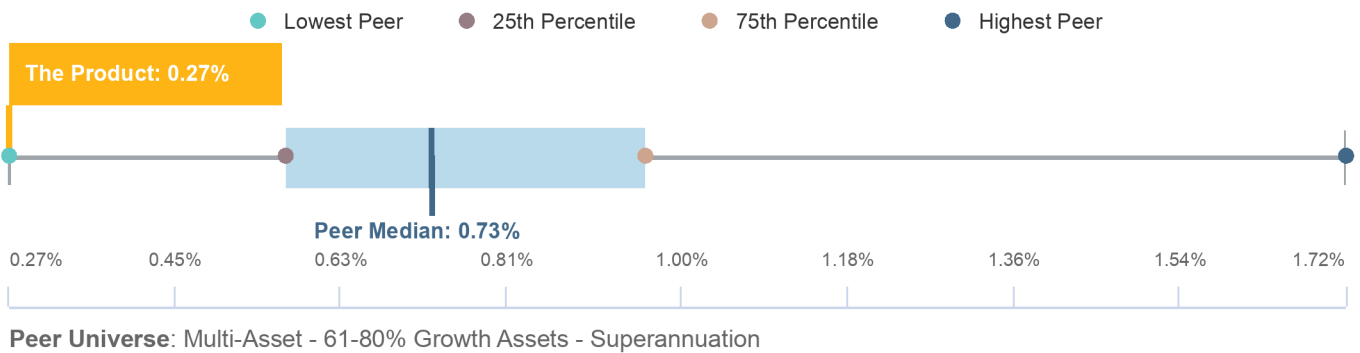
Source: FE fundinfo

#### Fees Explained

Under RG97, annual fees and costs for superannuation funds comprise of 1) administration fees and costs, 2) investment fees and costs, and 3) net transaction costs.

Given administration costs generally consist of both dollar (weekly or annual) amounts and asset-based fees, administration costs are calculated on a balance of \$50,000.

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



### Lonsec Opinion

#### Annual Fees and Costs

The Option's absolute fee load (AFC of 0.27% p.a.) is considered low relative to the Lonsec universe, and also the lowest amongst its peers in the broader multi-asset superannuation peer group.

#### Fairness

Considering the access to passive exposure and its absolute fee structure, Lonsec considers the Option competitive.

Performance data is as at 31 October 2023

### Performance

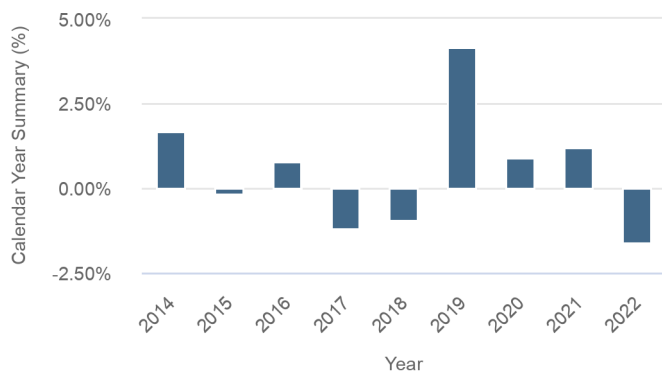
#### Performance Summary

PDS return objective	CPI plus 2.5% p.a. (accumulation) and 3.0% p.a. (pension) on average over 20 years, after fees and taxes.
Internal return objective	Other
Internal risk objective	Other
Product benchmark	SR50 Balanced (60-76) Index
Lonsec peer group	Superannuation

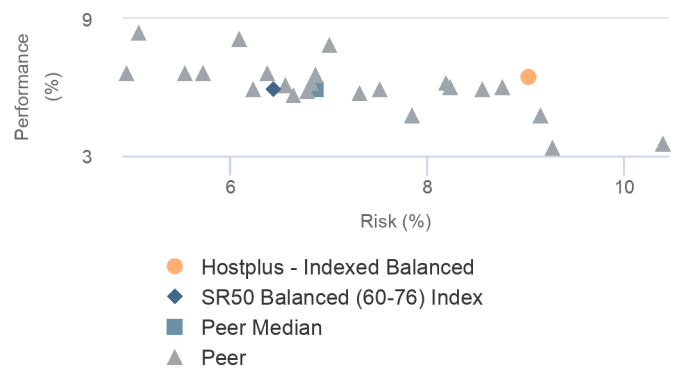
#### Alpha Generation

The Option delivered an 6.8% p.a. return over 10 years to October 2023 relative to the CPI + 3.0% benchmark of 5.7% p.a. Over three and five years, the Option returned 6.9% p.a. and 6.4% p.a. (after fees and tax), respectively, positioning at the higher end of the peer group. As seen from the Calendar Year Excess Return chart, in the last five calendar years, the Option has outperformed the SR50 Balanced product benchmark in three of those years, with a lot of outperformance seen in the 2019 year.

Calendar Year Excess Return



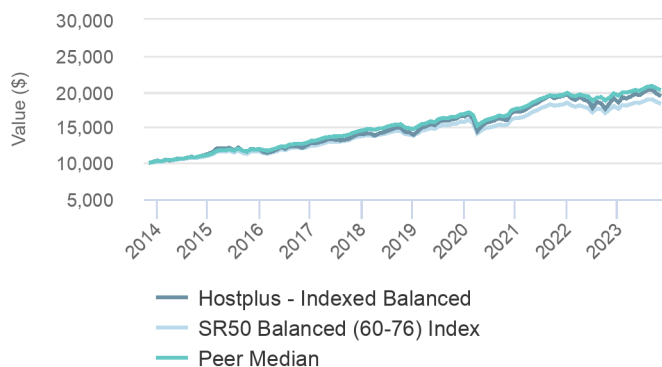
3 Year Risk and Return



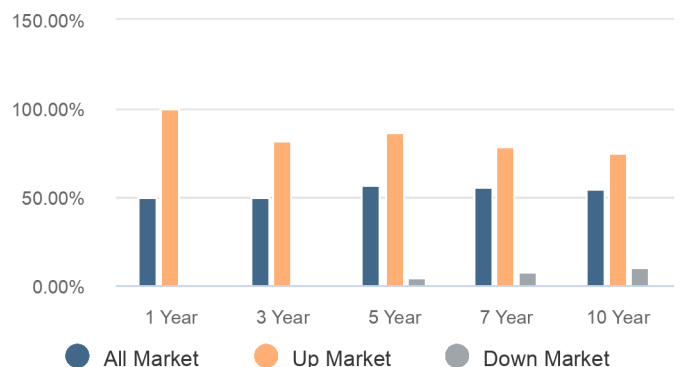
#### Alpha Consistency

The Option's return has been above the peer median return over all periods assessed. Relative to the SR50 Balanced product benchmark, the Option has outperformed in excess of 50% of the time over all time periods shown, with a tendency to outperform when the benchmark is positive.

Growth of \$10,000 Over 10 Years



Returns Consistency

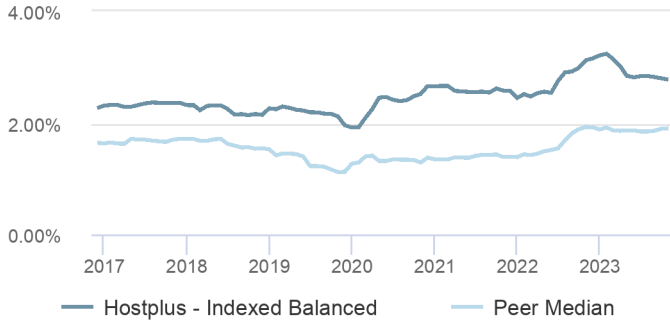


## Performance (continued)

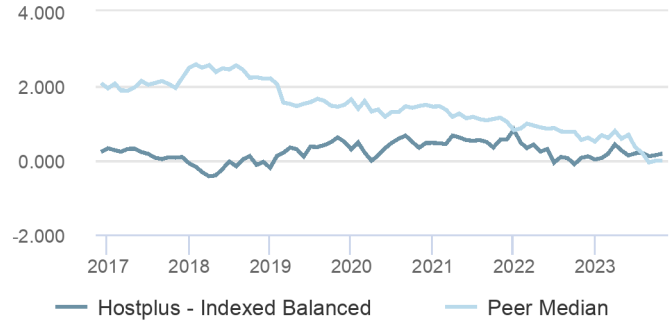


### Benchmark Relativity

3 Year Rolling Tracking Error Over 7 Years



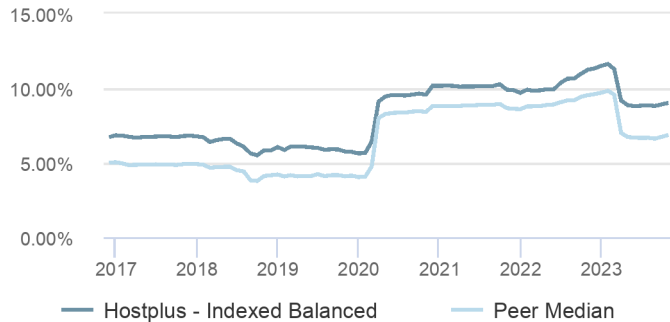
3 Year Rolling Information Ratio Over 7 Years



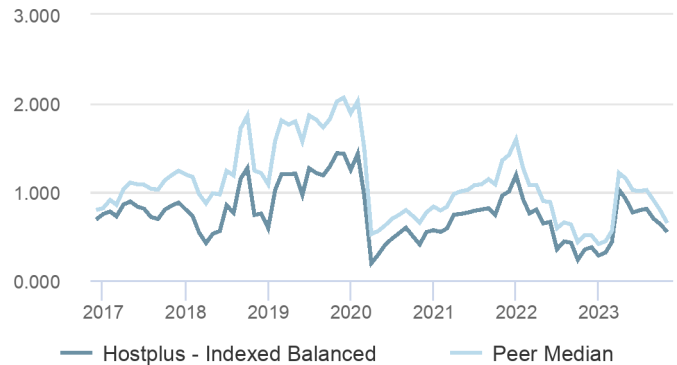
### Return Volatility

The Option's volatility, as measured by standard deviation, is higher than the peer median over all periods assessed. This is in line with expectations given the higher level of market exposure within the Option versus many superannuation options.

3 Year Rolling Standard Deviation Over 7 Years



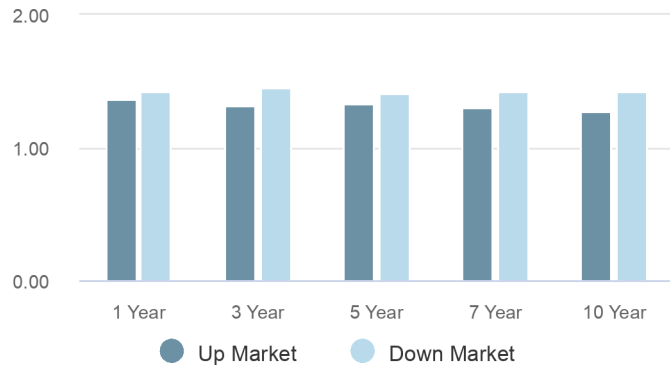
3 Year Rolling Sharpe Over 7 Years



### Product Defensiveness

The Option's worst drawdowns were higher than the peer median over all periods.

Market Capture Ratio



Drawdowns



## Ratings

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

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

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

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

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

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

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

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

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

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

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

## General

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Lonsec Group Disclaimers

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## Lonsec Research FSG

### Financial Services Guide

#### 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

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Sydney NSW 2000

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Email: [info@lonsec.com.au](mailto:info@lonsec.com.au)

[www.lonsec.com.au](http://www.lonsec.com.au)

### 1.3 What kind of financial services can Lonsec Research provide?

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)

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### 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](mailto: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](http://www.afca.org.au)

Email: [info@afca.org.au](mailto:info@afca.org.au)

Phone: 1800 931 678

#### Mail:

Australian Financial Complaints Authority  
GPO Box 3  
Melbourne, Victoria, 3001.

### 1.8 Conflicts of Interest

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There are a comprehensive set of policies, and procedures in place at Lonsec Holdings that apply to its subsidiaries including Lonsec Research. Information barriers (both permanent and temporary) consistent with our regulatory obligations under Regulatory Guide 79 are in place to manage either perceived or actual conflicts of interest. Employees of Lonsec also have to abide by Personal Trading and Gifts and Entertainment requirements and are trained on these requirements from time to time.

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.

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This FSG was prepared on 9 June 2023.