



Refer to glossary for definition of the rating

## Product Review

### About this Product

Benchmark	SR50 Capital Stable (20-40) Index
Product structure	Super Option
Product size	\$8.66m
Asset class	Property and Infrastructure
Sector	Direct Assets
Growth/defensive split	75/25
Peer group	Diversified
Rated peers	9
Inception date	24-02-2021

### Product Characteristics

Business Life Cycle	Mature
Product Wind-Up Risk	Low
Key Person Risk	Medium
Tenure of Decision Makers	High
Complex (RG240)	No
Strategy Remaining Capacity	N/A
ESG Approach	Stewardship
Peer Relative Fees and Costs	Below median

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

Administration fees and costs	0.35
Investment fees and costs	0.82
Net Transaction Costs	0.31
Buy/Sell Spread	0.00/0.00
<b>Annual fees and costs</b>	<b>1.48</b>

Source: FE fundinfo

### Strengths

- Provides eligible superannuation funds, such as SMSFs, with exposure to unlisted property assets. These assets have typically been difficult for retail investors to access at low investment minimums.
- Improved liquidity position vs other typically illiquid, direct property investments, albeit Lonsec highlights the liquidity mismatch between the Option and its underlying assets.

### Weaknesses

- Team size is relatively small compared to peers of similar size and complexity, noting the departures of two senior members within Private Markets.
- A material allocation to ISPT, a manager that is a related party entity, introduces a perceived conflict of interest. That said, Lonsec acknowledges Hostplus has in recent years made significant efforts to diversify its underlying manager allocation.
- Heavily concentrated in Australia-based assets, which poses geographic concentration risk. While offshore exposure is increasing, the team is still building experience in this area.

## Product Opinion

The 'Recommended' rating for the Option is being maintained, noting confidence in Hostplus's senior team members. The Option enables SMSFs a way to invest in a difficult to access asset class, particularly at the low investment minimums at which this product is offered. The Option also provides an improved liquidity position relative to other direct property funds. The introduction of quarterly switching windows is viewed favourably albeit a mismatch in redemption terms between the Option and its underlying assets remains, albeit this has been well managed to date and is not considered to cause issues at the Option's current size relative to the broader Fund.

### 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 2.0% p.a. (accumulation) and 2.5% 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	0.0	0.0	0.0	0.0
International Equities	0.0	0.0	0.0	0.0
Listed Property	0.0	0.0	0.0	0.0
Unlisted Property	100.0	90.0	100.0	100.0
Australian Fixed Interest	0.0	0.0	0.0	0.0
Global Fixed Interest	0.0	0.0	0.0	0.0
Alternative Assets	0.0	0.0	0.0	0.0
Cash	0.0	0.0	10.0	0.0
Others	0.0	0.0	0.0	0.0
Total				100.0

#### Rating History

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

#### 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)	-6.01	-6.03	3.82	3.66	6.72	6.72	-	5.45
Standard deviation	4.95	5.94	5.16	7.02	4.55	6.57	-	7.46
Excess return (% p.a)	-13.20	-5.12	-4.49	-2.36	-0.54	-0.54	-	-1.84
Outperformance ratio (% p.a)	0.00	41.67	20.83	45.83	38.89	38.89	-	47.50
Worst drawdown (%)	-6.80	-7.20	-6.80	-7.20	-6.80	-7.20	-	-10.49
Time to recovery (mths)	NR	NR	NR	NR	NR	NR	-	-
Sharpe ratio	-1.95	-1.63	0.31	0.21	1.15	0.90	-	0.52
Information ratio	-2.96	-0.68	-0.95	-0.42	-0.12	-0.12	-	-0.41
Tracking error (% p.a)	4.46	6.35	4.72	5.33	4.34	5.05	-	6.10

**Lonsec Peer Group:** Property and Infrastructure - Direct Assets - Diversified

**Product Benchmark:** CPI + 2.00%

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

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

### Business



#### Facts

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

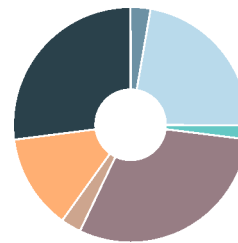
#### Profitability

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 Option has approximately 85% of its assets allocated to 'Core' property assets. The Manager defines these as high-quality assets providing a stable, durable return predominantly driven by income. In contrast, the non-core property allocation carries more risk and tends to be more opportunistic e.g. carrying development risks or containing higher leverage. The Option has historically invested in assets within Australia but has, in recent times, increased its allocation to offshore assets (approximately 28% of the Option).

## Lonsec Opinion & Supporting Facts

### Philosophy and Universe

Investment Style	Multi-Manager & Direct
Asset Allocation Approach	SAA
Sector Exposure	Active & Passive
Available Universe	Mandates, pooled trusts, co-investments

The Option's investment philosophy emphasizes long-term growth by leveraging its members' demographics and robust net cash flows. This approach involves using specialist fund managers and is enhanced with direct investments and co-investments, particularly focusing on the illiquidity premium of unlisted assets as a central element of its strategy.

### Research Process

Idea generation	JANA, External Managers, Network
SAA review frequency	Annual
DAA/TAA signals	N/A
Managers actively tracked	0
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 a thorough evaluation of investment managers.

### Process (continued)



#### Portfolio Construction

Portfolio decision making	Other
Approach to benchmark	CPI+ relative
Typical number of managers	10-15
Use of mandates	No
Use of alternatives	No
Use of unlisted assets	Yes
Allocation to related/affiliated exposure	Yes

The majority of the Option's investments are outsourced to external managers with material allocations being awarded to ISPT, Lendlease, Charter Hall, and Kayne Anderson. While underlying assets are illiquid, the Manager has pleasingly worked to introduce new relationships over the last several years and made changes to the underlying sector composition bringing greater diversity and aligning towards assets where the Manager has a more favourable outlook over the medium to long term. The Manager has typically invested into commingled funds rather than mandates and has previously held material allocations in some of these funds. While this may enable the Manager to have a seat at the table on the future strategy of the underlying funds, for example in exiting or re-positioning a particular property asset, it may also hinder the Option in redeeming their holding in full in any liquidity windows

While the allocation towards ISPT, a related party, introduces some degree of a perception of conflict of interest, the Manager has demonstrated its ability to materially lower its weighting to the Manager over a number of years. Furthermore, Lonsec notes that the investment team has strict governance processes in place.

Geographic composition is tilted towards Australia which is considered to introduce some level of concentration risk. Pleasingly the Manager has endeavoured to identify new opportunities with the US exposure increasing and a medium target of 30-40% of the portfolio offshore.

#### Capacity Management

Despite the Fund's large level of FUM, capacity is currently not a concern given the approach and wide investable universe. That said, Lonsec will look to monitor this in future reviews.

#### 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	0-0%

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?

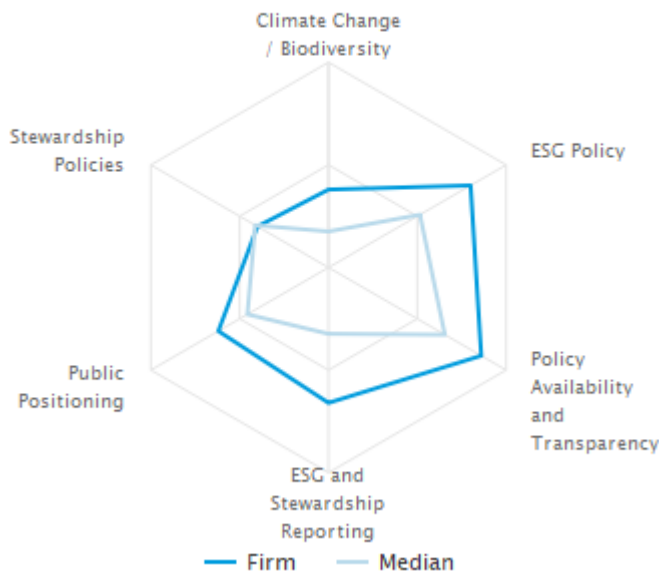
The Manager has indicated that their Responsible Investment style is "ESG Integration" and as such that they take Environmental, Social and Governance factors into consideration when assessing investment opportunities. With a primary ESG style of "Stewardship" Managers will usually focus their ESG strategy 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.

### Lonsec Opinion & Supporting Facts

#### Overview

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

#### ESG Snapshot



#### Product Level Approach

ESG integration assessment for multi asset funds such as this, reviews only the ESG components of the selection underlying strategies or managers, and not the ESG integration of each of the underlying funds or strategies. The Manager 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 Manager, 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 Manager's investment approach. Portfolio transparency is strong and ESG based compliance monitoring is seen as appropriate.

#### Strategy: Clarity, Measurability & Reporting

This Option does not make any specific claim to being a sustainable, ethical or impact offering. As such, an alignment review for the product is not required and thus the product's risk of misalignment has been assessed as N/A.

#### Manager Level Approach

The Manager's overall ESG policy framework and disclosure are aligned with peers. The Manager 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 Manager has outsourced engagement activities and reporting to stewardship providers.



### Product



#### Service Providers

Custodian	Citigroup Pty Limited and Pacific Custodians Pty Limited
Administrator	Citigroup Pty Limited and MUFG Pension and Market Services
Registrable Superannuation Entity	Hostplus Pooled Superannuation Trust
Fund Auditor	PricewaterhouseCoopers
Change in Key Providers? (Over last 12 months )	No

#### Product Details

Product size	\$8.66m
Fund 12-month net flows	Negative
Buy/sell spreads	0.00/0.00
Net transaction costs	0.31
Product type	Registrable superannuation entity
Unlisted asset valuation frequency	Quarterly
Valuation externally audited	Yes

#### What is the Product Structure?

The Hostplus Pooled Superannuation Trust (PST) 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.

Hostplus Self Managed Invest enables eligible complying superannuation funds an opportunity to access investments in the PST that are typically difficult to access including the Option which fully invests in direct property assets via a number of external investment managers.

The Option's underlying assets are illiquid and not marked to market.

Liquidity is provided through the PST's notional funding structure which means the Hostplus Balanced Option is used as a funding source for all transactions. Lonsec notes this feature can only persevere as long as the Hostplus Balanced Option is much larger than the sum of all other available options (at least 60% of total assets under management). In managing the risks of the notional funding structure, Lonsec notes that the PST reports at each Board meeting on the aggregate impact of inflows/outflows/switches/ market movements upon the asset allocation of the Hostplus Balanced Option.

## Lonsec Opinion

#### Service Providers

The Fund employs high quality Tier 1 service providers.

#### Operational 'Red Flags'

The Fund may allocate to assets that are not marked to market. The Manager has an updated valuation policy that has been overseen by a third party audit firm to ensure alignment with the latest regulations. As regulations have evolved, the Manager has pleasingly evolved their policy. Valuation processes at important dates such as June 30 and December 31 are now considered more robust than previously, underlying managers having to provide estimates for these dates rather than stale valuations. Infrastructure and property assets are backed by independent third party valuation with a significant majority occurring quarterly.

The Manager is heavily reliant on the underlying managers for the provision of valuation estimates, especially in private equity and may benefit from further internalisation of expertise to override valuations, specifically in periods of public market volatility where estimates may be less reliable.

The introduction of quarterly switching windows is viewed favourably albeit noting a mismatch in redemption terms remains albeit appears well managed as described above.

#### 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. The Option itself is significantly smaller however backed by a material property portfolio enabling scale.

### Fees



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

Administration fees and costs	0.35
Investment fees and costs	0.82
Net Transaction Costs	0.31
Buy/Sell Spread	0.00/0.00
<b>Annual fees and costs</b>	<b>1.48</b>

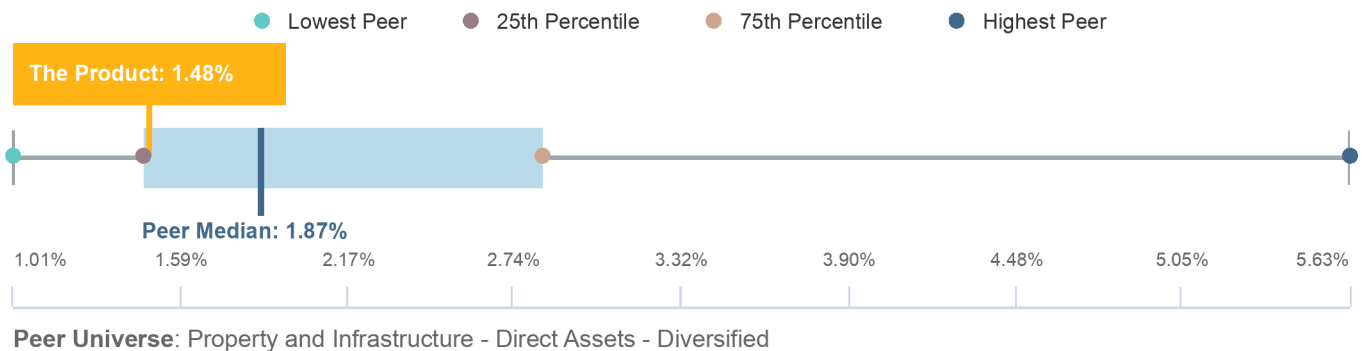
Source: FE fundinfo

#### 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 consistent 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 1.48% p.a.) is considered lower than the Direct Assets Diversified peer group.

#### Fairness

The AFC is competitive given the level of exposure to private and unlisted markets.

Performance data is as at 31 October 2023

### Performance

#### Performance Summary

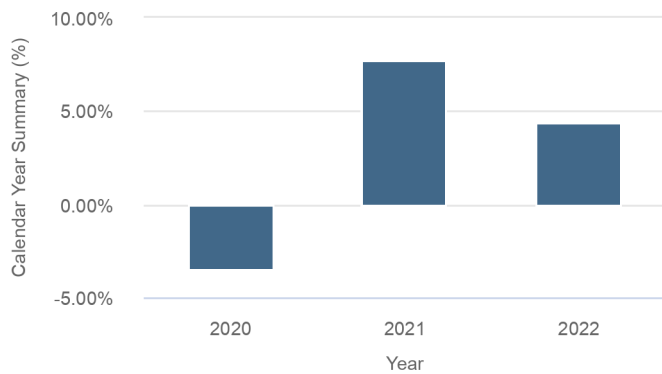
PDS return objective	CPI plus 2.0% p.a. (accumulation) and 2.5% p.a. (pension) on average over 20 years, after fees and taxes.
Internal return objective	Other
Internal risk objective	Other
Product benchmark	SR50 Capital Stable (20-40) Index
Lonsec peer group	Diversified

#### Alpha Generation

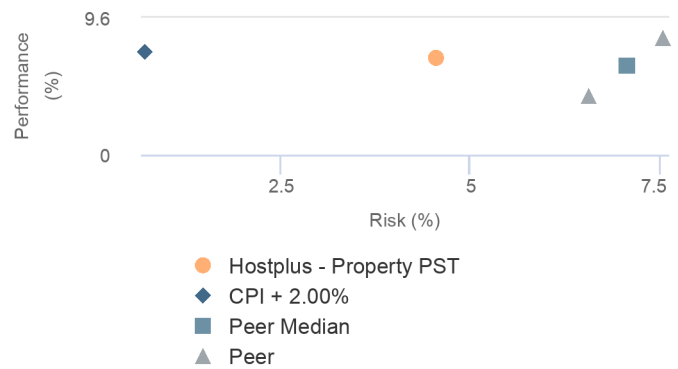
While the Option was launched in 2021 as one of six PST offerings and as such does not have a material standalone track record, the property portfolio has been a component of the well-established Hostplus Balanced Option that Lonsec is familiar with and provides a rating on.

The Option has generated a return of of 6.7% over three years which is moderately behind the benchmark of CPI + 2.0% noting this benchmark return is targeted over longer term periods.

#### Calendar Year Excess Return



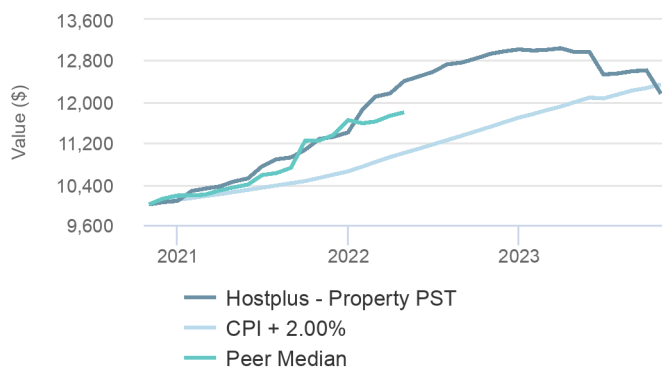
#### 3 Year Risk and Return



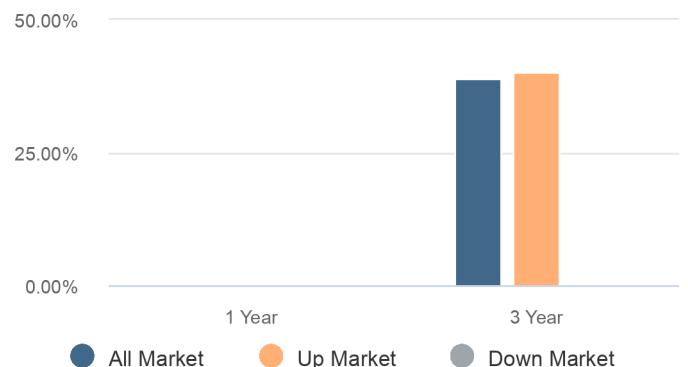
#### Alpha Consistency

The Option has a limited track record albeit the property portfolio has a well-established and fairly consistent track record within the Hostplus Balanced option.

#### Growth of \$10,000 Over 3 Years



#### Returns Consistency

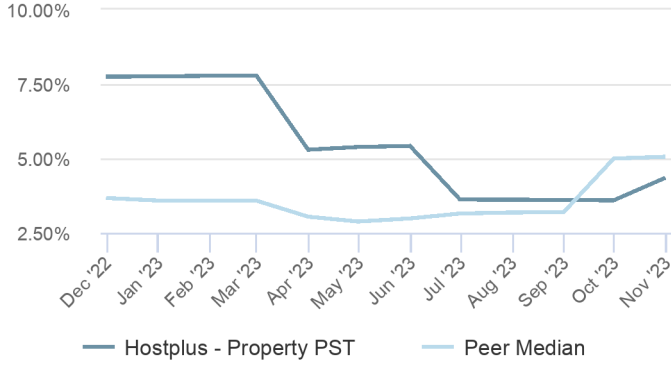


Performance data is as at 31 October 2023

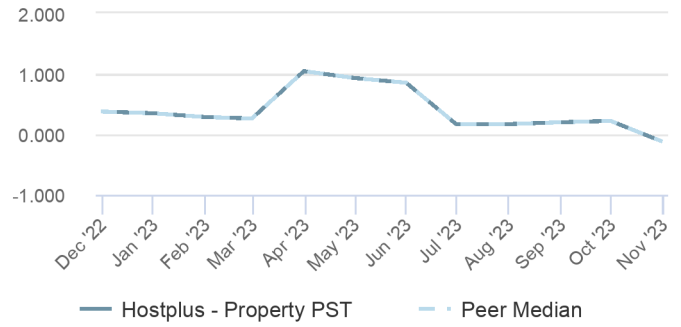
### Performance (continued)

#### Benchmark Relativity

##### 3 Year Rolling Tracking Error Over 1 Year



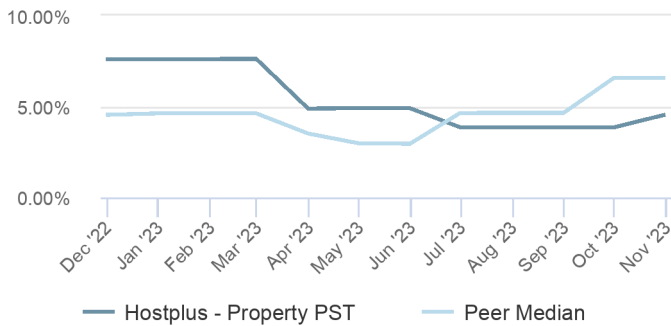
##### 3 Year Rolling Information Ratio Over 1 Year



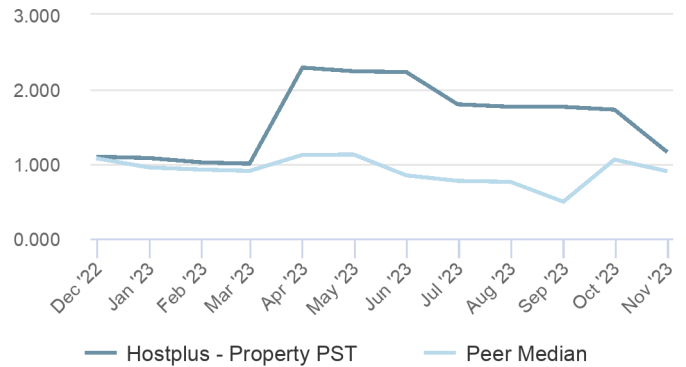
#### Return Volatility

The Option's rolling volatility is in line with expectations given the nature of the underlying assets. Underlying assets aren't marked to market which should provide a smoother return profile through time and lower volatility when compared to listed assets.

##### 3 Year Rolling Standard Deviation Over 1 Year



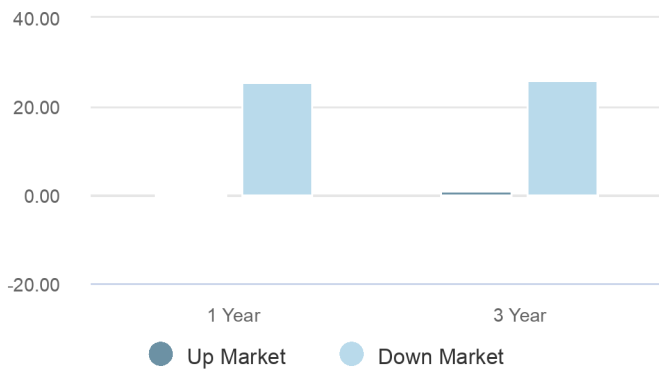
##### 3 Year Rolling Sharpe Over 1 Year



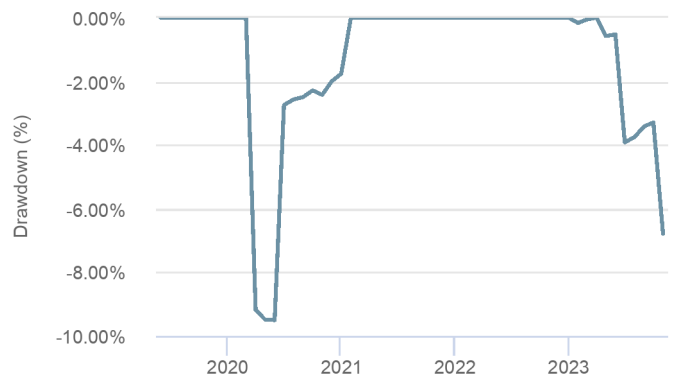
#### Product Defensiveness

The Option suffered a moderate drawdown during the COVID sell-off in 2020 before recovering. This drawdown was smaller than listed markets.

##### Market Capture Ratio



##### Drawdowns



## Ratings

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

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

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

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

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

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

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

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

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

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

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

## General

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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## Lonsec Research FSG

### Financial Services Guide

#### Lonsec Research

9 June 2023

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

### 1.1 What is a Financial Services Guide?

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

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

### 1.2 About Lonsec Research and its related parties

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

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

### Contact Details

Lonsec Research Pty Ltd  
Level 39, 25 Martin Place  
Sydney NSW 2000

Tel: 1300 826 395

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

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## Lonsec Research FSG (continued)

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#### 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.

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This FSG was prepared on 9 June 2023.