



Refer to glossary for definition of the rating

La Trobe Australian Credit Fund 12 Month Term Account

LTC0002AU Author: Ian Cannon Published: 01 Nov 2024

Data is provided by the manager at 31 Jan 2024, and currency in AUD, unless otherwise stated

Product Review

About this Product

Investment manager	La Trobe Financial Services Pty Limited
Benchmark	Bloomberg AusBond Bank Bill Index AUD + 1.50%
Product structure	Managed Fund
Product Size	\$7.79b
Inception date	Oct. 2002
Asset class	Fixed Interest
Sector	Mortgage
Peer group	Mortgage
Rated peers	1

Product Characteristics

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

Annual Fees and Costs (% p.a.)

Management fees & costs	1.80
Performance fee costs	0.00
Net Transaction Costs	0.00
Buy/Sell Spread	0.00/0.00
Annual fees and costs	1.80

Source: FE fundinfo, PDS Date: 21/Dec/2023

Strengths

- The 12-month investment term reduces the potential mismatch between redemption requests and the illiquid nature of the underlying assets.
- The maximum loan-to-value ratio of 80% is reasonably conservative for loans backed by real-property.
- Structured and robust credit approval process executed by a well-regarded team.

Weaknesses

- The Fund's fee load is the highest in Lonsec's coverage of the Fixed Interest asset class.
- Concentrated risk exposure to the Australian property market.
- To prospective investors the Fund's name may imply bank-like features. It is not an account with an ADI and there is a risk of capital loss, forced term extension and general lack of liquidity.

Product Opinion

The Fund has retained its **'Recommended'** rating. This rating is supported by high conviction in the Manager's credit approval process and a 12-month term structure that helps mitigate the risk of asset/liability mismatch. The Fund has consistently met its objectives and delivered strong risk-adjusted returns. The Fund's fee load is the highest in Lonsec's coverage of the Fixed Interest asset class. Investors should note the Fund is wholly exposed to the Australian housing market and the propensity of mortgagees to repay their debt. Further, investors should note the Fund is not a term deposit account despite its name.

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	The Fund aims to provide investors with a reasonably stable and predictable income based on a monthly variable rate of return.
Internal return objective	Bloomberg AusBond Bank Bill Index AUD + 1.5% p.a.
Internal risk objective	100% capital stability

Asset Allocation (%) (as at 30/06/2024)

Australian Fixed Interest	97.27
Cash	2.73
Total	100.00

Source: FE fundinfo

Rating History

28-Sep-2023	Recommended
16-Sep-2022	Recommended
01-Sep-2021	Recommended

Product Distribution Profile

Frequency	Monthly
Last Missed Distribution	N/A
Number of Missed Distributions in the last 5 years	0
AMIT Election	No
TOFA Election	No

Portfolio Profile as at 31/01/2024

Sector allocation:	
- Government	0.00
- Government Related	0.00
- Non-government	99.00
- High yield	0.00
- Emerging market debt	0.00
- Cash	1.00
- Non AUD exposure	0.00
Number of issuers	9,261

Target Market Determination

Produced by issuer	Yes
Provided to Lonsec	Yes

Performance Analysis - annualised after fees at 30/06/2024

	1 Year	Median	2 Year	Median	3 Year	Median	5 Year	Median
Performance (% p.a)	6.72	-	6.13	-	5.45	-	5.18	-
Standard deviation	0.83	-	0.61	-	0.56	-	0.44	-
Excess return (% p.a)	0.85	-	1.00	-	1.51	-	2.04	-
Outperformance ratio (% p.a)	91.67	-	95.83	-	97.22	-	98.33	-
Worst drawdown (%)	-	-	-	-	-	-	-	-
Time to recovery (mths)	-	-	-	-	-	-	-	-
Sharpe ratio	2.83	-	4.12	-	5.37	-	7.96	-
Information ratio	1.03	-	1.73	-	2.94	-	4.65	-
Tracking error (% p.a)	0.82	-	0.58	-	0.51	-	0.44	-

Lonsec Peer Group: Fixed Interest - Mortgage -

Product Benchmark: Bloomberg AusBond Bank Bill Index AUD + 1.50%

Cash Benchmark: Bloomberg AusBond Bank Bill Index AUD

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

Business data is as at 31 December 2023

Business

Facts

Investment Manager	La Trobe Financial Services Pty Limited
Ultimate Parent Company	Entities associated with Brookfield Asset Management
Headquarters	Melbourne
Inception Date	Aug 1952
% Staff Ownership	0-10%

Governance

% Independent board members	57
% Female board members	14
Independent chair	No
CEO as Chair	No
Separate Audit Committee	Yes

Who is the Manager?

La Trobe Financial ('the Manager') is one of Australia's leading non-bank credit specialists with over 72 years of experience. It had \$20.08b of assets under management as of September 2024, which included over \$11.00b in the La Trobe Australian Credit Fund, of which \$8.94b is in the La Trobe Australian Credit Fund 12 Month Term Account ('the Fund').

In May 2022, entities associated with Brookfield Asset Management ('Brookfield') acquired 100% of La Trobe Financial Group. Brookfield is a ~US\$850b asset manager from Canada and one of the largest alternative asset managers globally.

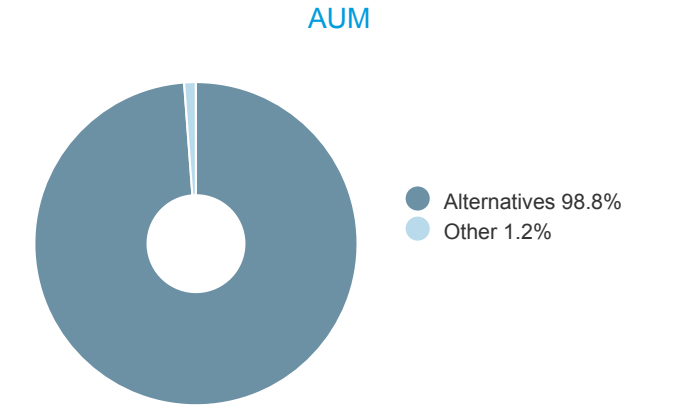
Lonsec Opinion

Profitability

With AUM over \$20b as of September 2024, La Trobe's investment management business is both profitable and sustainable as a leading credit specialist in the Australian market.

Business Track record

Founded in 1952, La Trobe has a significant track record. The Manager has benefited from the major banks 'pulling back' their lending due to more stringent regulations, ensuring a healthy pipeline of quality loan assets is available for selection by Fund portfolio managers.



Metrics

Total AUM	\$19.00b
Investment Management Headcount	315
Investment Professionals	18
Sales & Service	67
Distributor	Internal

Business Ownership

Brookfield Asset Management owns 100% of La Trobe Financial Group. La Trobe maintains operational autonomy.

Business Governance

The governance framework is considered in-line with other peers in the Fixed Interest asset class. The Manager has not disclosed any notable regulatory findings or compliance breaches in recent history, and there is no reputational risk.

Team



Key Decision Makers (KDM)

	Primary function	Dedicated to strategy	Appointed to strategy	Industry/Mgr exp. (yrs)	Exp. in PM roles (yrs)
Gary Bell	Liquidity & portfolio management	Yes	2019	37/5	5
David Tagg	Portfolio management	No	2024	30/<1	14
Chris Paton	CIO	No	2022	17/7	3
Martin Barry	CFO	No	2014	25/10	n/a
Chris Andrews	CEO	No	2006	27/18	13

KDM Change*

	Function	Change	Type	Tenure (yrs)	Date of change
Troy Stratton	Deputy CIO	Departed	Exit	3	May 2022
Chris Andrews	CEO	Joined	Internal	18	May 2022
Greg O'Neill	CEO	Departed	Exit	37	May 2022
Chris Paton	CIO	Joined	Internal	7	May 2022
Sandy Singh	Portfolio Management	Departed	Exit	13	July 2024
David Tagg	Portfolio Management	Joined	New	<1	July 2024

* Last 3 years

Profile

Size	18
Structure	Centralised
Turnover	Medium

Alignment

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

Resources

	Number	Average Years Experience
Key decision makers	5	27
Portfolio Managers		
Hybrid portfolio manager/analysts	18	12
Dedicated analysts	84	5
Dedicated dealers		
Quantitative		
ESG/Sustainability	1	23
Macro		
Investment Specialists		

Who is the Team?

Chris Andrews, CEO, is the lead executive at the firm and Chris Paton is CIO. Gary Bell, Chief Liquidity Officer oversees the liquidity and portfolio management of the Fund and reports to David Tagg who heads up the Portfolio Management team. David reports to Paton, who along with CFO Martin Barry are the key people ultimately responsible for the performance of the Fund.

Key decisions for the Fund are handled by the Asset and Liability Committee ('ALCO'), which oversees funding, liquidity and interest rates. This committee is chaired by Barry, and has nine other members, including Andrews, Bell, and Paton, along with Chief Business Optimisation Officer Rob Clough, Chief Operating & Risk Officer Rowan Donohoue, Chief Lending Officer Cory Bannister, Deputy CFO Cameron Walker, Treasurer Paul Brown, and Chief Customer Officer Jacki Jennings.

The Real Estate Credit team is led by Bannister. He heads a large lending team that includes credit analysts, credit operations and lending business development managers tasked with originating loans.

In addition to the functional teams and the ALCO, several committees maintain authority within the investment process. These include the Origination & Credit Committee, which oversees asset selection guidelines, the Executive Committee, the IT & Data Committee, and the Audit & Risk Committee.

Team (continued)



Lonsec Opinion

Team Size

The Manager operates a highly segregated organisational structure with highly experienced leadership and the Asset and Portfolio Management team is well-resourced and there have been meaningful headcount increases across the Manager in recent years. Namely, a sharp boost in residential credit analysts and the hiring of additional collectors. The rise in credit analysts is supporting the Manager's strong asset growth.

Skill

The team is capable, with an appropriate blend of experience and skills. Andrews joined La Trobe Financial in 2006 and oversaw the Fund from 2009 until he was appointed CEO in 2022. Andrews was succeeded as Chief Investment Officer by Paton, who served as Chief Wealth Management Officer and the Group's General Counsel across his tenure. Paton's background as a solicitor is viewed as beneficial in managing the Fund. Barry has over 20 years' experience in banking, asset management and financial services and has held a number of senior roles since joining the business in 2014.

Bell as Chief Liquidity Officer and Tagg as Head of the Investment team leads the Fund's portfolio team. Bell has over 30 years' experience within treasury, finance and risk management, having joined the business in 2019. Tagg joined the business in 2024 has over 30 years of experience in funds management, wealth management and investment banking. Prior to joining La Trobe Financial, Tagg spent 13 years at Commonwealth Bank within various roles including Head of Wholesale Investments and Commonwealth Private Bank Chief Investment Officer.

Track Record/Co-Tenure

The co-tenure of the key decision makers Andrews, Paton, Bell, Tagg and Barry, is considered reasonable, with a demonstrable track record.

Key Person Risk

Key person risk is generally low. Many critical functions, such as credit analysis and interest rate setting, are committee-based. The size of the Real Estate Credit team means that the Manager is not reliant on a small number of key individuals and their networks to originate loans.

Alignment

The Manager's alignment of interest with investors is considered average. La Trobe Financial is 100% owned by Brookfield. Employees are awarded average market salaries, while there is a variable component and bonus program at the executive level and business development teams.

Process



What is the Investment Process?

Private loan applications are processed by credit analysts in the Asset Origination Team, regardless of their origin. Each application is manually assigned for initial approval, followed by a full assessment. Larger loans may require three analysts. If approved, recommendations are made by a credit analyst, manager, or executive with the appropriate Delegated Lending Authority ('DLA').

The loan approval process adheres to the National Consumer Credit Protection Act ('NCCP') requirements for verifying borrower information. The Manager evaluates borrowers using the five Cs of lending: capacity, capital, collateral, conditions, and character. All loans are manually underwritten and issued only on a first-registered mortgage basis under NCCP legislation.

For full-doc loans, two years of financials are required, while alt-doc loans use alternative verification methods like accountant letters or rental statements. Credit checks are completed for all parties, and loans are advanced only when the security property is valued by licensed panel valuers. Residential valuation orders are generally outsourced via Valex, with commercial valuations managed via Valocity or managed by the Commercial Operations team.

Loans are approved based on DLA levels, with higher levels required for riskier loans. Loans outside standard policy are approved by a senior DLA officer with a mandate limit of 10%, however credit policy exceptions are normally managed within a range of 3-5%.

Lonsec Opinion & Supporting Facts

Philosophy and Universe

Investment Type	Active
Investment Approach	Top-down and bottom-up
Investment Style	Income focused
Region	Australia
Universe	Money market, Private loans

The Manager's investment philosophy and approach is clear and strongly linked to the investment objectives of the Fund. The Fund invests in a wide range of loans secured by first mortgages across industry sectors, with geographic diversification across Australia.

Most loans settled by the Fund are typically negotiated on variable rate terms, with some assets held in fixed rate mortgages and cash. The Fund is materially comprised of higher-yielding and more credit-intensive niche 'alt doc' loans. These loans are designed for self-employed borrowers where alternative forms of income verification, other than payslips or financials, are used. The Fund is diversified across a range of loan sectors, including those of higher risk, namely construction and development (maximum 15%), rural (maximum 15%) and vacant land (maximum 10%) loans.

Research Process

Key screens	Credit quality, Maturity, Sector, Country/Region, Liquidity
Idea generation - macro/top down	Market forecasts, Internal and independent economic resources
Idea generation - security selection	Benchmark constituents, Primary issuance, Industry analysis, Brokers
Issuers researched per analyst	n/a
Key research inputs	Rating agencies, Company financial statements, Internal economic forecasts
Valuation Approach	N/A

The Fund has experienced good growth, supported by growing staffing and strong underwriting standards, and reflected in low arrears and loss history. The Manager avoids riskier segments like construction loans and generally stays below the Fund's maximum LVR. The Manager remains committed to mortgage origination, expanding its lending team and building relationships with over 10,500 brokers. Over 90% of loans are broker-originated, and the larger trailing commission structure incentivises brokers to submit higher-quality loans, as commissions cease if a loan is in arrears.

The Manager's broad product offerings enhance deal flow and maintain broker relationships. Approved loans can be placed in various investment vehicles based on risk/return profiles. The Fund's 12-month fixed-term structure helps manage liquidity and avoids issues faced by daily liquid structures during liquidity stress events. Comfort is taken in the Manager's liquidity management strategies, such as transferring loans or accelerating discharges, to maintain stability.

Brookfield's ownership has provided corporate stability and long-term support, enabling access to funding for growth. As a global asset manager with over US\$850b in assets, Brookfield has allowed the Fund to grow without disrupting its day-to-day operations, credit process, or investment strategy.

Process (continued)



Portfolio Construction

Portfolio management structure	Investment Committee
Approach to benchmark	Benchmark Aware
Typical number of issuers	9,261
Key alpha sources	Issue Selection
Currency management	No
Use of derivatives	No

The loan approval process is structured and rigorous. Loans are recommended and approved by staff qualified under a tiered authority system based on experience, service length, performance, and internal training. This approach is considered sensible, ensuring that the most experienced staff handle riskier loans.

The Fund has a minimum cash limit of \$500,000. While the Manager prefers to remain fully invested, the cash limit should be tied to a percentage of the Fund's value rather than a fixed dollar amount. The Fund has, however, historically held cash well above the \$500,000 minimum.

The Fund can hold long-dated loans with terms up to 40 years, generally secured by residential properties on an amortising loan basis. The Manager's experience with these longer-dated loans is that they are typically repaid or refinanced in under three years. The ability of a borrower to refinance with other lenders and repay the Fund cannot always be relied upon, particularly in the case of large or 'niche' loans.

Capacity Management

Portfolio liquidity (1 week)	13.78%
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Capacity is not a limitation for the Fund given the nature of its mandate, although the pool of high-quality Australian residential mortgages is not limitless.

Investment Risk Management

Monitoring external to investment team	Yes
Frequency of monitoring	Quarterly
Primary risk management system	Proprietary
Min Credit Rating (At Purchase)	La Trobe Financial Borrower Credit Grade minimum is 'C3'
Sector Limits (Min./Max.)	ABS/MB(100.00%),Cash(10.00%)
Leverage permitted	No
Gearing/economic leverage	No

Investors benefit from an investor reserve, which helps smooth distributions and may provide some buffer against capital losses. This reserve is maintained through periodic contributions from portfolio income after management fees and investor distributions are paid. Notably, the reserve was reduced during the pandemic, decreasing from 0.62% in April 2019 to 0.11% by June 2022, as it was used to stabilize investor returns. The reserve has since been rebuilt, reaching 0.19% by June 2023 and 0.33% by March 2024.

The Fund's conservative LTV limit of 80% max, with a Fund average of 64%, provides strong margin for safety. The Fund has demonstrated resilience through two recent periods of market weakness—the pandemic in 2020 and the inflation-driven volatility of 2022-2023, marked by rising interest rates and falling property prices.

Mortgages are administered internally using proprietary databases and tools, allowing the Manager to efficiently respond to late payments or loans in arrears. The Manager is well-equipped and experienced to handle mortgage administration internally, viewing this as a sound risk management strategy and a key strength of the Fund.

ESG

Manager Positioning - Product

Responsible investment style	Nil
ESG approach	Filters or Screens
Sustainability thematic	Social
Non-financial objective	None

What is the Manager's ESG approach for this product?

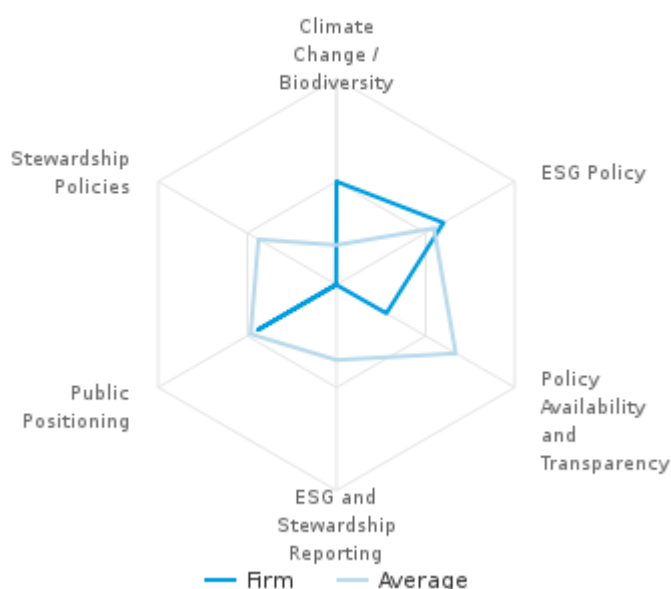
The Manager has indicated that their Responsible Investment style is 'ESG Integration' and as such they take Environmental, Social and Governance factors into consideration when assessing investment opportunities. With a primary ESG style of 'Filters or Screens' the Manager is likely using predetermined rules (usually based on the industry a firm operates in) to either include or exclude companies from their investable universe. They may undertake further ESG analysis or use these screens as the sole ESG measure.

Lonsec Opinion & Supporting Facts

Overview

ESG Process Score	ModLow
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ESG Snapshot



Product Level Approach

The Manager does not source general external ESG data instead relying on collecting its own ESG data from borrowers at the point of origination. This is largely for the purpose of ensuring exclusion screens are satisfied. The Manager performs very little internal ESG research for this Fund, beyond initial screening. Any loans that pass the initial origination screen are eligible for inclusion in the portfolio. There are no further ESG factors considered. Monitoring of some ESG characteristics of the portfolio is carried out, however, there is no limit framework. There are no signs that company engagement on ESG issues is a component of the Manager's current investment approach for this Fund.

Strategy: Clarity, Measurability & Reporting

This product does not make any specific claim to being a sustainable, ethical or impact offering. As such, an alignment review for the product is not required 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 considered to lag behind its peers. The Manager has an articulated commitment to the integration of ESG within their investment process and given the assets managed, the proxy voting and engagement policies are less relevant. The Manager ESG approach is largely focused on their operations rather than of their investment activities although it is noted that there is now a focus on green loans with a roadmap to developing a green RMBS.

Product



Product Details

Product size	\$7.79b
Fund 12-month net flows	Positive
Distribution model	Internal
Buy/sell spreads	0.00%/0.00%
Investment structure	Direct
Product type	Registered MIS
Currency hedged	No

Service Providers

Responsible entity	La Trobe Financial Asset Management Limited
Investment manager	La Trobe Financial Services Pty Limited
Custodian	Perpetual Corporate Trust Limited
Administrator	La Trobe Financial Services Pty Limited
Fund Auditor	Ernst & Young

What is the Product Structure?

The Fund is an Australian-registered Managed Investment Scheme ('MIS'). The Fund offers investments in seven Investment Accounts, otherwise known as unit classes, with different investment terms, yield and characteristics. These accounts are a segregated pool of assets. This report is on the 12-month term account which allows withdrawals after 12 months.

The Fund is not an account with an ADI and there is a risk of capital loss, forced term extension, general lack of liquidity and carries greater credit risk relative to government-guaranteed term deposits.

Lonsec Opinion

Service Providers

The Fund's Responsible Entity ('RE') is La Trobe Financial Asset Management Limited. The Fund uses a related-party Responsible Entity ('RE') which may lead to potential conflicts of interest. While external REs are the preferred operating model, the RE has built experience in operating and managing several registered managed investment schemes over an extended period and is expected to have a structured governance framework.

Operational 'Red Flags'

The strategy is considered operationally challenging to implement, particularly when considering the credit origination process and liquidity management. The Manager has, however, shown their ability to manage this process and weather through periods of stress and volatility, evidenced by the consistency of distributions and low loss history.

Wind-up Risks

Wind-up risk is considered low due to the strategy's size, growth and strong market support. As of September 2024, the Fund size was \$8.94b.

Fees

Annual Fees and Costs (% p.a.)

Management fees & costs	1.80
Performance fee costs	0.00
Net Transaction Costs	0.00
Buy/Sell Spread	0.00/0.00
Annual fees and costs	1.80

Source: FE fundinfo, PDS Date: 21/Dec/2023

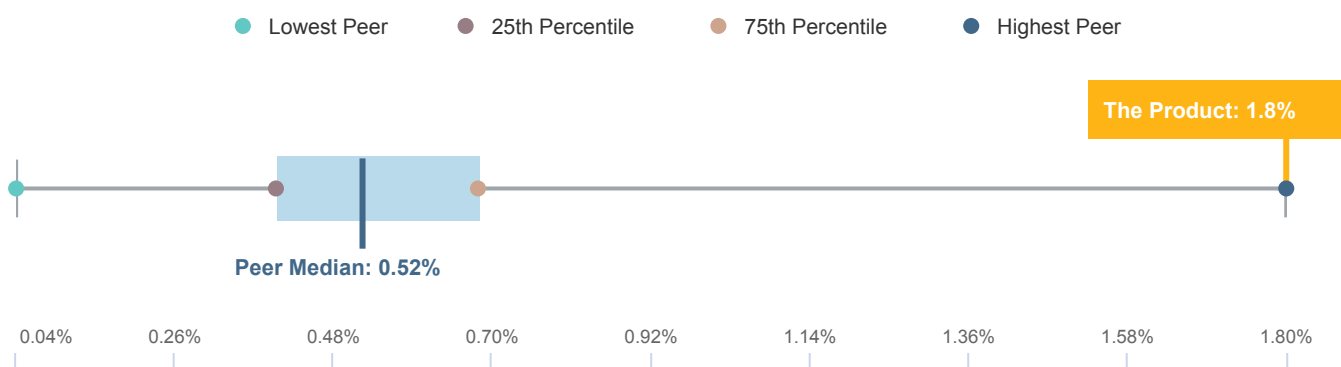
Performance Fees

Applicable	No
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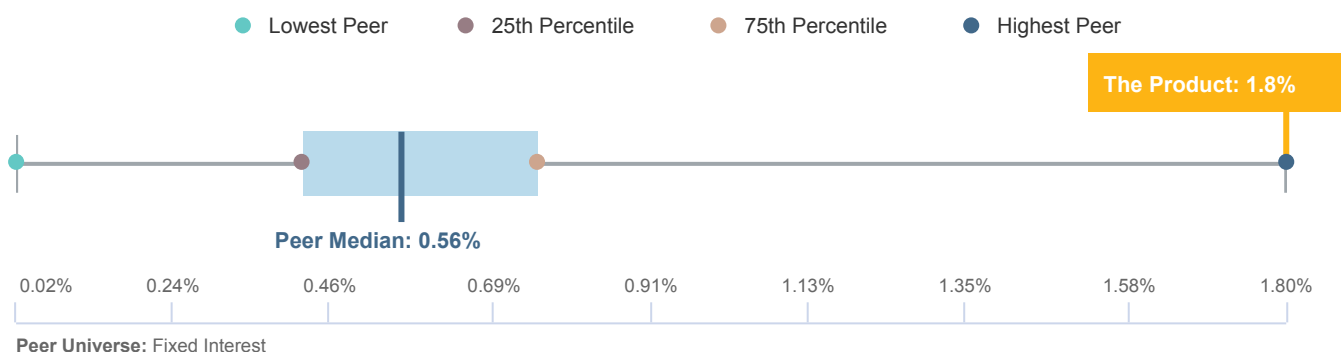
Fees Explained

The Fund's disclosed Annual Fees and Costs ('AFC') totals 1.80% p.a. This fee comprises (1) Management Fees and Costs of 1.80% p.a. and (2) Nil Net Transaction Costs. In-line with RG97, some fees and costs have been estimated by the issuer on a reasonable basis. Actual fees and costs may vary to these estimates. The Fund does not charge buy/sell spreads. The Fund is not subject to a performance fee.

Management Fees and Costs Peer Comparison



Annual Fees and Costs Peer Comparison



Lonsec Opinion

Annual Fees and Costs

The total fee load for the Fund, as measured by the disclosed Annual Fees and Costs (AFC), is the highest in the Fixed Interest asset class.

Fairness

While management costs are high relative to products in the Fixed Interest asset class, the management of mortgage funds is relatively labour intensive. In addition to the 1.80% p.a. management costs, additional costs are also charged to the Fund. Additional costs include third-party fees relating to borrowers, such as broker trail commissions, prescribed as an excluded item in indirect cost ratio calculations.

Performance data is as at 30 June 2024

Performance

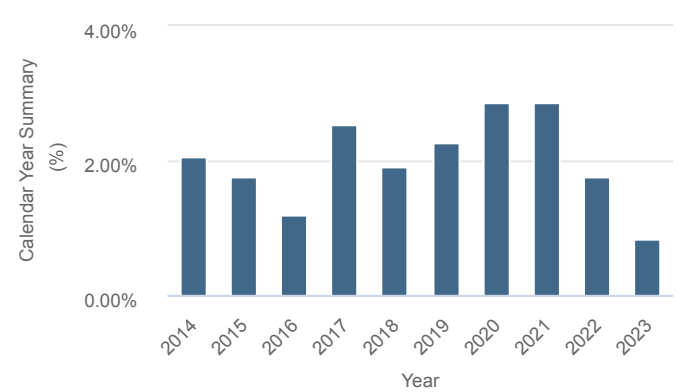
Performance Summary

PDS return objective	The Fund aims to provide Investors with a reasonably stable and predictable income based on a monthly variable rate of return.
Internal return objective	Bloomberg AusBond Bank Bill Index AUD + 1.5% p.a.
Internal risk objective	100% capital stability
Product benchmark	Bloomberg AusBond Bank Bill Index AUD + 1.50%
Lonsec peer group	Mortgage

Alpha Generation

To 30 June 2024, the Fund returned 5.5% p.a. and 5.2% p.a. net of fees over three and five years, respectively. The Fund's net of fee returns exceeded the Benchmark (+1.5%) objective by 1.5% p.a. over three years and 2.0% p.a. over five years. The Fund has met its outperformance objective over these time horizons.

Calendar Year Excess Return



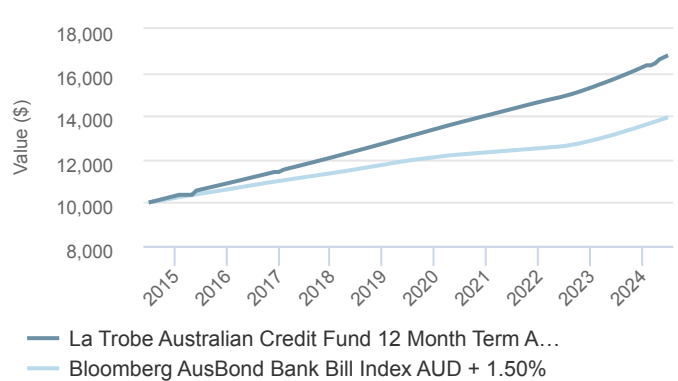
3 Year Risk and Return



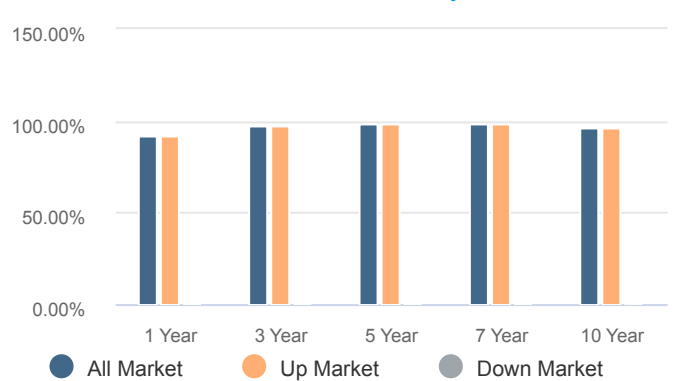
Alpha Consistency

The Fund's performance is consistently meeting its internal objective and demonstrates an ability to generate strong returns over the long term.

Growth of \$10,000 Over 10 Years



Returns Consistency



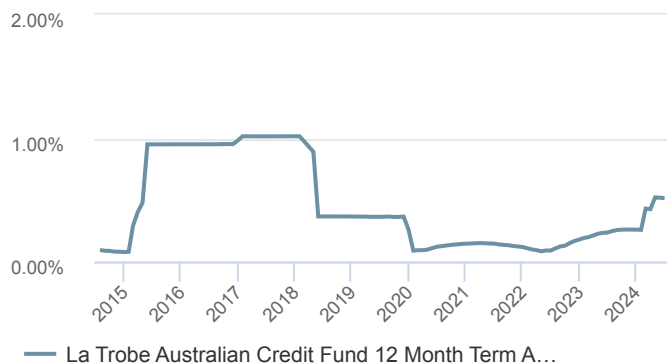
Performance data is as at 30 June 2024

Performance (continued)

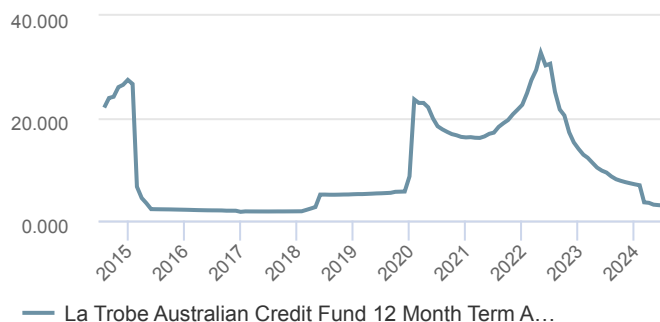
Benchmark Relativity

The Fund experiences very low tracking error, due to the unlisted nature of the underlying pool of mortgages.

3 Year Rolling Tracking Error Over 10 Years



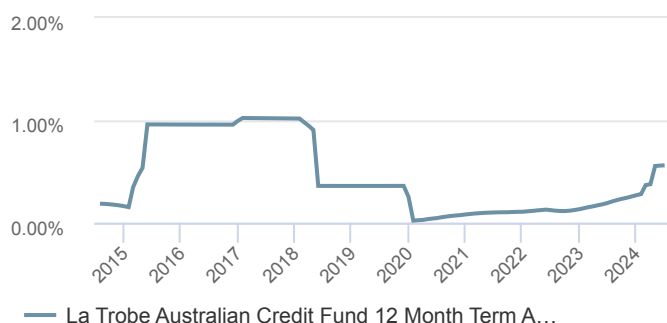
3 Year Rolling Information Ratio Over 10 Years



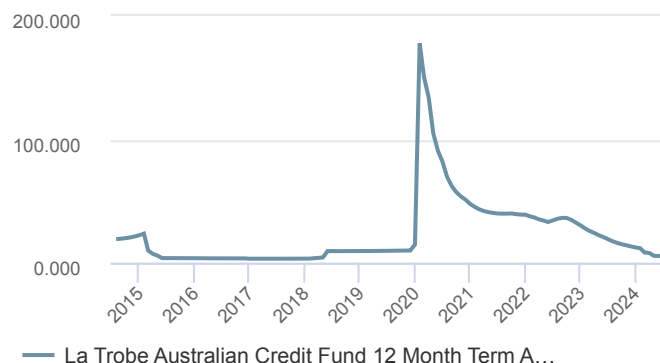
Return Volatility

The Fund's unit price has been dollar stable, and the Fund is yet to experience a negative monthly return, owing to the unlisted nature of the underlying pool of mortgages and the valuation approach employed. The Fund's strong returns and realised annualised standard deviation outcomes have resulted in exceptional Sharpe ratios across all time horizons.

3 Year Rolling Standard Deviation Over 10 Years



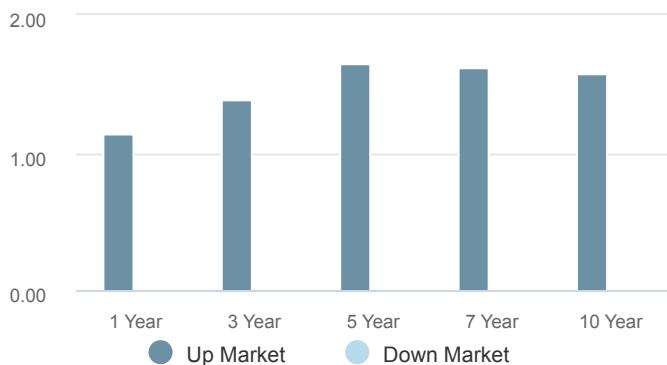
3 Year Rolling Sharpe Over 10 Years



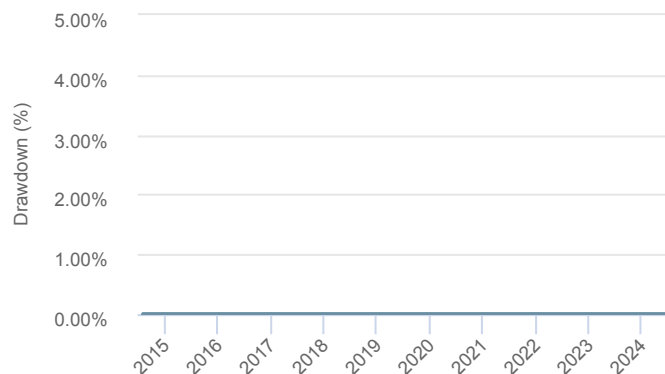
Product Defensiveness

The Fund has yet to experience a negative month since inception. While the Fund's potential return is more attractive than ADI term deposit rates, Lonsec notes the Manager carries greater credit risk in comparison to government-guaranteed term deposits.

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

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

ASX listed Generation Development Group Limited (ABN 90 087 334 370) is the parent company of Lonsec Holdings Pty Ltd (ABN 41 151 235 406) (Lonsec Holdings). Lonsec Research is a wholly owned subsidiary of Lonsec Holdings Pty Ltd (ABN 41 151 235 406) (Lonsec Holdings) and provides in-depth, investigative investment research across a broad range of listed and unlisted investments.

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).

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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.

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Complaints Manager

Level 39, 25 Martin Place
Sydney NSW 2000
Tel: 1300 826 395

Email: complaints@lonsec.com.au

An individual may request further information about Lonsec Research's internal complaints handling procedure at any time. If an individual is not satisfied with the outcome of their complaint or has not received a response within 30 days from Lonsec Research, the individual can complain to the Australian Financial Complaints Authority (AFCA). AFCA provides an independent dispute resolution service and can be contacted on:

Online: www.afca.org.au

Email: info@afca.org.au

Phone: 1800 931 678

Mail:

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

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This FSG was prepared on 1 August 2024.