

Pengana Emerging Companies Fund

PER0270AU Author: Matthew Turnbull Published: 31 Oct 2025

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

Refer to glossary for definition of the rating

Product Review

About this Product

Investment manager	Pengana Capital Limited
Benchmark	S&P/ASX Small Ordinaries TR Index AUD
Product structure	Managed Fund
Product size	\$836.06m
Inception date	Oct 2004
Asset class	Australian Equities
Sector	Australian Small Cap
Peer group	Core / Style Neutral
Rated peers	26

Product Characteristics

Business Life Cycle	Growing
Product Wind-Up Risk	Low
Key Person Risk	High
Tenure of Decision Makers	High
Complex (RG240)	No
Strategy Remaining Capacity	\$501.11m
ESG Approach	Risk or Value
Peer Relative Fees and Costs	Above median

Annual Fees and Costs (% p.a.)

Management fees & costs	1.334
Performance fee costs	1.051
Net Transaction Costs	0.105
Buy/Sell Spread	0.20/0.20
Annual fees and costs	2.49

Source: FE fundinfo, PDS Date: 19/Sep/2025

Strengths

- The Fund's co-PMs, Ed Prendergast and Steve Black, are highly experienced, having built a strong pedigree in Australian small cap investing.
- The investment approach of the Fund is longstanding, with a strong track record over multiple market cycles.
- The Manager has shown a strong commitment to capacity management.

Weaknesses

- The Fund is approaching its stated capacity target.
- High Key Person Risk in both co-PMs.

Product Opinion

The Fund has retained a 'Highly Recommended' rating. The co-PMs, Steve Black and Ed Prendergast, are two highly qualified investors with a strong pedigree in small cap investing. The pair have built a strong track record having managed the Fund through multiple market cycles since 2004. Additionally, the boutique structure of the Fund offers strong alignment with investors. Further, whilst the Fund is approaching its capacity limit, it is pleasing to observe the Manager's continued discipline with regards to managing capacity. The Fund's total fee load is at the upper end of the peer group.

Lonsec Rating Model

Rating key: ●●● Above ●●● In-line ●●● Below

Factor	Peer Rating	YoY Score Change
Business	●●●	—
Team	●●●	—
Process	●●●	—
ESG	●●●	↑
Product	●●●	—
Fees	●●●	—
Performance	●●●	—

Allocation Profile

Core		
Satellite		
	Low Complexity	High Complexity

Return Profile

Income		
Capital		
	Defensive	Growth

Key Facts

Key Objectives

Investment objective	To obtain returns greater than the S&P/ASX Small Ordinaries Accumulation Index over rolling three-year periods after fees.
Internal return objective	To outperform the benchmark by 5% p.a. after fees over rolling three-year periods.
Internal risk objective	Tracking error not specifically targeted however expected to be in the range of 6-9% p.a.
Non-financial objective	None

Asset Allocation (%) (as at 30/06/2025)

Australian Equities	89.60
International Equities	4.14
Cash	6.26
Total	100.00

Source: FE fundinfo

Rating History

11-Oct-2024	Highly Recommended
05-Sep-2023	Highly Recommended
11-Oct-2022	Highly Recommended

Product Distribution Profile

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

Top 10 Holdings (as at 30/06/2025)

	Weight (%)
GENERATION DEVELOPMENT GRP LTD	7.46
CAR GROUP LTD	5.27
CHARTER HALL GROUP STAPLED (UT ORD)	5.01
ALS LTD	4.90
NETWEALTH GROUP LTD	4.66
TECHNOLOGY ONE LIMITED	3.99
SGH LTD	3.70
HUB24 LTD	3.28
BREVILLE GROUP LIMITED	2.90
ZIP CO LTD	2.88

Source: FE fundinfo

Target Market Determination

Produced by issuer	Yes
Provided to Lonsec	Yes

Performance Analysis - annualised after fees at 30/06/2025

	1 Year	Median	2 Year	Median	3 Year	Median	5 Year	Median
Performance (% p.a)	17.76	14.61	17.12	15.15	14.95	13.83	13.92	10.90
Standard deviation	14.50	12.06	13.60	13.05	14.54	14.54	16.32	15.56
Excess return (% p.a)	5.50	2.35	6.33	4.36	4.95	3.83	6.54	3.53
Outperformance ratio (% p.a)	50.00	58.33	50.00	62.50	50.00	61.11	58.33	58.33
Worst drawdown (%)	-7.96	-6.36	-8.00	-8.03	-9.28	-10.51	-27.13	-23.16
Time to recovery (mths)	3	2	2	2	4	4	24	-
Sharpe ratio	0.92	0.83	0.94	0.90	0.76	0.75	0.71	0.56
Information ratio	0.72	0.47	0.86	0.98	0.70	0.70	0.97	0.68
Tracking error (% p.a)	7.61	5.17	7.32	4.72	7.10	5.83	6.77	6.37

Lonsec Peer Group: Australian Equities - Australian Small Cap - Core / Style Neutral

Product Benchmark: S&P/ASX Small Ordinaries TR Index AUD

Cash Benchmark: Bloomberg AusBond Bank Bill Index AUD

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

Business ●●●

Facts

Investment Manager	Pengana Capital Limited
Ultimate Parent Company	Pengana Capital Group Limited
Headquarters	Sydney
Inception Date	Feb 2003
% Staff Ownership	20-50%

Governance

% Independent board members	60
% Female board members	0
Independent chair	Yes
CEO as Chair	No
Separate Audit Committee	Yes

Who is the Manager?

Pengana Capital Group Limited ('the Manager' or 'Pengana') is an ASX-listed business owned by staff, directors and private shareholders. All of Pengana's underlying managers are boutique in nature with profit sharing arrangements in place with the responsible portfolio management teams and Pengana. Additionally, key members of the team are aligned to the headline business via the allotment of shares under loan share plans.

Lonsec Opinion

Profitability

Given the Manager's current level of FUM, the firm is considered profitable and well capitalised. Earnings quality of the Fund is aided by the diversity of the AUM within the business across differing strategies and clients.

Business Track record

The firm has a successful track record dating back to its inception. The firm has diversified its business through investment capabilities such as equities, fixed income, property and alternatives. This has led to solid AUM growth across all distribution channels.

AUM



Metrics

Total AUM	\$3.6b
Investment Management Headcount	52
Investment Professionals	13
Sales & Service	14
Distributor	Internal

Business Ownership

Pengana is a publicly listed company (ASX:PCG), that said, the Manager is considered to have a strong boutique culture among the respective investment teams within the business.

Business Governance

As Pengana is an ASX-listed business, the firm is subject to greater regulatory oversight and governance requirements in comparison to its boutique peers. Notably, the firm has not faced any regulatory findings in recent history. The firm has a reasonable governance framework, and three out of the five directors are independent.

Team ●●●

Key Decision Makers (KDM)

	Primary function	Dedicated to strategy	Appointed to strategy	Industry/Mgr exp. (yrs)	Exp. in PM roles (yrs)
Steve Black	Strategy lead	Yes	2004	29/21	27
Ed Prendergast	Strategy lead	Yes	2004	31/21	21

KDM Change*

No changes.

* Last 3 years

Profile

Size	2
Structure	Centralised
Turnover	Low

Alignment

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

Resources

	Number	Average Years Experience
Key decision makers	2	30
Portfolio Managers		
Hybrid portfolio manager/ analysts		
Dedicated analysts		
Dedicated dealers		
Quantitative		
ESG/Sustainability		
Macro		
Investment Specialists		

Who is the Team?

The Fund is managed by co-Portfolio Managers ('co-PMs') Steve Black and Ed Prendergast. The co-PMs have an extended track record and are responsible for stock selection, risk management and portfolio construction. The Manager employs a collegiate environment at Pengana with the two team members working closely in all aspects of the research and portfolio construction process. Back office and administration functions have been outsourced to BNP Paribas and Pengana Capital is responsible for marketing.

Lonsec Opinion

Skill

The team of Steve Black and Ed Prendergast is one of the most highly experienced in its Australian equities small cap peer group. Both investors are highly capable and experienced Australian Small cap investors with significant portfolio management insights.

Team Size

The team size of two is smaller than the peer group average. Moreover, given the 'boutique' nature of the Manager, the investment team does not have access to the range of in-house resources generally enjoyed by larger, institutional peers (such as quantitative resources or dedicated dealers). While this is considered to be a disadvantage to some extent, the partnerships in place with Pengana Capital and BNP Paribas allow the team to focus on research and portfolio management rather than non-investment functions.

Track Record/Co-Tenure

Both the track record and co-tenure of the team is strong in comparison to peers. The pair have built a proven track record and strong reputation in small cap investing, with both having been co-PMs of the Fund since its inception in November 2004. Pleasingly, this partnership continues to function successfully with positive performance outcomes.

Alignment

The alignment of interests between the investment team, Pengana and end investors is strong. This is evidenced through the boutique structure in place whereby the PMs and Pengana each own 50% of the business. This arrangement allows for performance fees earned to be passed through to equity-holders in the form of higher dividends. The alignment with end investors is further supported by the co-investment into the Fund by both Black and Prendergast.

Key Person Risk

Key person risk in Black and Prendergast is considered high. That said, the current co-PM structure has a natural lower level of KPR compared to structures reliant on one lead PM, a structure adopted by some small cap teams. This is further mitigated by Black and Prendergast's equity stake and the performance fee structure. However, the departure of either Black or Prendergast would result in reassessment of the current rating.

Pleasingly, while the team remains fully committed to the Fund, if either member decides to step down, they must provide two years' notice to the other PM. During this two-year transition period, the departing KDM will give up a specified percentage of their ownership to help attract a senior replacement. Both PMs will assess this replacement to determine whether they will become co-PMs or a senior analyst.

Process ●●●

What is the Investment Process?

The Manager utilises a robust bottom-up investment process that combines in depth fundamental research with disciplined portfolio construction. The research process is not overly structured and is designed to be flexible to account for the idiosyncrasies of the small cap universe. Fundamental company analysis focuses on assessing the predictability and visibility of earnings with close examination of qualitative factors that are expected to affect profit drivers. All invested stocks are modelled with consideration for cash flows, profit & loss and balance sheet strength to assist in determining individual company valuations and price targets. Given the nature of the Manager's approach, a significant proportion of the research effort involves contact with company management.

Portfolio construction is primarily driven by the upside to assessed valuation as well as a Qualitative Scoring Matrix ('QSM'). The QSM accounts for qualitative inputs such as valuation confidence, history of cash flow delivery and stock liquidity amongst others. The co-PMs are equally accountable for portfolio construction which is driven by their judgement and skills rather than a specific set of rules.

Lonsec Opinion & Supporting Facts

Philosophy and Universe

Investment Type	Fundamental
Investment Approach	Bottom-up
Investment Style	Core/Style Neutral
Typical market cap	\$2b - \$5b
Minimum market cap	\$50.00m
Available Universe	Stocks outside the ASX S&P 50 Leaders Index.

The Manager's investment philosophy is structured in alignment with the process and has not changed since the inception of the Fund in 2004. Pengana's underlying belief is that smaller companies' share prices are often incorrectly priced due to a lack of broker coverage. Investors should note that the Manager's philosophy leads to the exclusion of resources and mining, A-REITs and biotech stocks from the Fund's investable universe. The emphasis on quality also means the Fund is likely to outperform peers in 'down' markets but may underperform in 'up' markets.

Research Process

Key screens	Earnings
Screened universe	750
Idea generation	Financial market data, Economic data, Newsflow/Events, Expert networks, Financial statements, Direct outreach, Brokers
Stocks researched	300
Annual manager meetings	225
Key research inputs	Financial statements, Company meetings, Company data, Industry data, Economic/Market data, Sell-side reports, Quantitative model, Expert networks
Primary valuation approach	DCF

The Manager's research process is in line with comparable peers, albeit somewhat less structured. This reflects the investment team's approach, which prefers to remain nimble to account for the idiosyncrasies present. There is comfort in this aspect, given the Manager's long-term and successful track record of applying this process to small cap investing. The broader research effort is predominantly 'bottom-up' in nature, with company-specific and financial analysis conducted to generate sufficient levels of conviction relevant to valuation targets. The team utilises a mixture of proprietary quantitative tools developed over time, as well as industry-standard systems. The volume of company contact undertaken by the team is a relative strength of the Fund, as they believe that assessing the quality of management and their ability to deliver on business strategies is crucial in small cap investing.

Process (continued) ●●●

Portfolio Construction

Portfolio management structure	Portfolio Manager
Approach to benchmark	Benchmark Agnostic
Typical security numbers	60
Typical securities range	50-70
Typical portfolio turnover p.a.	50.00%
Typical active share	75.00%

The portfolio construction process is highly intuitive, with a clear link between the underpinning research and portfolio construction. This is primarily driven on upside to valuation and the QSM. While the portfolio is actively managed, a small portion (typically 8-10%) of the portfolio are stocks held to hedge against the portfolio diverging too far from the Benchmark. This risk mitigation policy has been in place for the last 13 years and is considered to be a pragmatic way of managing benchmark risk. Sell discipline is evident and driven by positions either reaching their target price, a change in fundamental view of the stock or relatively more attractive companies being available.

Capacity Management

Capacity guidance	\$1.30b
Strategy AUM	\$890.00m
Portfolio liquidity (1 week)	40.86%
Substantial holdings by manager	Nil
Strategy previously closed	Yes

The investment team has been more proactive than many of its peers in managing the capacity of the Fund, showing an impressive awareness of the negative performance implications that can result from managing large amounts of FUM in the small cap sector. This approach has been partly driven by Black's prior portfolio management experience where he was responsible for managing a small cap fund with a high level of FUM.

Given the current FUM in reference to capacity levels the Manager is currently accepting 'new' investors into the Fund due to a decrease in FUM over the last three years. The Fund had been 'soft' closed for many years as the Manager actively manages flows to keep it comfortable within capacity limits.

Investment Risk Management

Monitoring external to investment team	Yes
Frequency of monitoring	Daily
Primary risk management system	Factset
Security Limits (Min./Max.)	Soft: Benchmark Relative, 0-7%
Sector Limits (Min./Max.)	Soft: Absolute, 0-20%
Country Limits (Min./Max.)	Australia(100.00%),New Zealand(15.00%)
Non-index Allocation (Typical, Max.)	35%, 100%
Cash Allocation (Typical, Max.)	3%, 10%

The Manager has adequate risk management parameters and tools in place to sufficiently monitor portfolio risks such as stock and sector exposures. Risk management is inherently built into the Manager's focus on investing in 'quality' companies. The Fund also has 'hard' stock limits in place with regards to the stock and sector limits and these exposures are monitored daily. In addition to compliance checks undertaken by Pengana Capital, risk management is augmented via weekly exception reporting conducted by BNP Paribas.

Manager Positioning - Product

Responsible investment style	ESG Integration
ESG approach	Risk or Value
Sustainability thematic	N/A
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 that they take Environmental, Social and Governance factors into consideration when assessing investment opportunities. With a primary ESG style of "Risk or Value" Managers will determine inclusion based on the balance of overall risk (including ESG risk) and potential return. As a result this approach may mean that lower quality ESG companies may be included if the return potential is sufficient and this may conflict with some clients perception of what a strong ESG process would deliver.

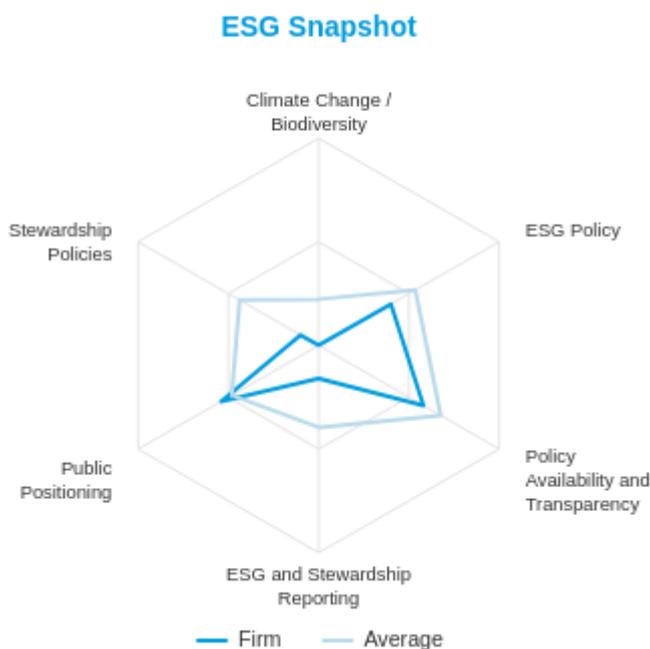
Sustainability Score

No score.

Lonsec Opinion & Supporting Facts

Overview

ESG Process Score Mod



Product Level Approach

The Manager sources independent ESG data through Sustainalytics and supplements this with its own research gathered from company meetings and public disclosures. While this approach provides a degree of insight, it is considered less robust than that of peers. Nonetheless, ESG considerations are clearly embedded within the Manager's research process, which is conducted in a structured manner. ESG factors are integrated into stock selection through their influence on price targets, demonstrating a tangible link between ESG analysis and investment decisions.

The Manager monitors ESG characteristics across various sustainability dimensions at the portfolio level; however, these factors do not play a defined role in portfolio construction. Engagements with companies are tracked, though there is no formal framework for prioritising engagement activities or assessing their outcomes.

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 not applicable.

Manager Level Approach

Pengana's overall ESG policy framework and disclosure lag behind its peers. The ESG policy is publicly available and remains at a high level, weighing down the ESG Policy score. It is noted that ESG assessment and integration happen at the Fund level, with separate policies available. There is no separate engagement or stewardship framework, and engagement guidelines and undertakings, if available, are also at the Fund level, placing the Stewardship Policies score below their peers. There is also no proxy voting policy or guidelines at the Manager level, however voting records for certain Funds are publicly available.

Product ●●●

Service Providers

Responsible entity	Pengana Capital Limited
Investment manager	Pengana Capital Limited
Custodian	BNP Paribas Fund Services Australasia Pty Limited
Administrator	BNP Paribas Fund Services Australasia Pty Limited
Fund Auditor	Ernst & Young
Change in Key Providers? (Over last 12 months)	No

Product Details

Product size	\$836.06m
Fund 12-month net flows	Positive
Distribution model	Internal
Buy/sell spreads	0.20%/0.20%
Investment structure	Direct
Product type	Registered Managed Investment Scheme (Unitised)
Currency hedged	No
Use of derivatives	No

What is the Product Structure?

The Fund is a Australian unit trust. The Manager also acts as the Fund's Responsible Entity ('RE') and has its own AFSL. The Fund is a long only Australian Equity product that primarily invests in small cap stocks. The Manager places an emphasis on identifying the quality factors exhibited by companies. This assessment is then overlaid with valuation measurements. The Fund is managed in a 'benchmark unaware' fashion. The Fund is permitted to hold up to 20% in cash, however, it will typically be near fully invested over the cycle.

Lonsec Opinion

Service Providers

The Manager has engaged large 'tier 1' service providers for functions of custody, administration and broking services. However, Pengana Capital Limited acts as both Responsible Entity ('RE') as well as the Investment Manager which may lead to the perception of conflicts which needs to be managed. That said, this RE relationship has been stable since the inception of the Fund and there have been no prior issues identified.

Operational 'Red Flags'

The Fund is a relatively straight forward Australian equity strategy investing in small cap stocks with a minimum market capitalisation of \$50m. As such, this may pose some operational and liquidity challenges at times of market dislocation.

Wind-up Risks

The wind-up risk for the Fund is low given the current level of assets.

Fees ●●●○

Annual Fees and Costs (% p.a.)

Management fees & costs	1.334
Performance fee costs	1.051
Net Transaction Costs	0.105
Buy/Sell Spread	0.20/0.20
Annual fees and costs	2.49

Source: FE fundinfo, PDS Date: 19/Sep/2025

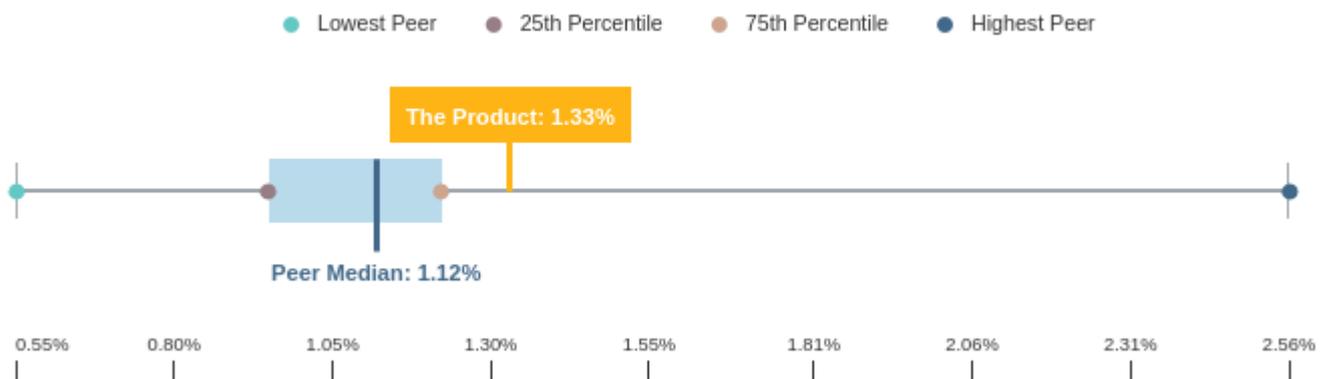
Performance Fees

Applicable	Yes
Hurdle type	Benchmark relative
Hurdle	S&P/ASX Small Ordinaries Accumulation Index
Rate	20.5%
Fee capping	No
High watermark	Yes
Above high watermark	No
Reset Allowed	No

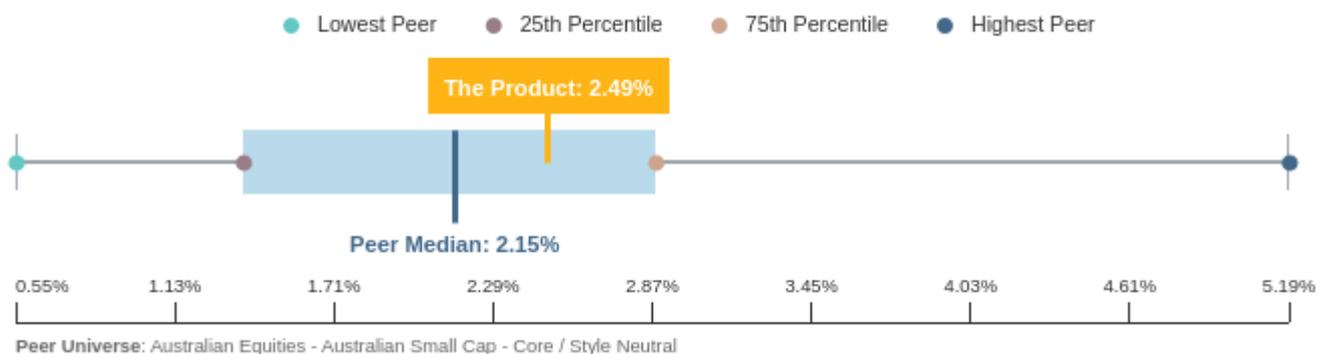
Fees Explained

The Fund's Annual Fees and Costs ('AFC'), as outlined in the PDS, total 2.49% per annum. This includes 1.334% p.a. in management fees and costs, with an estimated 1.051% p.a. for performance fees and 0.105% p.a. in net transaction costs.

Management Fees and Costs Peer Comparison



Annual Fees and Costs Peer Comparison



Lonsec Opinion

Annual Fees and Costs

The Fund's total fee load is moderately higher in comparison to the peer median.

Fairness

The higher fee load for the Fund is partly attributable to its performance fee structure. The hurdle rate is low relative to its performance target, with no cap on the fees. Although the Manager may accrue fees during periods of negative performance, payment is restricted in such instances. Nonetheless, the overall fee load is somewhat justified by the Manager's disciplined capacity management.

Performance data is as at 30 June 2025

Performance ●●●

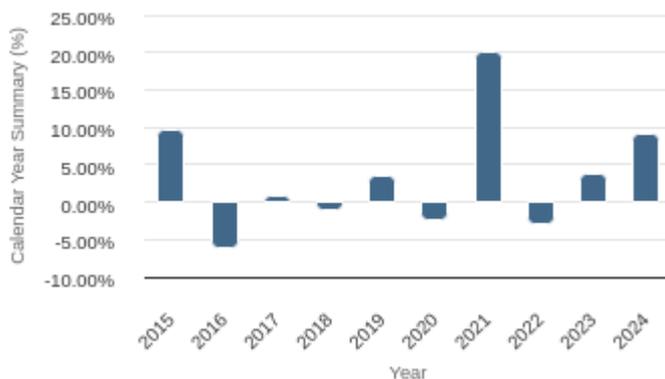
Performance Summary

PDS return objective	To obtain returns greater than the S&P/ASX Small Ordinaries Accumulation Index over rolling three-year periods after fees.
Internal return objective	To outperform the benchmark by 5% p.a. after fees over rolling three-year periods.
Internal risk objective	Tracking error not specifically targeted however expected to be in the range of 6-9% p.a.
Product benchmark	S&P/ASX Small Ordinaries TR Index AUD
Lonsec peer group	Core / Style Neutral

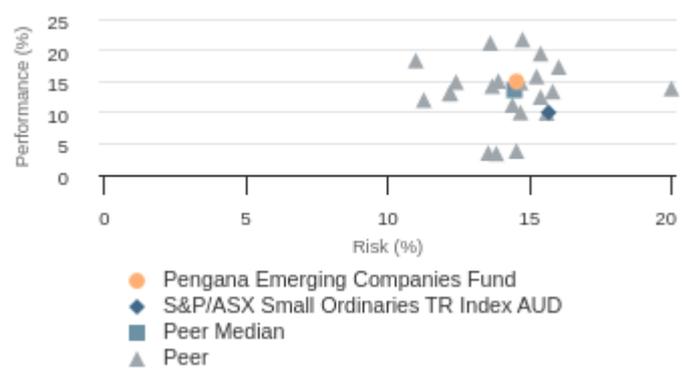
Alpha Generation

The Fund's returns have outperformed the peer median and Benchmark over most assessed time periods. Over the past 12 months, outperformance has been primarily driven by strong stock selection, notably a bias toward defensive growth stocks, which provided resilience during market sell-offs. Overall, the quantum of returns is strong.

Calendar Year Excess Return



3 Year Risk and Return



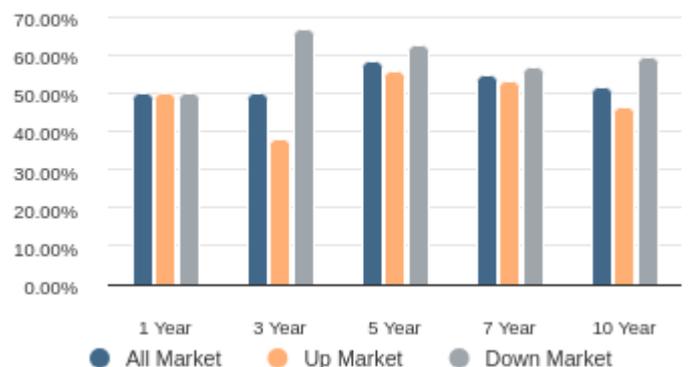
Alpha Consistency

Since inception the Fund has delivered consistent alpha over a range of market conditions and cycles. Whilst the Fund has delivered some periods of underperformance, the overall pattern shows the Manager applying a consistent and well structured process.

Growth of \$10,000 Over 10 Years



Returns Consistency



Performance data is as at 30 June 2025

Performance (continued) ●●●

Benchmark Relativity

The Fund's tracking error has broadly remained higher than peer median over all assessed periods. However, the Fund has remained within its stated expected range of 6-9% p.a. The Manager is taking sufficient risk to meet its performance objectives.

3 Year Rolling Tracking Error Over 10 Years



3 Year Rolling Information Ratio Over 10 Years



Return Volatility

The volatility profile of the Fund has been broadly in line with the benchmark and peers. This level of volatility aligns with the strategy's risk appetite and does not indicate a breakdown in process or investment discipline. Notably, the Fund has generated a Sharpe Ratio that surpasses its peers, indicating superior risk-adjusted performance.

3 Year Rolling Standard Deviation Over 10 Years



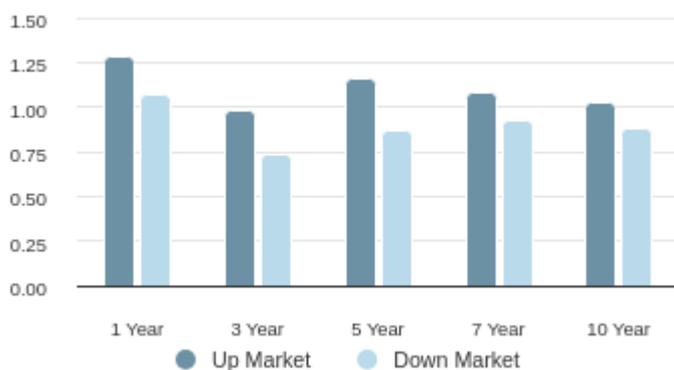
3 Year Rolling Sharpe Over 10 Years



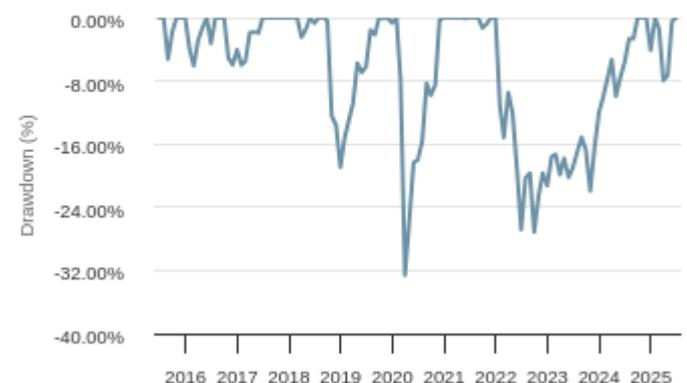
Product Defensiveness

The Fund displays reasonable defensive attributes relative to the peer group and benchmark over the medium term. This is evident as the Fund's worst drawdown over the majority of assessable time periods are being similar to peers.

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

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).

Contact Details

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Level 39, 25 Martin Place
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Tel: 1300 826 395

Email: info@lonsec.com.au

www.lonsec.com.au

1.3 What kind of financial services can Lonsec Research provide?

Lonsec Research is authorised under its Australian Financial Services Licence to provide general financial product advice to retail and wholesale clients on the following types of financial products:

- securities
- deposit and payment products limited to basic product products
- derivatives
- interests in managed investment schemes including investor directed portfolio services
- superannuation
- retirement savings accounts
- foreign exchange products
- life products including:
 - investment life insurance products as well as any products issued by a Registered Life Insurance Company that are backed by one or more of its statutory funds; and
 - life risk insurance products as well as any products issued by a Registered Life Insurance Company that are backed by one or more of its statutory funds;

Lonsec Research is also authorised to deal in a financial product by arranging for another person to apply for, acquire, vary, or dispose the above types of products for or by retail and wholesale clients.

1.4 Provision of general advice

Any advice that Lonsec Research provides is of a general nature and does not take into account your personal financial situation, objectives or needs. You should, before acting on the information, consider its appropriateness having regard to your own financial objectives, situation and needs and if appropriate, obtain personal financial advice on the matter from a financial adviser.

Lonsec Research FSG (continued)

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 fees are determined by private agreement with its clients depending on a number of criteria including the number of financial advisors who access Lonsec Research publications, the range of publications accessed and the complexity of a specific research assignment. Due to the specific nature of its charges, disclosure of Lonsec Research fees may not be ascertainable when you receive this FSG, but you are able to request this information in writing before a financial service is provided to you. The fees received by Lonsec Research do not have an effect on the inclusion (or otherwise) of a financial product in portfolios managed by Lonsec Investment Solutions; or in approved product lists as a result of Lonsec Investment Solutions consulting activities. We do not have any direct employees as all employees are contracted, for employment purposes, with Lonsec Fiscal, a subsidiary of Lonsec Holdings. All employees of Lonsec are paid a salary and may receive a discretionary bonus which is not guaranteed. Sales employees may have a sales commission plan, relevant for sales to Wholesale clients, as offered by Lonsec Research from time to time at its discretion.

1.6 How do we manage our compensation arrangements?

Lonsec Research has Professional Indemnity insurance arrangements in place to compensate clients for loss or damage because of breaches of any relevant legislative obligations by Lonsec Research or its representatives which satisfy section 912B of the Corporations Act 2001.

1.7 What should you do if you have a complaint?

Lonsec Research's internal complaints handling process is designed to ensure that your concerns are treated seriously, addressed promptly and fairly. A complaint may be lodged either verbally or in writing and will be dealt with in strict confidence. If you have a complaint relating to Lonsec Research's products, services, its employees, the complaint should be addressed to:

Complaints Manager

Level 39, 25 Martin Place

Sydney NSW 2000

Tel: 1300 826 395

Email: complaints@lonsec.com.au

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

Online: www.afca.org.au

Email: info@afca.org.au

Phone: 1800 931 678

Mail:

Australian Financial Complaints Authority

GPO Box 3

Melbourne, Victoria, 3001.

1.8 Conflicts of Interest

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

Lonsec Research review and rate products for Fund and Equity Managers who may from time to time have holdings within Generation Development Group Limited. Lonsec Research manages any potential conflict by disclosing to investors who access the research for these products and by implementing a comprehensive ratings process, information barriers and monitoring program. For further information on how Lonsec manages its conflicts refer to our Conflicts of Interest Statement accessible [here](#). For more information refer to Lonsec Research Ratings Methodology available on our platform iRate or by contacting us on 1300 826 395.

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

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