

## Pengana Harding Loevner International Fund - Class B

PCL0026AU Author: Nikolai Bull Published: 16 Apr 2025

Data is provided by the manager at 30 Jun 2024, and currency in AUD, unless otherwise stated

Refer to glossary for definition of the rating

### Product Review

#### About this Product

Investment manager	Harding Loevner LP
Benchmark	MSCI AC World NR Index AUD
Product structure	Managed Fund
Product size	\$40m
Inception date	Jul 2015
Asset class	Global Equities
Sector	Global Large Cap
Peer group	Growth
Rated peers	61

#### Product Characteristics

Business Life Cycle	Mature
Product Wind-Up Risk	High
Key Person Risk	Medium
Tenure of Decision Makers	Low
Complex (RG240)	No
Strategy Remaining Capacity	US\$41.6b
ESG Approach	Risk or Value
Peer Relative Fees and Costs	In line with median

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

Management fees & costs	0.95
Performance fee costs	0.00
Net Transaction Costs	0.037
Buy/Sell Spread	0.20/0.20
<b>Annual fees and costs</b>	<b>0.987</b>

Source: FE fundinfo, PDS Date: 10/May/2024

#### Strengths

- The research process is robust and repeatable, and well-suited to the quality-growth focused investment philosophy.
- The Manager has a long track record of successfully implementing the investment process through multiple market cycles.
- The strategy is supported by a well-resourced global research platform that provides broad coverage of the investment universe.

#### Weaknesses

- The co-portfolio managers have a relatively modest track record managing the strategy.
- The sub-portfolio investment approach introduces an additional layer of complexity to decision making and also has the potential to dilute the best ideas of each portfolio manager.
- While the structure provides clear individual incentives, it lacks a direct link to the Fund's overall performance, potentially limiting alignment with investor outcomes.
- Baughan's recent retirement is a meaningful loss of experience given his involvement with the strategy since 2003.

### Product Opinion

The Fund's rating has been maintained at **'Investment Grade'** at the most recent review. Supporting the rating is conviction in the robust and repeatable research process. Moreover, the Manager has developed a long track record of successfully implementing the investment process. However, the rating is tempered by the relatively short joint track record of the Co-PMs. Additionally, the sub-portfolio investment approach, while aiding diversification and risks associated with a single-PM approach, may dilute the team's best ideas. Further, alignment of the Co-PMs could be bolstered with remuneration tied to the Fund's aggregate performance.

#### 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 outperform the benchmark over the medium to long term
Internal return objective	To outperform the benchmark by 3% p.a., before fees, over a market cycle
Internal risk objective	To achieve a lower standard deviation than the benchmark over a market cycle
Non-financial objective	None

#### Asset Allocation (%) (as at 31/12/2024)

International Equities	98.73
Cash	1.27
<b>Total</b>	<b>100.00</b>

Source: FE fundinfo

#### Rating History

21-May-2024	Investment Grade
09-May-2023	Investment Grade
28-Apr-2022	Recommended

#### Product Distribution Profile

Frequency	Annually
Last Missed Distribution	June 2024
Number of Missed Distributions in the last 5 years	2
AMIT Election	Yes
TOFA Election	No

#### Top 10 Holdings (as at 31/12/2024)

	Weight (%)
META PLATFORMS, INC.	4.820
ALPHABET INC	4.770
MICROSOFT CORPORATION	4.420
AMAZON.COM, INC.	4.320
NETFLIX, INC.	3.720
SCHNEIDER ELECTRIC SE	3.430
VERTEX PHARMACEUTICALS INC	3.100
ACCENTURE PLC	2.730
UNITEDHEALTH GROUP INCORPORATED	2.710
SALESFORCE, INC.	2.670

Source: FE fundinfo

#### Target Market Determination

Produced by issuer	Yes
Provided to Lonsec	Yes

#### Performance Analysis - annualised after fees at 31/12/2024

	1 Year	Median	2 Year	Median	3 Year	Median	5 Year	Median
Performance (% p.a)	25.15	26.33	23.22	23.73	4.42	7.18	10.05	11.89
Standard deviation	9.92	10.84	9.19	10.68	13.77	13.57	12.56	13.63
Excess return (% p.a)	-4.33	-3.89	-2.18	-2.84	-6.81	-4.91	-2.84	-2.25
Outperformance ratio (% p.a)	33.33	41.67	41.67	41.67	38.89	38.89	46.67	46.67
Worst drawdown (%)	-4.15	-3.92	-4.87	-6.01	-21.69	-19.05	-27.77	-23.06
Time to recovery (mths)	2	-	2	3	19	-	21	12
Sharpe ratio	2.09	2.13	2.07	1.80	0.09	0.33	0.64	0.74
Information ratio	-1.16	-0.69	-0.56	-0.56	-1.24	-0.82	-0.47	-0.25
Tracking error (% p.a)	3.72	5.10	3.91	5.97	5.48	6.14	6.11	6.52

**Lonsec Peer Group:** Global Equities - Global Large Cap - Growth

**Product Benchmark:** MSCI AC World NR 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	Harding Loevner LP
Ultimate Parent Company	Harding Loevner is a private partnership, along with an approximate 72% interest in the firm owned by parent company, Affiliated Managers Group (NYSE: AMG)
Headquarters	Bridgewater, US
Inception Date	Mar 1989
% Staff Ownership	20-50%

#### Governance

% Independent board members	Not applicable (Limited Partnership, Exec Committee)
% Female board members	29% (Exec. Committee)
Independent chair	No
CEO as Chair	No
Separate Audit Committee	No

#### Who is the Manager?

Harding Loevner LP ('Harding Loevner' or 'the Manager') is a global equities investment manager headquartered in Bridgewater, New Jersey (US). The firm was founded in 1989 by former Rockefeller family managers and remains 28% employee-owned, with the remainder owned by Affiliated Managers Group (NYSE: AMG). The Manager offers a range of equity strategies across developed and emerging markets for various clients.

Pengana Capital Limited ('Pengana') is the Fund's Responsible Entity ('RE') and is also responsible for distributing the strategy in Australia. Pengana is a wholly owned subsidiary of Pengana Capital Group Limited (ASX: PCG), a diversified funds management group founded in 2003 and headquartered in Sydney.

### Lonsec Opinion

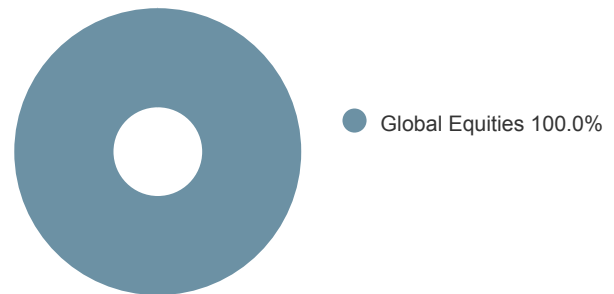
#### Profitability

The Manager is standalone profitable, well-capitalised, and has a healthy level of assets under management ('AUM'). Its earnings resilience is reinforced by a diverse global equity product range, a broad client base, and an efficient in-house distribution team.

#### Business Track record

The Manager has a long and successful track record dating back to the firm's inception. Over the years, the firm has continued to diversify its product suite across various global equity strategies, including those focused on emerging markets. The firm's expansion has led to considerable growth in AUM. However, more recently, there has been a notable decrease from the peak assets of US\$86b attained in 2021. This decline can be attributed to a mix of market fluctuations and client redemptions, impacting overall AUM. Signs of stabilisation in the short term are emerging, and an increase in assets from here would further improve confidence.

#### AUM



#### Metrics

Total AUM	\$74.8b
Investment Management Headcount	121
Investment Professionals	45
Sales & Service	0
Distributor	External

#### Business Ownership

The Manager displays a relatively strong 'boutique' investment culture, with staff owning 28% of the business with investment and business managers invited to participate in equity ownership after certain milestones are achieved. AMG remains a supportive investor while also providing some additional back-office functions to the Manager which should ensure the integrity of the firm's investment culture.

#### Business Governance

The Manager's business governance is deemed suitable for its size. Although the Manager operates as a private partnership without a formal board, it is led by an Executive Committee comprising senior executives. Additionally, there is a separate compliance committee, and there have been no regulatory findings in recent history, which is encouraging.

Team ●●●

Key Decision Makers (KDM)

	Primary function	Dedicated to strategy	Appointed to strategy	Industry/Mgr exp. (yrs)	Exp. in PM roles (yrs)
Jingyi Li	Strategy lead	No	2021	26/15	8
Richard Schmidt	Strategy lead	Yes	2024	39/14	34

KDM Change\*

	Function	Change	Type	Tenure (yrs)	Date of change
Peter Baughan	Strategy lead	Departed	Exit	27	2024
Richard Schmidt	Strategy lead	Joined	Internal	39	2024

\* Last 3 years

Profile

Size	31
Structure	Centralised
Turnover	Medium

Alignment

KDM equity held in manager	Yes
KDM co-investment in strategy	Yes
Performance-Based bonus	Yes
Long term incentive plan	Yes

Resources

	Number	Average Years Experience
Key decision makers	2	33
Portfolio Managers		
Hybrid portfolio manager/analysts	2	23
Dedicated analysts	27	23
Dedicated dealers		
Quantitative		
ESG/Sustainability		
Macro		
Investment Specialists		
Key decision makers		

Who is the Team?

Richard Schmidt and Jingyi Li are the Co-Portfolio Managers ('Co-PMs') for the Fund. Schmidt was running a paper portfolio of the global equity strategy for ten years before being elevated to Co-PM after the retirement of Peter Baughan in October 2024. Schmidt joined the Manager in 2011 and has been a PM since 2014, while also holding nearly 40 years of industry experience. Li joined the portfolio manager lineup in 2021 and possesses 21 years of experience. Together, they are responsible for stock selection, risk management, and portfolio construction within their respective sleeves, while also maintaining oversight of the portfolio in aggregate.

Schmidt and Li are supported by Portfolio Managers, Moon Surana and Sean Contant. While Surana is not directly involved in decision-making for the global equity strategy, she manages a global equity paper portfolio. The paper portfolios serve as a tool to signal investment ideas to the Co-PMs, while also being useful from a succession planning perspective. A team of 31 investment professionals, including the portfolio managers for the Fund, are tasked with conducting the research used in stock selection across the various strategies offered by the Manager. The team's analytical duties are divided by global sectors and, in some cases, by more specialised regions like emerging markets.

**Lonsec Opinion**

**Skill**

Baughan’s departure weakens the perception of overall skill, given his experience managing the Fund and his familiarity with the process. While Li is a capable investor with solid industry experience, he is still establishing himself as a steward of the Fund and as a portfolio manager more broadly. He also oversees research for the industrial sector and Chinese equities, in addition to managing the Chinese Equity strategies. Schmidt brings substantial portfolio management experience and has run a paper portfolio of the Fund since 2014. Both Schmidt and Li manage the Manager’s Global Developed Markets Equity and Global Paris-Aligned Equity strategies, which are closely aligned to this strategy. Their combined performance remains a key watchpoint amid these changes. The KDMs are supported by an experienced analyst team, primarily based in the Manager’s U.S. office, which should enhance research collaboration.

**Team Size**

The investment team of 31 is considered adequately sized relative to its peers and the investment universe. The Manager’s level of resourcing and focus across global sectors and specialised regions provides scope for in-depth analysis and may enhance the team’s understanding of both new and existing investment opportunities.

**Track Record/Co-Tenure**

The Fund’s current portfolio management team is still in the early stages of its tenure, and the pair have yet to establish a formal track record overseeing the strategy. While both appear competent in their roles, a period of stability is needed to build conviction in the Co-PMs. Positively, the analyst team remains well-established, with an average tenure of 11 years in supporting the Fund’s research efforts.

**Alignment**

The KDMs demonstrate reasonable alignment with end investors, and both Schmidt and Li are partners within the business. However, the Co-PMs are remunerated based on the performance of their sub-portfolios, with no direct alignment to the Fund’s overall performance. While this approach enhances individual accountability, it dilutes the sense of collective responsibility and alignment with the Fund’s overall performance relative to peers. Non-partners participate in a long-term deferred compensation plan linked to the success of their annual investment performance and the achievement of other mutually agreed-upon goals. Furthermore, while not an organisational requirement, there is a strong co-investment culture within the investment team, which is viewed favourably.

**Key Person Risk**

Key person risk ('KPR') associated with both Li and Schmidt is considered moderate given their relatively short track record formally managing the strategy together. Factors that mitigate this include the bench of portfolio managers managing paper portfolios for the strategy, the level of co-investment and equity ownership amongst the KDMs, and the firm’s successful track record in managing succession plans for other strategies. Schmidt’s transition to portfolio manager from managing the paper portfolio appears smooth and highlights the experience on the bench. A period of monitoring will be implemented to assess the materiality of Baughan’s departure from the strategy.

### Process ●●●

#### What is the Investment Process?

The Manager employs a bottom-up, fundamental approach to identifying companies based on four key quality and growth criteria, being: competitive advantage, quality management, financial strength, and sustainable growth. The Fund invests according to a model portfolio created by combining two separate sub-portfolios constructed by the Co-PMs. Stocks are selected from the pool of analyst-rated stocks based on their risk-adjusted return potential relative to the broader research universe. While the Manager's philosophy emphasises both quality and growth, the valuation sensitivity of the research process, along with a higher level of portfolio diversification, has occasionally resulted in milder quality-growth characteristics compared to peers in the Growth peer group.

### Lonsec Opinion & Supporting Facts

#### Philosophy and Universe

Investment Type	Fundamental
Investment Approach	Bottom-up
Investment Style	Growth
Typical market cap	All-Cap
Minimum market cap	US\$1b
Available Universe	Global listed securities

The 'quality/growth' approach is highly adaptable to the Fund's universe and aligns with its outperformance objectives. The Fund's mandate, while more risk-conscious than some peers, is flexible enough to ensure it can meet its 3% alpha target over a market cycle.

#### Research Process

Key screens	Balance Sheet, Earnings, Liquidity, Market Cap
Screened universe	550
Idea generation	Company research, Meeting with management and stakeholders, Industry research
Stocks researched	450
Annual manager meetings	230
Key research inputs	Company reports, Industry research, Meetings with management and other industry participants
Primary valuation approach	DCF

The key edge over peers is the Manager's stricter definition of quality and growth, along with the repeatability of its investment process. The team is adequately resourced, offering reasonable breadth, though it has limited international presence beyond the US, despite maintaining an office in London. The Manager's approach to idea generation is centered around analyst autonomy, promoting flexibility to identify investment opportunities from various sources. The underlying research methodology is structured, focusing on consistently evaluating companies against four key quality and growth criteria. Analysts utilise a proprietary Quality Assessment ('QA') Framework, comprising ten factors that each company is scored against, enhancing comparability across sectors and regions. Moreover, the relative valuation approach reinforces valuation discipline. In terms of 'bottom-up' research, the intellectual property lies in the depth of research conducted, which is considered thorough and supported by regular industry reviews conducted by the investment team. Additionally, the firm's investment tools are comparable with those of larger peers.

### Process (continued) ●●●

#### Portfolio Construction

Portfolio management structure	Co-PM
Approach to benchmark	Benchmark Agnostic
Typical security numbers	70
Typical securities range	35-75
Typical portfolio turnover p.a.	25%
Typical active share	>80%

Only stocks that have received analyst ratings are considered for the Fund. The Co-PMs select stocks from this pool based on their return potential and ability to enhance the portfolio's overall risk/return profile. Their sub-portfolios are roughly equally weighted and combined to form the model portfolio. Moderate overlap between the two sub-portfolios historically suggests differences in sector and regional biases between the Co-PMs and their judgement of the risk and return potential of individual positions. While improving diversification, this approach risks not adequately allocating capital to the best ideas. Analysts monitor companies against milestones, with positive or negative developments potentially altering conviction. However, recent challenges, particularly in stock selection, need to be addressed to enhance confidence in the Fund.

#### Capacity Management

Capacity guidance	US\$50-55b
Strategy AUM	US\$11.2b
Portfolio liquidity (1 week)	100.00%
Substantial holdings by manager	Not Applicable
Strategy previously closed	No

There are no capacity concerns for the Fund given AUM is well-below the Manager's stated capacity target, with ample headroom for growth.

#### Investment Risk Management

Monitoring external to investment team	Yes
Frequency of monitoring	Daily
Primary risk management system	Axioma, Factset, Bloomberg, Proprietary
Security Limits (Min./Max.)	Soft Limit: 1-5%, Absolute
Sector Limits (Min./Max.)	Soft Limit: 0-25% Absolute
Country Limits (Min./Max.)	Varies by country
Non-index Allocation (Typical, Max.)	0%, 0%
Cash Allocation (Typical, Max.)	3%, 10%

Risk management is largely embedded within the Manager's investment process. The Fund's quality focus should provide natural protection against downside risk. Furthermore, the Fund's risk is constrained by its focus on achieving below peer average volatility across the market cycle. To achieve this, the sector, industry, country, and regional exposures of the model portfolio are subject to strict portfolio guidelines. The Co-PMs are notified if a sub-portfolio is at risk of causing the model portfolio to breach any guidelines. Additionally, regular independent risk monitoring is overseen by the CIO, Head of Risk, and the Risk Committee, which represents a commitment to best practice. The risk management tools are comparable to industry standards, using a combination of commonly used third-party and proprietary risk systems.

### ESG ●●●

#### Manager Positioning - Product

Responsible investment style	ESG Integration
ESG approach	Risk or Value
Sustainability thematic	Not Applicable
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 consider environmental, social and governance factors 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

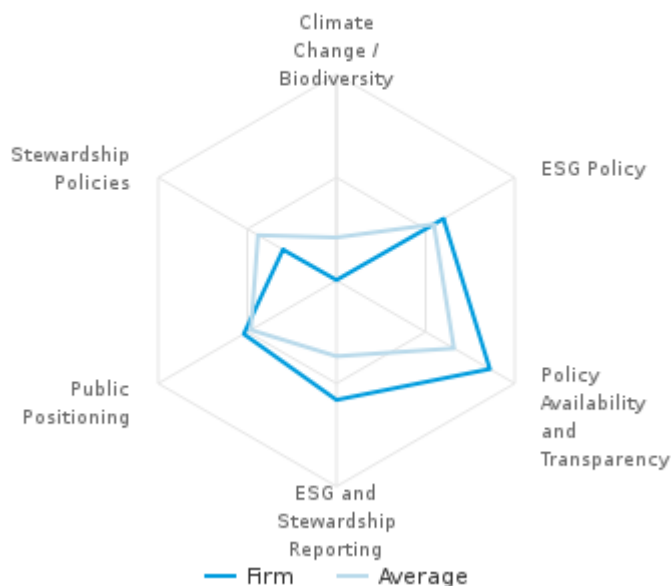
No score.

### Lonsec Opinion & Supporting Facts

#### Overview

ESG Process Score	Mod
Responsible Investment strategy risk: Clarity, measurability & reporting	Not Applicable

#### ESG Snapshot



#### Product Level Approach

The Manager has an appropriately structured approach to the collection and use of ESG specific data for their size. The Manager demonstrates a well-structured ESG research process. Research outputs are clear and useful for a measured approach to investment decision incorporation. The Manager incorporates ESG factors into their forecast cashflow models, in a less structured or transparent manner than leading peers. While ESG factors can impact portfolio inclusions, and there is monitoring of ESG characteristics of the portfolio across several ESG and sustainability dimensions, there are no portfolio-level ESG-based limits or targets in place for the Fund. While the Manager tracks engagements, there is no clear system for prioritising engagements or for measuring success.

#### 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

The Manager's overall ESG policy framework and disclosure are aligned with peers. The Manager is committed to integrating ESG within their investment process with clear evidence of public positioning and publicly available ESG and engagement policies. The only weakness for the manager is their stewardship policies, with the proxy voting policy framework considered very high level and generic, and the same with their engagement policy - this is reflected in the stewardship policy score. Reporting is slightly ahead of peers with voting outcomes available and company engagements are highlighted in their Stewardship Activities report.



Product ●●●

**Service Providers**

Responsible entity	Pengana Capital Limited
Investment manager	Harding Loevner LP
Custodian	BNP Paribas
Administrator	BNP Paribas
Fund Auditor	Ernst and Young
Change in Key Providers? (Over last 12 months )	Yes

**Product Details**

Product size	\$40m
Fund 12-month net flows	Negative
Distribution model	External
Buy/sell spreads	0.20%/0.20%
Investment structure	Direct
Product type	Registered Managed Investment Scheme (Unitised)
Currency hedged	Unhedged
Use of derivatives	No

**What is the Product Structure?**

The Fund is a long-only, benchmark aware strategy that invests across global equity markets and is expected to exhibit a mid to large-cap bias. The Fund's Responsible Entity ('RE') is Pengana Capital Limited.

**Lonsec Opinion**

**Service Providers**

The Manager has engaged large 'tier 1' service providers for critical functions such as custodial, administration and broking services. Whilst the Fund utilises a related party RE, this relationship has been stable since inception and there have been no issues with this arrangement to date.

**Operational 'Red Flags'**

The Fund is a relatively straightforward listed global equity strategy with a focus on mid to large-cap equities. Therefore, it is not expected to pose operational and liquidity challenges.

**Wind-up Risks**

Wind-up risk remains elevated for the Fund with weak product traction and a lack of inflows in recent years.

### Fees ●●●

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

Management fees & costs	0.95
Performance fee costs	0.00
Net Transaction Costs	0.037
Buy/Sell Spread	0.20/0.20
<b>Annual fees and costs</b>	<b>0.987</b>

Source: FE fundinfo, PDS Date: 10/May/2024

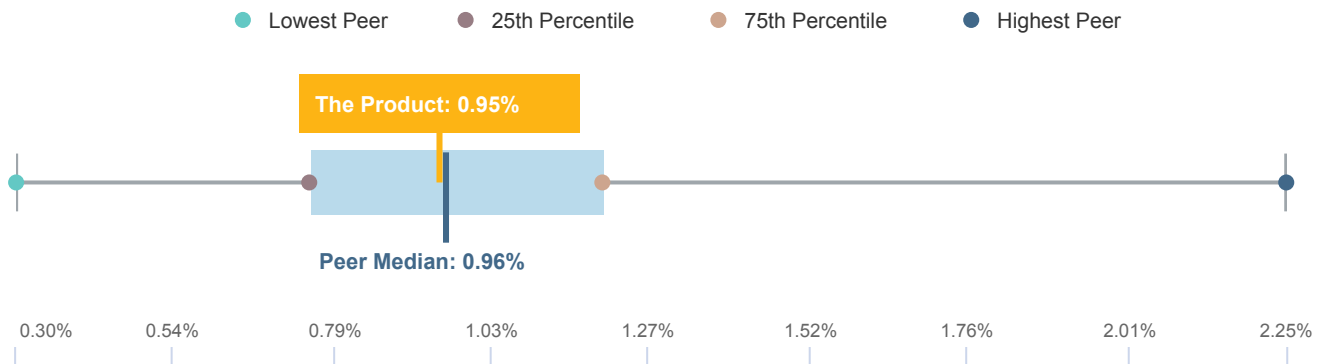
#### Performance Fees

Applicable	No
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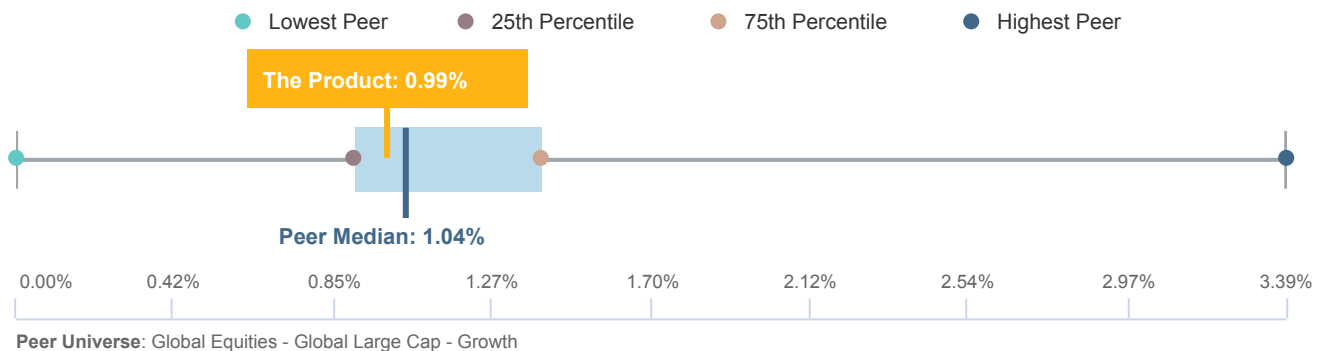
#### Fees Explained

The Fund's Annual Fees and Costs ('AFC') total 0.987 and comprise of management fees and costs of 0.95% p.a. and net transaction costs of 0.037% p.a. In line with RG97, some fees and costs have been estimated by the issuer on a reasonable basis. Actual fees and costs may vary from these estimates. The Fund does not charge performance fees

#### 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 is comparable with peers, especially given the Fund's more benchmark aware approach.

#### Fairness

Given the absence of a performance fee, total fees and costs are capped, which provides certainty. While the AFC is in line with peers, the Fund's more risk-aware approach compared to many peers needs to be considered.

Performance data is as at 31 December 2024

### Performance ●●●

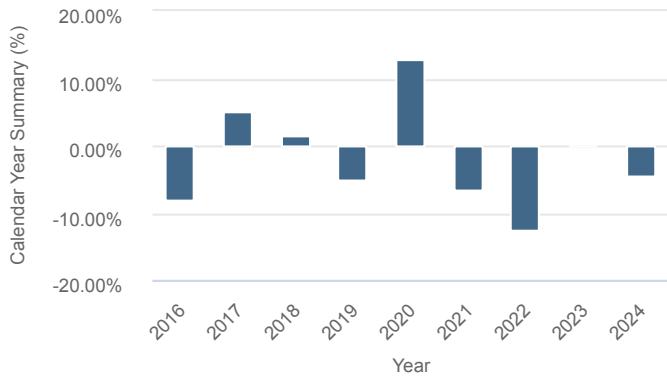
#### Performance Summary

PDS return objective	To outperform the benchmark over the medium to long term
Internal return objective	To outperform the benchmark by 3% p.a., before fees, over a market cycle
Internal risk objective	To achieve a lower standard deviation than the benchmark over a market cycle
Product benchmark	MSCI AC World NR Index AUD
Lonsec peer group	Growth

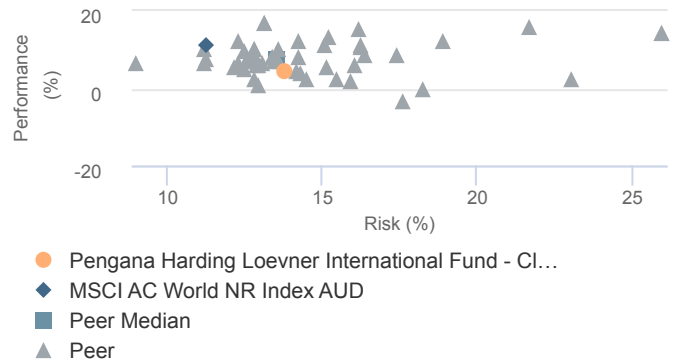
#### Alpha Generation

The Manager was appointed to manage the Fund in May 2021, and the current portfolio manager lineup was changed in October 2024. As a result, the Fund lacks a track record under the current structure. Nonetheless, the underlying strategy has not met its stated investment objective over the three and five-year periods ending December 2024. While the long-term track record was impacted by a challenging 2022, where rising interest rates affected growth-focused approaches - a trend seen across similar strategies - outcomes remained poor relative to the benchmark and peers. Over the three years to December 2024, the Fund returned 4.4% p.a., trailing the benchmark and peer median by 6.8% p.a. and 2.8% p.a., respectively

#### Calendar Year Excess Return



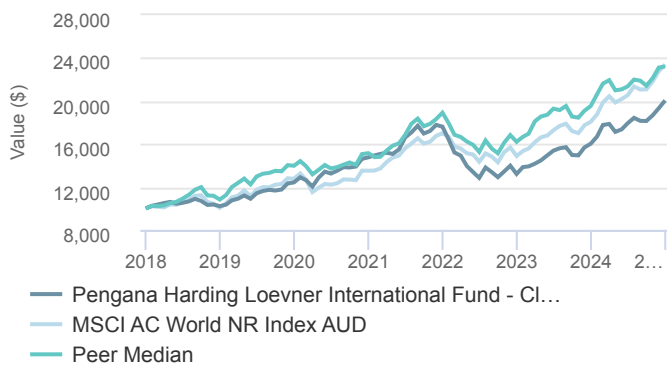
#### 3 Year Risk and Return



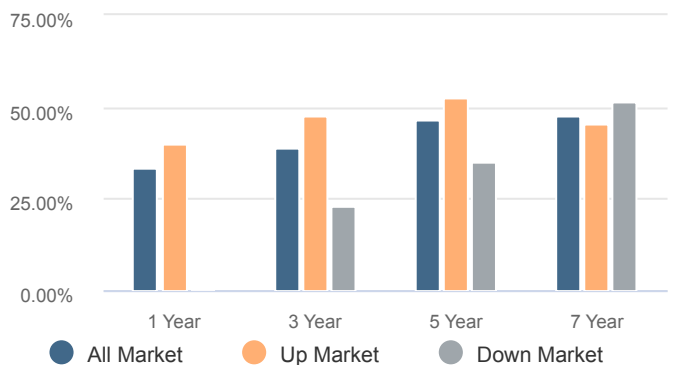
#### Alpha Consistency

Style headwinds and stock selection have weighed on the underlying strategy's performance in recent years. However, before 2022, it maintained a relatively consistent track record of outperforming the benchmark. Since its inception in 1989, the strategy has delivered annualised outperformance of 1.9% as of September 2024. Notably, the current portfolio management team has yet to establish a meaningful track record in formally overseeing the strategy.

#### Growth of \$10,000 Over 7 Years



#### Returns Consistency



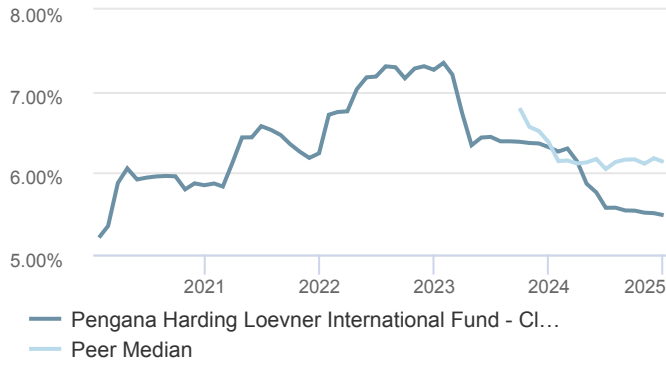
Performance data is as at 31 December 2024

Performance (continued) ●●●

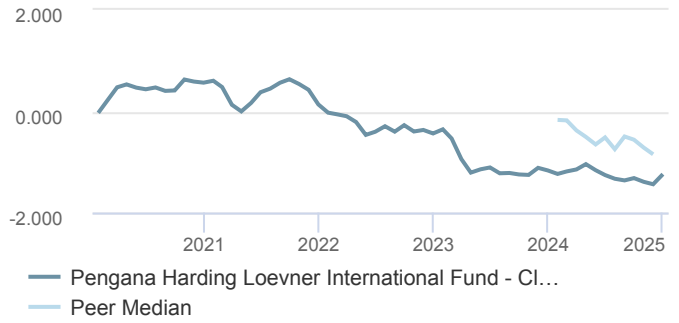
**Benchmark Relativity**

Despite strict portfolio risk guidelines, the Fund maintains a reasonable level of activeness, with an active share of approximately 80%. While tracking error is not a formal target, it stood at 6.1% p.a. over the five years to December 2024, slightly below the peer median. Additionally, its Information Ratio trailed peers over the medium to long term, suggesting less efficient active risk-taking.

3 Year Rolling Tracking Error Over 5 Years



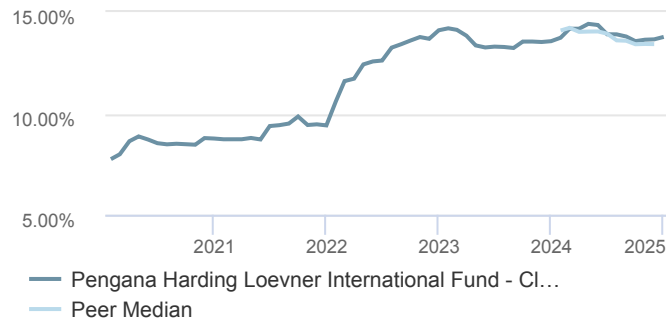
3 Year Rolling Information Ratio Over 5 Years



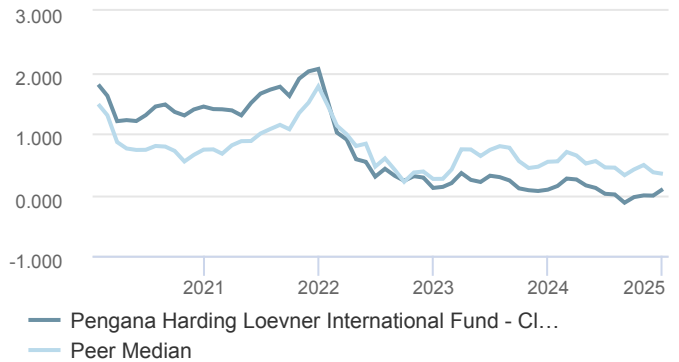
**Return Volatility**

Historically, the underlying strategy has delivered returns with lower volatility than the benchmark. However, this trend has recently shifted, with its volatility at 12.6% p.a. exceeding the benchmark's 11.2% p.a. over the five years to December 2024. Over the same period, the Fund's Sharpe Ratio trailed peers, indicating weaker risk-adjusted performance.

3 Year Rolling Standard Deviation Over 5 Years



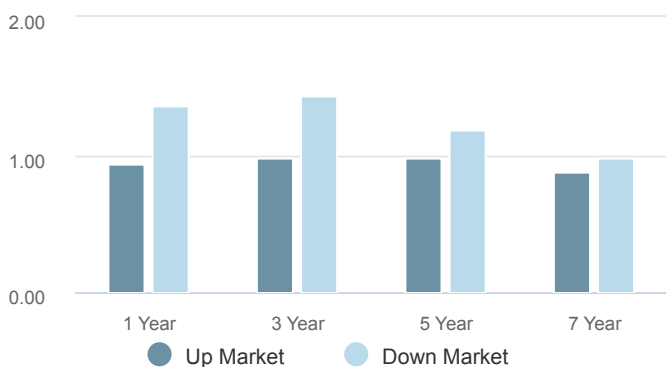
3 Year Rolling Sharpe Over 5 Years



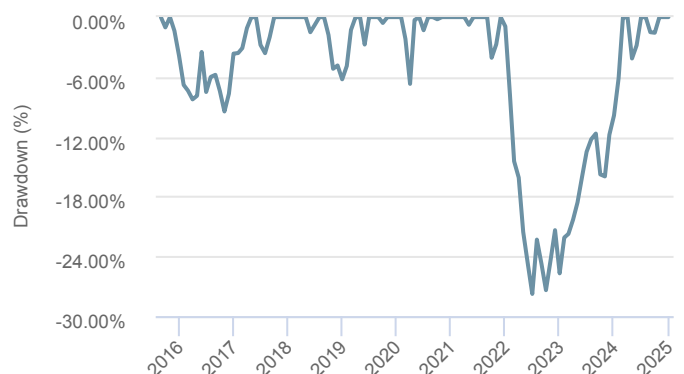
**Product Defensiveness**

Although the underlying strategy has shown decent defensiveness historically, its track record was impacted by a 27.8% drawdown in 2022. This was larger than the peer median, as 'quality/growth' posed a notable headwind, combined with weaker stock selection. Positively, the Fund has generally displayed defensive qualities, outperforming since inception in approximately 90% of down markets to September 2024.

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

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### 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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### 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.

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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.

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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 1 August 2024.