



Pengana WHEB Sustainable Impact Fund

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Data is provided by the manager at 31 Jul 2023, and currency in AUD, unless otherwise stated

Refer to glossary for definition of the rating

Product Review

About this Product

Investment manager	WHEB Asset Management LLP
Benchmark	MSCI World NR Index AUD
Product structure	Managed Fund
Product size	\$277.0m
Inception date	Oct 2007
Asset class	Global Equities
Sector	Global Large Cap
Peer group	Fundamental Thematic
Rated peers	34

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	\$9.0bn
ESG Approach	Minimum Standards
Peer Relative Fees and Costs	In line with median

Annual Fees and Costs (% p.a.)

Management fees & costs	1.35
Performance fee costs	0.00
Net Transaction Costs	0.00
Buy/Sell Spread	0.25/0.25
Annual fees and costs	1.35

Source: FE fundinfo

Strengths

- The team has a long investment track record and exhibits a strong philosophical commitment to ESG investing.
- Superior level of transparency and accountability governing the investment stewardship of the fund.
- The strategy demonstrates a diverse approach that is tailored appropriately to the Manager's ESG focus.

Weaknesses

- Resourcing is being progressively addressed, though is still modest given the specialised investment universe.
- Performance has been disappointing relative to peers and the benchmark over multiple periods.
- The Fund's sustainability approach may translate to a less diversified portfolio relative to some peers.

Product Opinion

The Fund's rating has been maintained as **'Recommended'**. The team exhibits a strong philosophical commitment to ESG investing with high levels of transparency and accountability. However, weighing on conviction is light team resourcing, particularly given the specialised investment universe, and the valuation discipline is less rigorous relative to peers. While the Manager's efforts in addressing these aspects are acknowledged, the collective strength of the Fundamental Thematic sub-sector peer group has increased. Weaker relative performance over the medium term also weighs on conviction.

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 achieve capital growth over the medium to long-term
Internal return objective	To outperform the Benchmark by 3% p.a. over rolling three-year periods (before fees)
Internal risk objective	Maintain tracking error 4-7%
Non-financial objective	To invest in impactful companies which produce goods and services that solve sustainability challenges

Asset Allocation (%)

Australian Equities	3.2
International Equities	96.5
Cash	0.3
Total	100.00

Source: FE fundinfo

Rating History

28-Apr-2023	Recommended
12-Apr-2022	Highly Recommended
21-Apr-2021	Highly Recommended

Performance Analysis - annualised after fees at 31/10/2023

	1 Year	Median	2 Year	Median	3 Year	Median	5 Year	Median
Performance (% p.a)	-2.98	7.41	-11.33	-3.42	-0.71	5.49	4.43	9.14
Standard deviation	15.89	12.27	18.03	14.99	16.60	13.35	15.88	12.08
Excess return (% p.a)	-14.56	-4.31	-14.69	-7.35	-12.65	-4.67	-6.30	-0.78
Outperformance ratio (% p.a)	16.67	41.67	20.83	37.50	25.00	37.50	36.67	46.67
Worst drawdown (%)	-14.47	-8.02	-26.43	-23.17	-26.58	-21.80	-26.58	-22.30
Time to recovery (mths)	NR	NR	NR	-	NR	-	NR	NR
Sharpe ratio	-0.42	0.38	-0.75	-0.42	-0.13	0.31	0.20	0.67
Information ratio	-1.54	-0.76	-1.56	-1.12	-1.55	-1.04	-0.79	-0.12
Tracking error (% p.a)	9.45	5.38	9.44	6.33	8.17	5.85	7.93	7.93

Lonsec Peer Group: Global Equities - Global Large Cap - Fundamental Thematic

Product Benchmark: MSCI World NR Index AUD

Cash Benchmark: Bloomberg AusBond Bank Bill Index AUD

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

Product Distribution Profile

Frequency	Annual
Last Missed Distribution	None
AMIT Election	Yes
TOFA Election	Yes

Top 10 Holdings (as at 31/07/2023)

	Weight (%)
ICON PLC	3.440
LINDE PUBLIC LIMITED COMPANY	3.370
STERIS PLC	3.270
POWER INTEGRATIONS INC	3.260
CSL LTD	3.210
ADVANCED DRAINAGE SYSTEMS, INC.	3.140
ANSYS INC	3.140
TRANE TECHNOLOGIES PLC	3.130
TE CONNECTIVITY LTD.	3.100
AUTODESK INC	3.100

Source: FE fundinfo

Target Market Determination

Produced by issuer	Yes
Provided to Lonsec	Yes

Business



Facts

Investment Manager	WHEB Asset Management LLP
Ultimate Parent Company	WHEB LLP
Headquarters	London, UK
% Staff Ownership	20-50%
Inception Date	Nov 2008

Governance

Independent chair	Yes
CEO as Chair	No
Separate Audit Committee	No

Who is the Manager?

WHEB Asset Management LLP ('WHEB') is an ESG investment specialist, focusing on the opportunities arising from the shift towards more sustainable economies. Founded in 2009, it is privately managed with three partners and a former Chairman holding a combined 45% equity stake. A wider group of the team hold a 4% stake, while the remaining equity is allocated to an external investor, WHEB Group. As of 30 September 2023, WHEB managed approximately \$2.3bn in assets. Pengana Capital Limited ('Pengana') is the Responsible Entity (RE) for the Fund and manages distribution in Australia. It is a wholly owned subsidiary of Pengana Capital Group Limited (ASX: PCG).

Lonsec Opinion

Profitability

Since being founded, business profitability has been rising steadily following an initial phase of slow growth in assets under management ('AUM'). WHEB turned profitable in May 2018 and has since experienced continuous growth. As of 30 September 2023, the firm managed over \$2.3bn in assets. This progress is encouraging and will be a key area of focus in future review meetings.

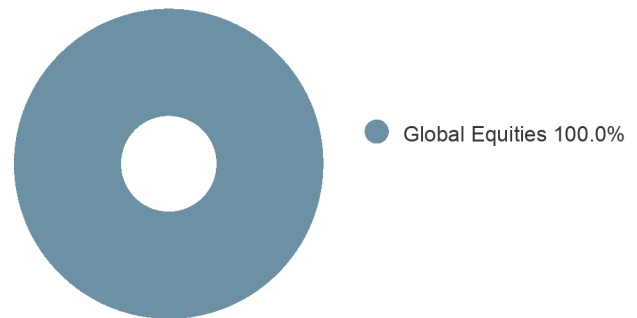
Business Track record

Whilst maintaining its commitment to 'impact' investing, the business has successfully expanded its AUM through various distribution channels. This growth has been driven by investor interest, especially in the European markets.

Metrics

Investment Management Headcount	20
Investment Professionals	9
Sales & Service	0
Distributor	Pengana Capital Limited
Total AUM	\$2.3bn

AUM



Business Ownership

The company exhibits a strong 'boutique' culture, emphasised by three key investment personnel and former chair holding 45% of equity. As the firm is consistently profitable at current AUM, the business is well-capitalised.

Business Governance

WHEB Asset Management LLP is structured as a partnership and not as a company. Business governance is in line with many 'boutique' peers, with the firm having no regulatory findings in recent history. The firm has a reasonable governance framework.

Team



Key Decision Makers (KDM)

	Primary function	Dedicated to strategy	Appointed to strategy	Industry/Mgr exp. (yrs)	Exp. in PM roles (yrs)
Seb Beloe	Research	Yes	2008	25/12	12
Ted Franks	Portfolio management	Yes	2009	22/15	15
Ty Lee	Portfolio management	Yes	2011	12/9	9
Victoria MacLean	Portfolio management	Yes	2021	13/3	13
Claire Jervis	Portfolio management	Yes	2023	3/1	1

KDM Change*

	Function	Change	Type	Tenure (yrs)	Date of change
Victoria MacLean	Portfolio management	Joined	New	3	2021
Claire Jervis	Portfolio management	Joined	New	1	2023

* Last 3 years

Profile

Size	10
Structure	Centralised
Turnover	Low

Alignment

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

Resources

	Number	Average Years Experience
Key decision makers	5	4.8
Portfolio Managers		
Hybrid portfolio manager/analysts		
Dedicated analysts		
Dedicated dealers		
Quantitative	1	18
ESG/Sustainability	4	4
Macro		
Investment Specialists		

Who is the Team?

A ten-person investment team is responsible for WHEB's thematic and company research process. Ted Franks, founder of the firm and the lead portfolio manager of the Fund, is fully accountable for stock research, selection and fund positioning. Seb Beloe, Partner and Head of Research, is responsible for the integration of sustainability analysis within the investment process and the firm's engagement activities. The rest of the investment team consists of Associate Fund Managers Ty Lee, Victoria MacLean and Claire Jervis, and Senior Analyst Ben Kluffinger. In addition to providing company research, they assist Franks in the management of the Fund. The Impact Research Team was formed in 2022 and supports the investment team in ESG research. An advisory committee (made up by external industry experts) meets quarterly to consider positioning and discuss sustainability trends and developments. George Latham, Managing Partner and CRO, oversees the investment process, chairs the Investment and Risk Committee and leads business development. Importantly, he is 'external' to the investment team and is not involved in stock research and portfolio construction.



Lonsec Opinion

Skill

The senior members of the investment team (i.e. Franks and Beloe) exhibit valuable expertise and a passionate approach to ESG investing, and both contribute significantly to the team's success. Latham is considered influential in the overall positioning and management of the Fund. His deep experience in responsible investing and the application of this investment process is highly regarded. Both Lee and MacLean are seen as capable investors. Jervis is in her inaugural portfolio management role, and her integration into the team and contribution to the process will continue to be monitored. The Advisory Committee's contribution to the investment process is viewed positively, and it serves as further evidence of WHEB's commitment to maintaining the ESG integrity of the investment approach.

Team Size

The stock research effort is carried out by a team of seven investors. Given the demands of the investment process, this relatively small team has a high workload, especially when compared to the wider global equity peer group. They also bear a significant impact reporting burden. The three-person Impact Research team, formed in 2022, is seen as a positive development in alleviating some of this workload. The effectiveness of this team in reducing the analysts' impact reporting burden will be assessed in future reviews.

Track Record/Co-Tenure

Latham, Franks, and Beloe have been a team at WHEB for eleven years. This longstanding stability among the firm's senior leadership is reassuring. They have shown a strong commitment to the ESG investment philosophy and have successfully instilled this culture among the less experienced members of the Investment and Impact Research teams.

Alignment

The alignment of interest is deemed to be reasonably high with Latham, Beloe, and Franks, along with Geoff Hall (former Chair of WHEB) and Jayne Sutcliffe (current Chair of WHEB). They collectively own 40% of the business and have a significant co-investment in the strategy. These individuals do not have a typical long-term incentive structure tied to predefined performance outcomes of the Fund. Instead, their equity ownership serves as their sole form of variable remuneration. The largely performance-driven remuneration structure for the investment team is considered to create a reasonable alignment of interest.

Key Person Risk

As a small team within a boutique operation, the Manager is more vulnerable to the impact of a key departure compared to teams with more resources. The Manager has implemented measures to mitigate key person risk, including expanding the investment team and appointing associate portfolio managers. However, the risk remains relatively high and is primarily concentrated around Latham, Franks and Beloe. These individuals have a significant stake in the firm due to their equity holdings which mitigates the risk. However, should one of them depart, the Fund's rating would be subject to review.

Process



What is the Investment Process?

The investment philosophy is built around the principles of ‘sustainability’, ‘growth’, ‘quality’ and ‘valuation’. Nine sustainable investment themes are targeted: five environmental (cleaner energy, environmental services, resource efficiency, sustainable transport, and water management) and four social (education, health, safety, and well-being) with an aim to invest in companies that derive at least 50% of their revenue or profits from these themes (portfolio exposure has averaged over 80%). Analysts determine a fundamental score for each company, as well as its ‘Impact Engine’, a proprietary measure of the impact ‘intensity’ of a company’s goods and services. Companies must receive positive evaluations on both aspects to be considered for investment. The fundamental score assesses a company’s business strength, quality (both sustainable and financial), and market position, and is combined with a three to seven-year valuation (analysts have the discretion to select the valuation metrics they deem most suitable for each investment case). Fundamental company scores and relative attractiveness of each stock lead to a conviction score (A or B), which influences position sizing.

Lonsec Opinion & Supporting Facts

Philosophy and Universe

Investment Type	Fundamental
Investment Approach	Bottom-up
Investment Style	GARP
Typical market cap	Small/Mid
Minimum market cap	US\$2bn
Available Universe	Listed global equities in developed markets

The Manager demonstrates a strong commitment to sustainable investing, reflected in a well-defined investment process. The sustainability themes are diverse and investable, allowing exposure to a wide array of companies and sectors through the sustainability lens. Despite the themes remaining constant throughout the strategy’s lifespan, the Manager has shown adaptability by incorporating recent sustainability developments, reflective of an understanding of the sector’s continuous evolution. The Manager’s transparency in limiting investments to companies that derive a majority of their revenue or profits from the themes is seen as a crucial credibility test of the investment process and is a notable consideration for investors.

Research Process

Key screens	Companies which meet WHEB’s definition of providing a solution to a sustainability challenge, with market cap >US\$2bn
Screened universe	Approx. 450
Idea generation	Analyst research, quantitative screens
Stocks researched	250
Annual manager meetings	100
Key research inputs	Thematic research, Fundamental company research
Primary valuation approach	Various

The research approach is team-based and non-hierarchical and covers a reasonable breadth of stocks. To mitigate any biases, the team appoints a separate analyst for further research after initial approval and rotates stock research ownership among analysts every two years. Despite increasing the workload for a small team, this approach maintains the effectiveness of research discipline and fosters team debate.

The team regularly conducts thematic research to identify ideas. Recently, the Manager has shifted to explore thematic research on an ad-hoc basis within a cluster of stocks. This approach is considered a distinguishing feature of the process, aiding in idea generation, and enabling the Manager to identify sustainability trends earlier.

The Manager’s approach is research-intensive and proprietary. While external research can be accessed to supplement and test internal conclusions, the specialised nature of the philosophy and process relies heavily on the skill and expertise of its personnel. This also underscores the importance of the ability to capture its proprietary research on suitable systems. It is believed that the Manager has structures in place to manage this risk.

Process (continued)



Portfolio Construction

Portfolio management structure	Team-based
Approach to benchmark	Benchmark agnostic
Typical security numbers	50
Typical securities range	40-60
Typical portfolio turnover p.a.	20
Typical active share	>95%

Like many responsible investing peers, the philosophy naturally leads to structural portfolio biases, such as underweighting (or excluding) sectors like financials and energy, while overweighting others like healthcare and industrials. A reasonable correlation is observed between the team's stock research rankings, conviction scores and the portfolio construction process, which is believed to foster consistent outcomes.

Stocks are sold when there is a change in the fundamental view, such as a significant shift in management or ESG assessment or when valuation becomes unattractive. The combination of a longer-term investment view, intensive research focusing on wider impact and sustainability, and flexible valuation could lead to lenient sell discipline and as such will be monitored.

Capacity Management

Capacity guidance	Approx. \$12bn (US\$8bn)
Strategy AUM	\$2.3bn
Portfolio liquidity (1 week)	100.00%
Substantial holdings by manager	None
Strategy previously closed	No

As of 30 September 2023, the Manager oversaw approximately \$2.3bn. The estimated capacity for WHEB's sustainable impact strategy is tentatively set at US\$8bn (approx. \$12bn). Further analysis is planned once the strategy reaches US\$3bn, indicating ample room for growth at this stage. The conservative capacity target is appreciated, considering the Fund's small to mid-cap bias, which should help maintain its appeal and longevity. Market support for WHEB's strategy, AUM and capacity management will continue to be monitored in future reviews.

Investment Risk Management

Monitoring external to investment team	Yes
Frequency of monitoring	Daily
Primary risk management system	Cymba Athena (provided by Factset)
Security Limits (Min./Max.)	Hard Limit: 0-5%, Absolute
Sector Limits (Min./Max.)	Unconstrained
Country Limits (Min./Max.)	Soft Limit: -3%, +3% Benchmark Relative
Non-index Allocation (Typical, Max.)	0%, 0%
Cash Allocation (Typical, Max.)	0%, 5%

Risk management is a central focus of the Manager's process and rigorously applied. The investment team manages portfolio risks daily, ensuring the Fund is positioned within mandated constraints and operational compliance procedures. The Manager follows a benchmark-unaware approach, with most of the portfolio comprising off-benchmark names. An independent Investment and Risk Committee oversees the investment team and monitors overall portfolio risk. The Committee meets monthly to discuss factors including tracking error, portfolio volatility, scenario analysis, concentration risk, liquidity risk, valuation risk, leverage, growth and ESG risk.

ESG



Manager Positioning

Responsible investment style	Impact
ESG approach	Minimum Standards
Sustainability thematic	General Sustainability or Impact
Non-financial objective	To invest in impactful companies which produce goods and services that solve sustainability challenges

Sustainability Score



Refer to current quarterly Sustainability Report

What is the Manager's ESG approach?

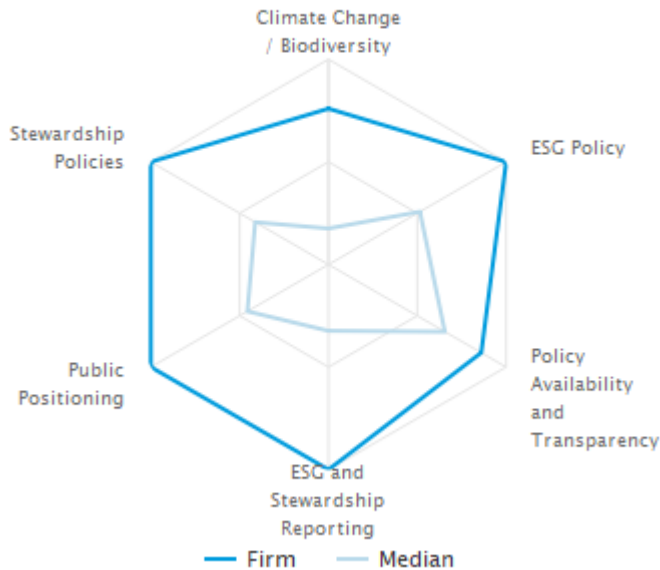
The Manager has indicated that their Responsible Investment style is 'Impact'. This ESG review is not a measure of the impact of either the companies in the portfolio or the portfolio itself but is an assessment of the process the Manager undertakes to assess the degree to which ESG factors are considered when assessing investment opportunities. With a primary ESG style of 'Minimum Standards', the Manager typically use ESG scores (internal proprietary or external provider) to determine a hard threshold below which they would not invest in a company. Investors need to be comfortable with this threshold.

Lonsec Opinion & Supporting Facts

Overview

ESG Process Score	High
Responsible Investment strategy risk: Clarity, measurability & reporting	Low

ESG Snapshot



Product Level Approach

The Manager has an appropriately structured approach to the collection and use of ESG-specific data given the Manager's size and investment approach. There are clear signs of robust ESG elements as a component of the Manager's research process with ESG materiality frameworks applied as part of the research effort. Transparency on the transmission from research to portfolio construction is limited. Portfolio monitoring is robust with the Manager monitoring the overall ESG risk in the portfolio. Risk levels are also targeted to achieve an overall portfolio outcome. Engagement is a clear component of the Manager's approach driven by a materiality framework with centralised storage and tracking.

Strategy: Clarity, Measurability & Reporting

The name of the product and its underlying strategy are clearly aligned. The PDS provides a high level of clarity and measurability of the product's non-financial objectives. The Manager's regular reporting provides strong support that the product is managed to align with its non-financial objectives. Compliance frameworks are appropriate. There is a very high level of alignment between the Manager's mission/purpose and the objectives for this product. On balance this provides a high degree of clarity, measurability and reporting of its non-financial objectives and the risk of misalignment is low.

Manager Level Approach

The Manager's overall ESG policy framework and disclosure are well-ahead of peers. The Manager has updated its policies and pleasingly provides significant information on voting intentions across ESG factors. The level of disclosure concerning the Manager's proxy voting policy and voting outcomes is considered industry leading. The Manager also has a clear commitment to net zero carbon emissions across both portfolio emissions and operational emissions.

Product



Service Providers

Responsible entity	Pengana Capital Limited
Investment manager	WHEB Asset Management LLP
Custodian	BNP Paribas
Administrator	BNP Paribas
Fund Auditor	Ernst & Young
Change in Key Providers? (Over last 12 months)	Yes

Product Details

Product size	\$277.0m
Fund 12-month net flows	Negative
Distribution model	Internal
Buy/sell spreads	0.25% / 0.25%
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 an Australian-based unit trust that employs a 'long only', benchmark-unaware global equity strategy. It actively invests in companies across the market cap spectrum that are addressing global sustainability challenges.

Lonsec Opinion

Service Providers

The Fund operates with an independent Responsible Entity ('RE'). This RE relationship has been stable since the Fund's inception, with no issues reported. Furthermore, the Manager engages with high-quality 'tier 1' service providers.

Operational 'Red Flags'

The Fund is a straightforward global equity strategy, primarily targeting developed markets. It is not considered operationally challenging to implement. However, it also actively invests in small to mid-cap stocks (down to a hard limit market cap of US \$2bn). This approach may occasionally present operational and liquidity challenges during market dislocations due to the Fund's daily liquid nature.

Wind-up Risks

The Fund, with \$277m in AUM, has maintained steady inflows in the current market conditions. Its distribution is supported by Pengana Capital. Thus, there is minimal risk of the Fund winding up.

Fees

Annual Fees and Costs (% p.a.)

Management fees & costs	1.35
Performance fee costs	0.00
Net Transaction Costs	0.00
Buy/Sell Spread	0.25/0.25
Annual fees and costs	1.35

Source: FE fundinfo

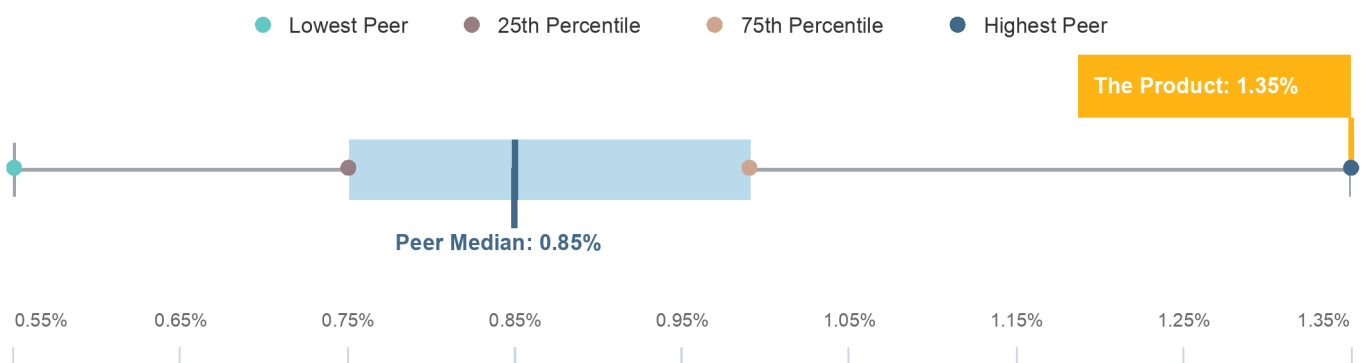
Performance Fees

Applicable	No
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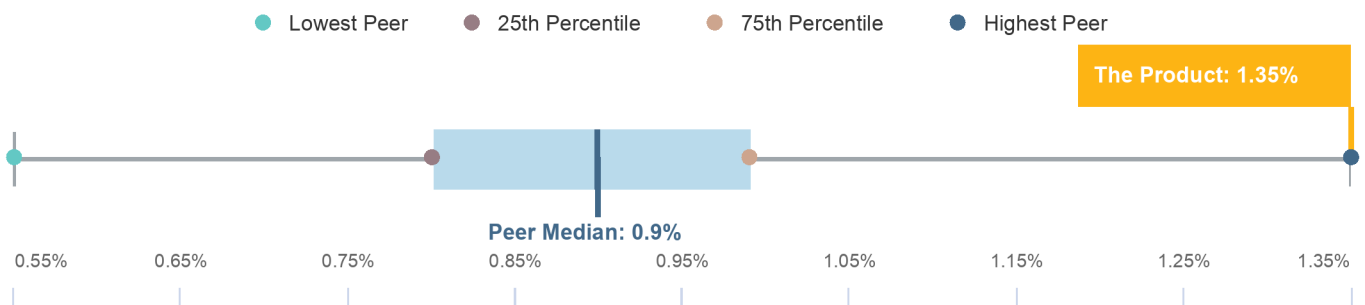
Fees Explained

The Fund charges Annual Fees and Costs ('AFC') totalling 1.35% p.a., being management fees and costs of 1.35% p.a.

Management Fees and Costs Peer Comparison (31/07/2023)



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



Peer Universe: Global Equities - Global Large Cap - Fundamental Thematic

Lonsec Opinion

Annual Fees and Costs

It is highlighted that the Fund's AFC of 1.35% p.a. is substantially higher than peers.

Fairness

Given the absence of a performance fee, total fees and costs are capped which provides certainty to investors. While the AFC is much higher than peers, the Fund's more active investment approach needs to be considered.

Performance data is as at 31 October 2023

Performance

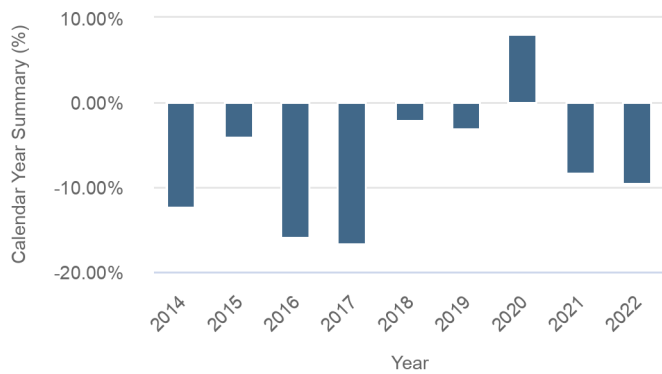
Performance Summary

PDS return objective	To achieve capital growth over the medium to long-term, by investing in impactful companies which produce goods and services that solve sustainability challenges
Internal return objective	To outperform the Benchmark by 3% p.a. over rolling three-year periods (before fees)
Internal risk objective	Expected tracking error 4-7%
Product benchmark	MSCI World NR Index AUD
Lonsec peer group	Fundamental Thematic

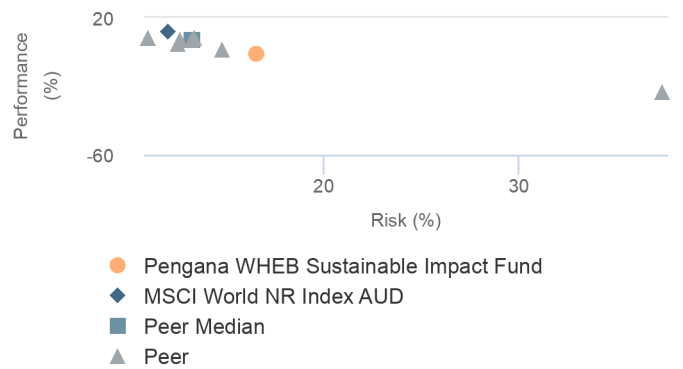
Alpha Generation

Over the three and five years to 31 October 2023, the Fund generated returns of -0.7% p.a. and 4.4% p.a., respectively. These returns translated to benchmark underperformance of 12.7% p.a. and 6.3% p.a., respectively. The Fund also underperformed the thematic peer median by 6.2% p.a. and 4.7% p.a., respectively, over the same periods. The Fund has not achieved its performance objective.

Calendar Year Excess Return



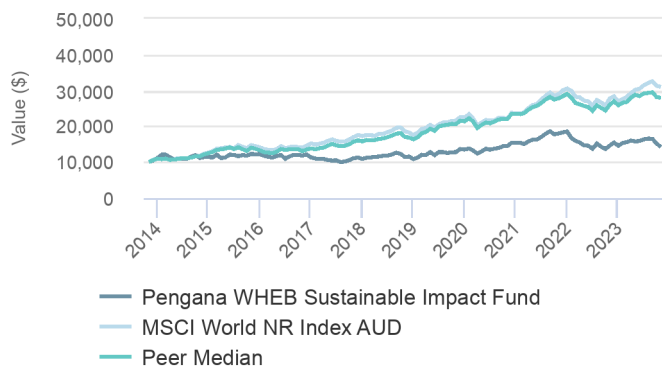
3 Year Risk and Return



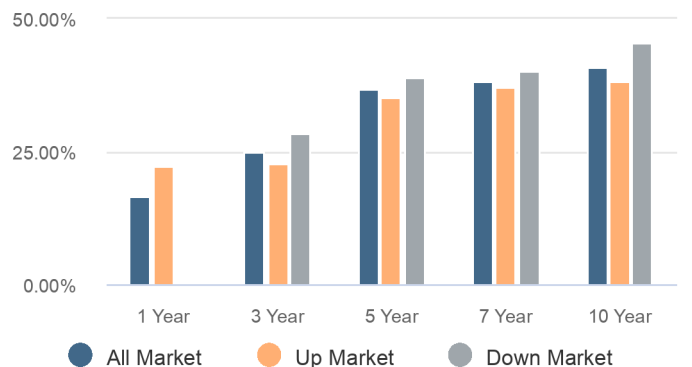
Alpha Consistency

Since its inception in 2017, the Fund has demonstrated inconsistent performance. It has surpassed the benchmark in 43.1% of up-market months and in 40.8% of down-market months. A higher consistency score signifies that the investment reliably yields greater excess returns.

Growth of \$10,000 Over 10 Years



Returns Consistency



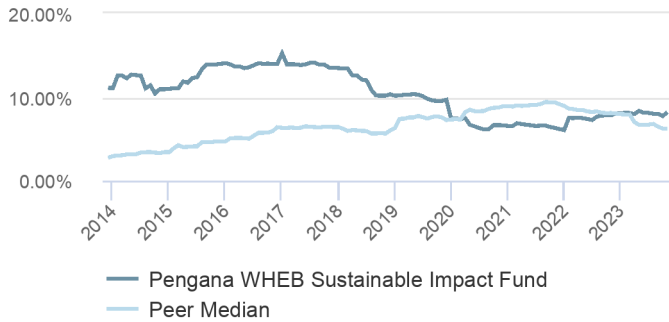
Performance data is as at 31 October 2023

Performance (continued)

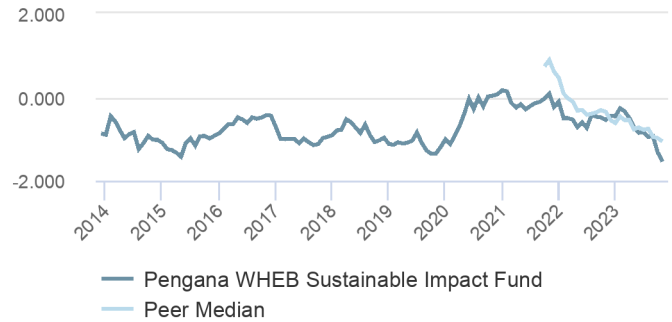
Benchmark Relativity

Expectedly, due to the Fund's divergence from the benchmark, active share for the Fund is high, typically above 95%. This level of activeness is also exhibited through the Fund's high tracking error, which tends to sit in a range of 8-10%, whereas the peer median is typically in a 4-7% range. The Fund's poor return profile has led to an information ratio that is negative and which trails peers.

3 Year Rolling Tracking Error Over 10 Years



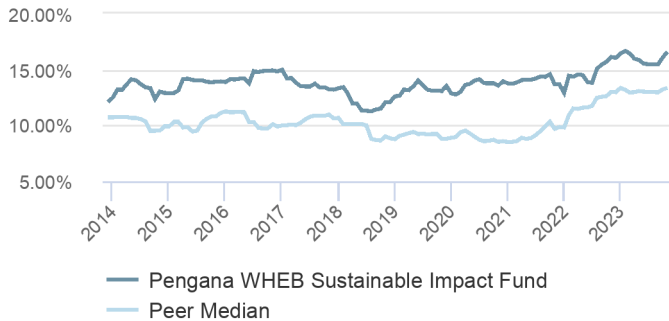
3 Year Rolling Information Ratio Over 10 Years



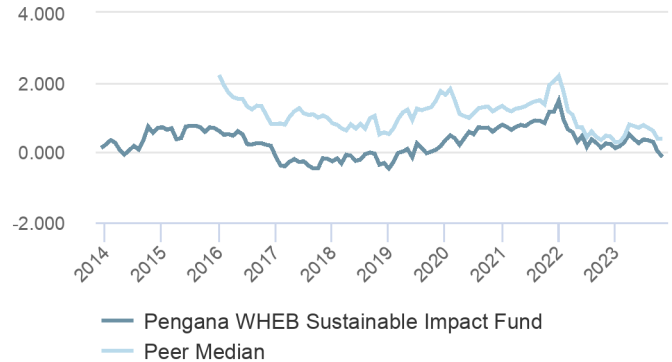
Return Volatility

The Fund's volatility is notably high compared to its peers and exceeds that of the benchmark. Over three years, the Fund's volatility (as measured by Standard Deviation) was 16.6% against the benchmark's 11.8% and peer median 13.4%. This level of volatility is anticipated due to the thematic investment approach and benchmark agnosticism.

3 Year Rolling Standard Deviation Over 10 Years



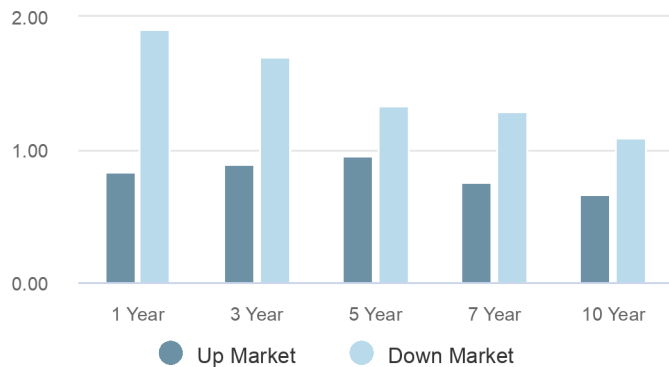
3 Year Rolling Sharpe Over 10 Years



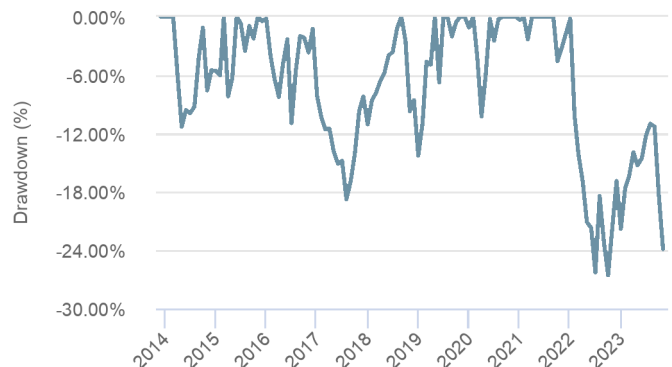
Product Defensiveness

The defensiveness of the Fund also aligns with the investment strategy; its largest drawdown over three years (-26.6%) is worse than that of the benchmark and peer group. Disappointingly for investors, the Fund has not yet recovered from this drawdown.

Market Capture Ratio



Drawdowns



Ratings

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

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

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

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

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

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

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

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

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

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

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

General

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

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

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

Excess return: Return in excess of the benchmark return.

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

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

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

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

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

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

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

Standard deviation: Volatility of monthly Absolute Returns.

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

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

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

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

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

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Lonsec Research FSG

Financial Services Guide

Lonsec Research

9 June 2023

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

1.1 What is a Financial Services Guide?

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

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

1.2 About Lonsec Research and its related parties

Lonsec Research provides in-depth, investigative investment research across a broad range of listed and unlisted investments. Lonsec Research is a wholly owned subsidiary of Lonsec Holdings Pty Ltd (ABN 41 151 235 406) (Lonsec Holdings). Other subsidiaries of Lonsec Holdings include SuperRatings Pty Ltd (ABN 95 100 192 283), Implemented Portfolios Pty Limited (ABN 36 141 881 147) and Lonsec Investment Solutions Pty Ltd (ABN 95 608 837 583). All employees of the Lonsec group entities, including Lonsec Research, are employed by Lonsec Fiscal Pty Ltd (ABN 94 151 658 534).

Contact Details

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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 of 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

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Lonsec Research FSG (continued)

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1.6 How do we manage our compensation arrangements?

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

1.7 What should you do if you have a complaint?

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

Complaints Manager

Level 39, 25 Martin Place
Sydney NSW 2000

Tel: 1300 826 395

Email: complaints@lonsec.com.au

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

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