

Tyndall Australian Share Income Fund

TYN0038AU Author: Sam Sneddon Published: 22 Nov 2024

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

Refer to glossary for definition of the rating

Product Review

About this Product

Investment manager	Yarra Capital Management Limited
Benchmark	S&P/ASX 200 TR Index AUD
Product structure	Managed Fund
Product size	\$158.00m
Inception date	Nov 2008
Asset class	Australian Equities
Sector	Australian Large Cap
Peer group	Income Dividend Focused
Rated peers	16

Product Characteristics

Business Life Cycle	Mature
Product Wind-Up Risk	Medium
Key Person Risk	Low
Tenure of Decision Makers	High
Complex (RG240)	No
Strategy Remaining Capacity	\$10.00b (AEQ Strategy Aggregate)
ESG Approach	Risk or Value
Peer Relative Fees and Costs	In line with median

Annual Fees and Costs (% p.a.)

Management fees & costs	0.85
Performance fee costs	0.00
Net Transaction Costs	0.05
Buy/Sell Spread	0.20/0.20

Annual fees and costs 0.90

Source: FE fundinfo, PDS Date: 01/Dec/2023

Strengths

- The Manager has a disciplined, logical, and time-tested investment process, which is implemented by a highly experienced co-portfolio management team with substantial co-tenure.
- The investment culture of the team is considered to be cohesive and highly collegiate.
- The Fund has a track record in meeting its after-tax income objectives.

Weaknesses

- With the tendency to 'let winners run', the Manager's sell discipline is less consistently driven by a stock's valuation compared to other value style managers.
- While the Fund has a track record of delivering on its after-tax income objective, Benchmark relative performance outcomes have been disappointing over the long-term.

Product Opinion

The Fund's rating of Recommended has been maintained following its most recent review. Tyndall's experienced investment team underpins the rating, along with its longstanding disciplined and logical investment process. That said, the Team's flexible relative valuation methodology has the potential to challenge its sell discipline. The Team has exhibited the ability to meet its after-tax income objectives, however, it is highlighted that Benchmark relative performance over the medium to long term has been disappointing.

Lonsec Rating Model

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

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

Allocation Profile

Core		
Satellite		
	Low Complexity	High Complexity

Return Profile

Income		
Capital		
	Defensive	Growth

Key Facts

Key Objectives

Investment objective	The Fund aims to provide a tax-effective income stream that exceeds the dividend yield of the S&P/ASX 200 Accumulation Index (grossed up for franking credits) by 2% p.a. over rolling five-year periods, before fees, expenses and tax, plus the potential for capital growth over the long-term.
Internal return objective	As per PDS objective.
Internal risk objective	Tracking error is monitored, but not explicitly targeted.
Non-financial objective	None

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

Australian Equities	96.39
Cash	3.61
Total	100.00

Source: FE fundinfo

Rating History

13-Oct-2023	Recommended
12-Oct-2022	Recommended
11-Oct-2021	Recommended

Product Distribution Profile

Frequency	Quarterly
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 30/06/2024)

	Weight (%)
AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED	7.740
WESTPAC BANKING CORPORATION	7.610
BHP BILLITON LIMITED	7.540
CSL LIMITED	5.430
RIO TINTO LIMITED	5.420
TELSTRA CORPORATION LIMITED	5.290
NATIONAL AUSTRALIA BANK LIMITED	4.070
QBE INSURANCE GROUP LTD	3.420
WOODSIDE ENERGY GROUP	3.350
WOOLWORTHS GROUP LIMITED ORDINARY FULLY PAID	2.750

Source: FE fundinfo

Target Market Determination

Produced by issuer	Yes
Provided to Lonsec	Yes

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

	1 Year	Median	2 Year	Median	3 Year	Median	5 Year	Median
Performance (% p.a)	6.81	8.80	9.00	9.79	5.66	5.49	5.67	5.67
Standard deviation	10.32	10.86	11.15	12.16	11.18	12.47	17.32	16.17
Excess return (% p.a)	-5.30	-3.31	-4.43	-3.64	-0.71	-1.15	-1.60	-1.60
Outperformance ratio (% p.a)	41.67	41.67	45.83	45.83	50.00	47.22	45.00	46.67
Worst drawdown (%)	-7.06	-7.15	-7.06	-7.39	-9.76	-11.50	-31.30	-27.93
Time to recovery (mths)	2	-	2	-	2	-	13	14
Sharpe ratio	0.24	0.47	0.48	0.50	0.29	0.26	0.23	0.26
Information ratio	-1.57	-0.79	-1.32	-0.85	-0.15	-0.25	-0.31	-0.36
Tracking error (% p.a)	3.37	3.43	3.36	3.52	4.61	4.56	5.07	4.21

Lonsec Peer Group: Australian Equities - Australian Large Cap - Income Dividend Focused

Product Benchmark: S&P/ASX 200 TR Index AUD

Cash Benchmark: Bloomberg AusBond Bank Bill Index AUD

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

Business data is as at 31 December 2023

Business

Facts

Investment Manager	Yarra Capital Management Limited
Ultimate Parent Company	Staff
Headquarters	Melbourne
Inception Date	Sep 1987
% Staff Ownership	20-50%

Governance

% Independent board members	38
% Female board members	38
Independent chair	No
CEO as Chair	No
Separate Audit Committee	Yes

Who is the Manager?

Tyndall Asset Management ('Tyndall' or 'the Manager') operates as a 50/50 joint venture between Yarra Capital Management Group ('Yarra') and Tyndall's investment team. In April 2021, Yarra acquired the Nikko AM Australia business, which included Tyndall. Yarra is a privately owned and established funds management firm based in Melbourne. As of June 2024, the combined assets under management ('FUM') of the expanded group totalled approximately \$21bn, with Tyndall Asset Management overseeing \$7bn in Australian equities. Tyndall Asset Management serves as the brand name for the investment team within the Yarra Group that manages the Fund.

Lonsec Opinion

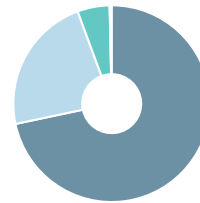
Profitability

The firm is well-capitalised and profitable. Earnings quality is aided by the diversified nature of its FUM, with reasonable representation across distribution channels and a range of Australian equity strategies.

Business Track record

The firm has a strong history of delivering asset growth and broadening its product range through the introduction of various Australian equity strategies. While it has experienced sustained outflows in recent years, the firm remains well diversified.

AUM



- Australian Equities 71.7%
- Australian Fixed Interest 22.7%
- Global Equities 5.3%
- Other 0.3%

Metrics

Total AUM	\$20.9bn
Investment Management Headcount	82
Investment Professionals	39
Sales & Service	9
Distributor	Self

Business Ownership

The Manager has a strong investment culture, aided by 50% of the firm being held by investment staff. This fosters strong alignment with the business's success and maintains the integrity of the investment culture. Yarra Capital Management, which owns the remaining portion of the business, is supportive of the Tyndall business.

Business Governance

Business governance aligns with industry peers, and the firm has not encountered any regulatory issues in recent history. Notably, the board is well-structured, with independent directors present, though a majority of independent members, including the chair, is preferred.

Team



Key Decision Makers (KDM)

	Primary function	Dedicated to strategy	Appointed to strategy	Industry/Mgr exp. (yrs)	Exp. in PM roles (yrs)
Jason Kim	Portfolio management	No	2022	31/23	20
Michael Maughan	Portfolio management	Yes	2013	25/16	11

KDM Change*

	Function	Change	Type	Tenure (yrs)	Date of change
Malcolm Whitten	Portfolio Manager	Departed	Exit	28	Jan 2023

* Last 3 years

Profile

Size	12
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	No

Resources

	Number	Average Years Experience
Key decision makers	2	28.5
Portfolio Managers		
Hybrid portfolio manager/analysts	3	23
Dedicated analysts	6	13
Dedicated dealers	1	5
Quantitative		
ESG/Sustainability		
Macro		
Investment Specialists		

Who is the Team?

The Tyndall Australian Equities team numbers twelve investment professionals and is led by Head of Australian Equities Brad Potter. Potter is supported by Tim Johnston as Deputy Head of Australian Equities, both of which have research responsibilities in addition to their leadership roles. The Fund is co-managed by Portfolio Manager's Jason Kim and Michael Maughan. In addition to the aforementioned investors, Kim and Maughan are supported by the broader team consisting of a portfolio manager/analyst, six investment analysts and a dealer. Portfolio decision making is generally collegiate, however Kim and Maughan each have sole discretion for the management of 50% of the Fund's capital. This structure is a common feature of Tyndall's portfolios (although the proportions can vary). Recent turnover amongst the team has been moderate.



Lonsec Opinion

Skill

Co-portfolio managers Kim and Maughan have a considerable level of industry experience and possess deep stock knowledge and experience with the investment process. Further, Potter and Johnson are also considered to be well-qualified investors, providing leadership strength for the investment team.

Team Size

The investment team of eleven investors and an additional dedicated dealer is considered appropriately sized to implement the investment process. However, the launch of the small companies strategy is expected to create a heightened workload for the team. The expansion of the team's stock coverage and potential resourcing challenges will remain a focus.

Track Record/Co-Tenure

The co-portfolio managers have solid co-tenure having worked together at the Manager since 2007. The broader team also exhibits a respectable level of average tenure of twelve years. Albeit, recent turnover amongst the team, most notably the departures of senior personnel as diluted co-tenure amongst the team.

Alignment

The team is highly aligned with investor interests, primarily due to their equity ownership in the firm, structured as a joint venture. The breadth of equity ownership across the team is a distinguishing feature, contributing to team stability and accountability. Additionally, individual variable remuneration based on performance helps ensure that every team member is motivated to contribute effectively, reinforcing strong alignment with investor goals.

Key Person Risk

There is a degree of key person risk, particularly with Kim and Maughan, who each manage 50% of the Fund's capital. While the dual-management structure helps reduce this risk by sharing responsibilities, the significant control each holds over their portion of the portfolio means their departure could have a notable impact. This is somewhat mitigated by their equity stakes in the firm and co-investment in the Fund. However, if either co-portfolio manager were to leave, the Fund's rating would be subject to review.

Process



What is the Investment Process?

The Fund is a long-only Australian equities investment strategy. The Fund is managed to a 'relative value' fundamental investment approach, which aims to invest in companies that trade below a conservative estimation of 'intrinsic value'. The Fund will have a combination of stocks that are attractive both in terms of relative value and forecast yield, and stocks that offer lower relative value but meet the Fund's yield requirements. The Team operates a research process referred to as Comparative Value Analysis (CVA). Research is prioritised through the use of proprietary quantitative screens that screen/rank based on a range of criteria (liquidity, value, quality, and momentum). Those stocks remaining after the screening process (approximately 150) are then subjected to in-depth fundamental research. The Team aims to produce a portfolio of 40-70 stocks and with the Fund comprising two sub-portfolios, which are separately managed by two different Portfolio Managers. Tracking error is monitored for risk management but not targeted. Portfolio construction is on an absolute basis rather than relative to a benchmark.

Lonsec Opinion & Supporting Facts

Philosophy and Universe

Investment Type	Fundamental
Investment Approach	Bottom-up
Investment Style	Value
Typical market cap	Mid to Large Cap
Minimum market cap	N/A
Available Universe	S&P/ASX 200 Index

Tyndall seeks to identify companies that it believes exhibit fundamental intrinsic value. The philosophy gravitates towards companies that demonstrate sustainable earnings, and which can capitalise on these. Tyndall describes its philosophy as value but notes that this does not necessarily mean 'cheap' value as understood from stocks trading at observable discounts (e.g., P/E or P/B) to the broader market or their history. To this end, there is an explicit cap of between four and eight years, depending on the opportunity, applying to the maximum length for which a company's franchise period will be explicitly modelled. It is highlighted that the characteristics sought by Tyndall, at a high level, are more consistent with growth at reasonable price ('GARP') investing. The initial investment universe of the S&P/ASX 200 Accumulation Index is reduced to approximately 150 stocks after a liquidity screen is applied. To prioritise the fundamental research effort, Tyndall then implements an internally generated multifactor screen to rank companies by value, quality and combined scores before conducting the bottom-up research effort.

Research Process

Key screens	Liquidity
Screened universe	150
Idea generation	Financial market data, Economic data, Expert networks, Financial statements
Stocks researched	150
Annual manager meetings	0
Key research inputs	Financial statements, Company meetings, Company data, Industry data, Expert networks
Primary valuation approach	IRR

The Team's fundamental research focuses on EBIT drivers, profitability, cash flow and the structure of the company's balance sheet (to try and find value in non-capitalised assets). The key inputs into the research process include broker reports, company reports, company visits, one-on-one meetings with management and other sources. The investment team meets on a regular basis each week to discuss the positions in each of the portfolios and to assess fresh investment ideas. Moreover, the meeting also includes in-depth discussions regarding the key quantitative inputs used in the stock valuation process. This mechanism is believed to be a key strength of the investment process as it enhances the overall level of peer review. Tyndall's financial analysis involves proprietary modelling of variables across the income and cash flow statements in addition to the balance sheet. Valuation analysis is based on a standardised Internal Rate of Return ('IRR') model, which has a three-year horizon. This can be cross-checked to a DCF analysis, which is where the duration of a company's franchise period is explicitly curtailed. Tyndall's valuation approach is considered to be reasonable and consistently applied.

Process (continued)



Portfolio Construction

Portfolio management structure	Portfolio Team
Approach to benchmark	Benchmark Aware
Typical security numbers	43
Typical securities range	40-70
Typical portfolio turnover p.a.	50.00%
Typical active share	55.00%

Portfolio construction is largely consistent with the output of the Comparative Value Analysis (CVA), however, the portfolio managers are permitted to continue to hold names that drop in the IRR ranks. The portfolio managers each have sole discretion, subject to names having progressed through the investment process, to build their respective sub-portfolios. Each portfolio manager constructs a discrete model portfolio, which is periodically optimised through BARRA. There will be some differences across the sub-portfolios, however, these are expected to be timing and valuation-related rather than disagreements on a company's fundamentals. The Fund's use of derivatives to enhance income is selective and dependent on market conditions, albeit, this aspect of the strategy is not considered to be a significant driver of the Fund's return. The Fund can also invest in hybrids but there have been no such investments to date.

Capacity Management

Capacity guidance	\$17.18b (AEQ Strategy Aggregate)
Strategy AUM	\$7.18b (AEQ Strategy Aggregate)
Portfolio liquidity (1 week)	99.10%
Substantial holdings by manager	5
Strategy previously closed	No

Tyndall had approximately \$7.2bn in funds under management ('FUM') across its Australian Equity strategies as of 30 January 2024. Tyndall's most recent capacity analysis was conducted in June 2021 and determined that a hard close would be appropriate at 0.75% of the S&P/ASX200 market capitalisation (currently equivalent to approximately \$17.2bn). Given the implied capacity headroom of circa \$10.0bn, there are no immediate concerns regarding capacity.

Investment Risk Management

Monitoring external to investment team	Yes
Frequency of monitoring	Daily
Primary risk management system	Barra
Security Limits (Min./Max.)	Hard: Absolute, 0-8%
Country Limits (Min./Max.)	Australia(100.00%),International(10.00%)
Non-index Allocation (Typical, Max.)	0%, 10%
Cash Allocation (Typical, Max.)	5%, 20%

The Fund's risk is managed in a relative sense versus the benchmark. Tyndall is believed to have sufficient risk controls in place to effectively manage the risks within the portfolio (such as stock and sector exposures). A dedicated Investment Risk Manager oversee these. Risk management is also considered to be inherent in the Team's investment process, focused on quality companies with earnings certainty. Tyndall considers these attributes to be vital for a fund with an income objective that is linked to dividend yield. Further, risk management is also considered to be embedded in the research process, with optimisation and scenario analysis undertaken as part of portfolio construction. Tracking Error is not targeted due to the income nature of this product but is regularly monitored.

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 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 could be included if the return potential is sufficient, which may conflict with some client's perception of what a strong ESG process should deliver.

Sustainability Score

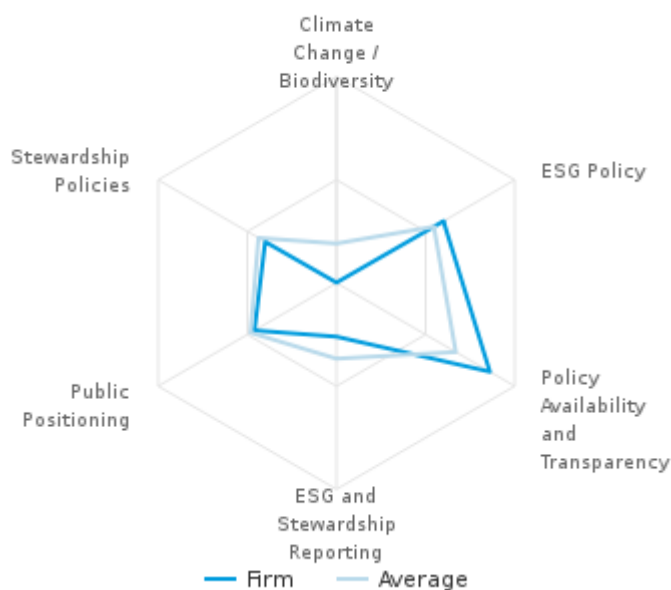
No score.

Lonsec Opinion & Supporting Facts

Overview

ESG Process Score Mod

ESG Snapshot



Product Level Approach

While the Manager is sourcing data from an external ESG data provider, it is less comprehensive than that of some peers. The Manager performs little internal ESG research for this Fund, relying largely on external sources for assessment/ratings. There are clear links to the stock selection process through an unstructured adjustment of the appropriate discount rate based on, among other factors, ESG scores. There is monitoring of the ESG characteristics of the portfolio across various ESG and sustainability dimensions; however, there are no portfolio-level ESG-based limits or targets in place for the Fund. Engagement is a clear component of the Manager's approach, which is prioritized in a structured manner.

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, and 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, with reporting being their key weakness. They have committed to integrating ESG within their investment process and there is evidence in their public positioning. Pleasingly, their voting policy is now publicly available but lacks depth compared to peers. Reporting on voting outcomes is publicly available and aligned with peers, although rationales for dissenting votes are not provided. There is no reporting on engagement activities.

Product



Service Providers

Responsible entity	Yarra Investment Management Limited
Investment manager	Yarra Capital Management Limited
Custodian	Citibank
Administrator	Citibank
Fund Auditor	Deloitte
Change in Key Providers? (Over last 12 months)	No

Product Details

Product size	\$158.00m
Fund 12-month net flows	Negative
Distribution model	Self
Buy/sell spreads	0.20%/0.20%
Investment structure	Direct
Product type	Registered Managed Investment Scheme
Currency hedged	N/A
Use of derivatives	Yes
Types of derivatives	Exchange Traded Options

What is the Product Structure?

The Fund is a long-only, actively managed Australian equities product that will typically invest in large cap companies listed on the ASX.

Lonsec Opinion

Service Providers

The Manager employs high-quality 'tier 1' service providers. The Fund uses a related party Responsible Entity ('RE') which can present conflicts that require careful management. However, this RE relationship has remained stable with no issues since the acquisition of Tyndall by Yarra.

Operational 'Red Flags'

The Fund is a long-only strategy which typically invests in large cap positions, and should not be operationally challenging to implement.

Wind-up Risks

Wind-up risk is considered to be low given current FUM levels in the Fund and the broader strategy composite.

Fees

Annual Fees and Costs (% p.a.)

Management fees & costs	0.85
Performance fee costs	0.00
Net Transaction Costs	0.05
Buy/Sell Spread	0.20/0.20
Annual fees and costs	0.90

Source: FE fundinfo, PDS Date: 01/Dec/2023

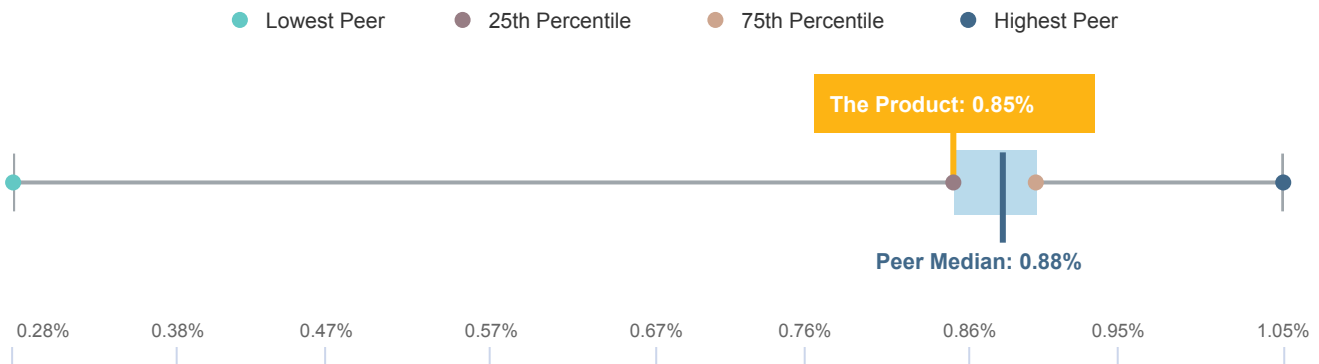
Performance Fees

Applicable	No
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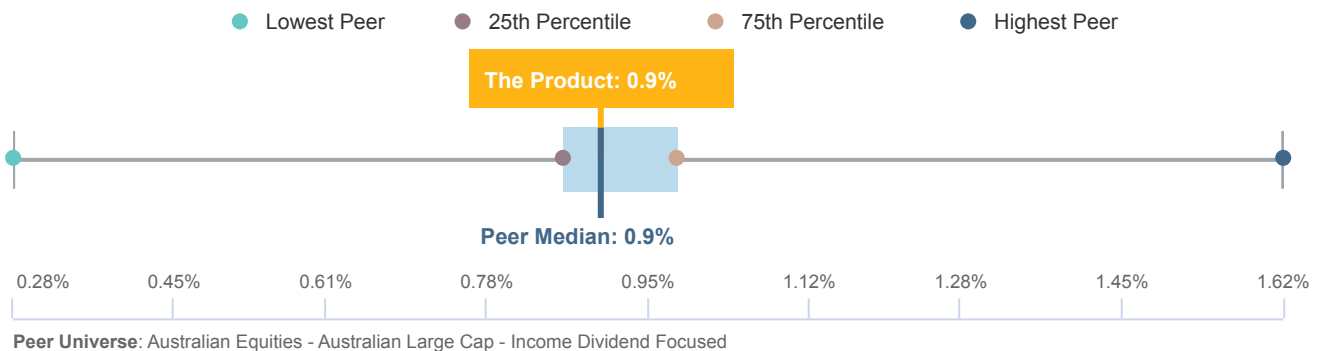
Fees Explained

The Fund's Annual Fees and Costs ('AFC') total 0.90% p.a. This value comprises Management Fees and Costs of 0.85% p.a. and Net Transaction Costs of 0.05% p.a. The Fund does not charge a performance fee. In line with RG97, some fees and costs have been estimated by the issuer on a reasonable basis. Actual fees and costs may vary to these estimates.

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 (AFC of 0.90% p.a.) is considered to be in-line with the peer group.

Fairness

Fees are considered to be competitive relative to peers. Given the absence of a performance fee, total fees and costs are capped which provides certainty to investors.

Performance data is as at 30 June 2024

Performance

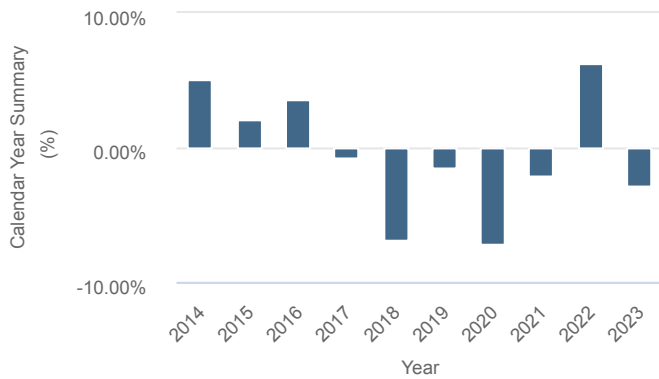
Performance Summary

PDS return objective	The Fund aims to provide a tax-effective income stream that exceeds the dividend yield of the S&P/ASX 200 Accumulation Index (grossed up for franking credits) by 2% p.a. over rolling five-year periods, before fees, expenses and tax, plus the potential for capital growth over the long-term.
Internal return objective	As per PDS objective.
Internal risk objective	Tracking error is monitored, but not explicitly targeted.
Product benchmark	S&P/ASX 200 TR Index AUD
Lonsec peer group	Income Dividend Focused

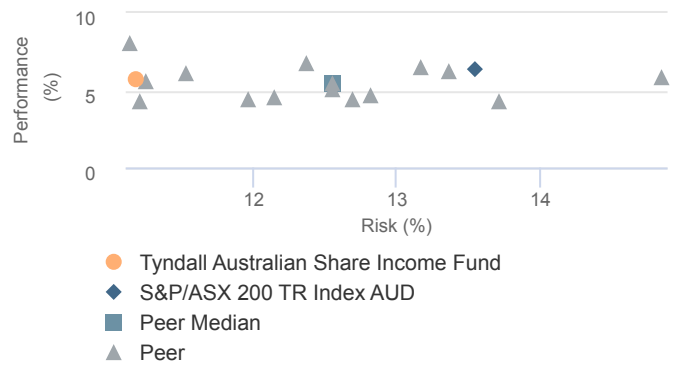
Alpha Generation

Over the rolling five years to 30 June 2024, the Fund has partly achieved its investment objective, providing 2.7% excess yield (grossed up for franking credits) relative to the Benchmark. However, from a relative perspective, the Fund has struggled to generate excess returns relative to the Benchmark over all rolling periods observed in this report. Albeit, over the medium to long term, the Fund has generally performed in-line with the peer median.

Calendar Year Excess Return



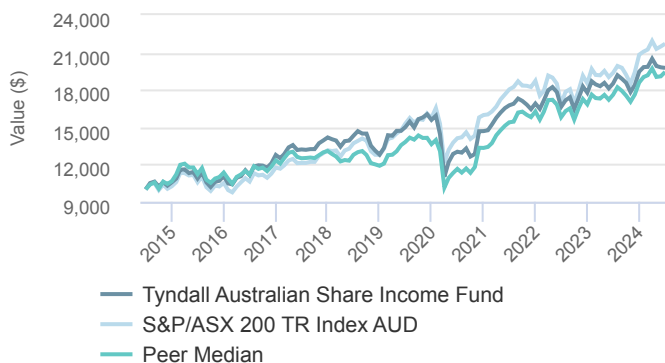
3 Year Risk and Return



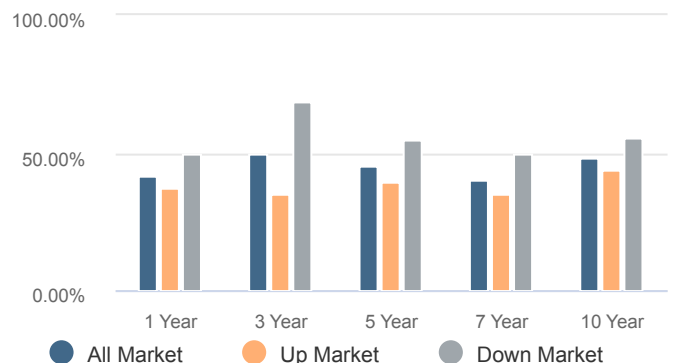
Alpha Consistency

The Fund has struggled to maintain consistent alpha through time. Albeit, annual dividend yield (grossed up for franking credits) remains strong relative to the Benchmark.

Growth of \$10,000 Over 10 Years



Returns Consistency



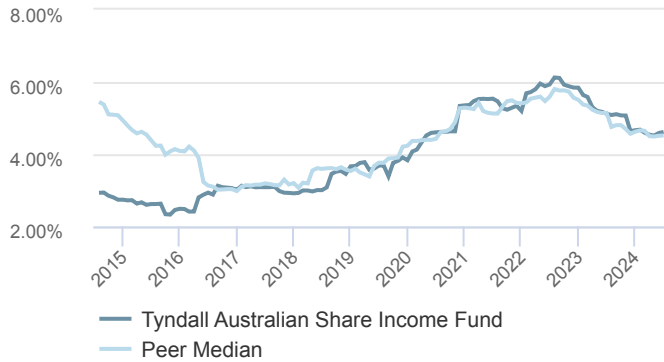
Performance data is as at 30 June 2024

Performance (continued)

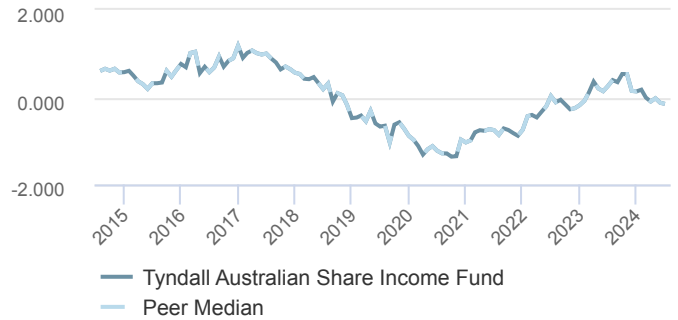
Benchmark Relativity

The Fund typically displays tracking error in-line with the peer group. The Fund has displayed weaker risk-adjusted returns as evidenced by its negative Information Ratio over all rolling periods. Despite being negative, the Fund has generally been in-line with peers regarding this metric over the medium to long term.

3 Year Rolling Tracking Error Over 10 Years



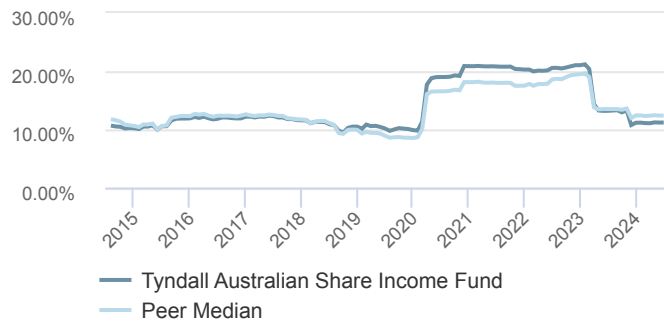
3 Year Rolling Information Ratio Over 10 Years



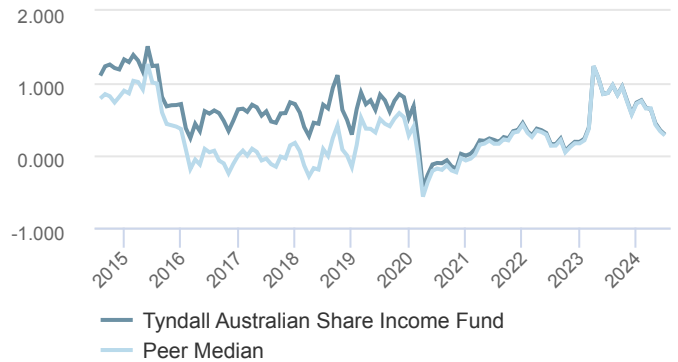
Return Volatility

The Fund has typically exhibited volatility in excess of the peer group and Benchmark over the medium to long term.

3 Year Rolling Standard Deviation Over 10 Years



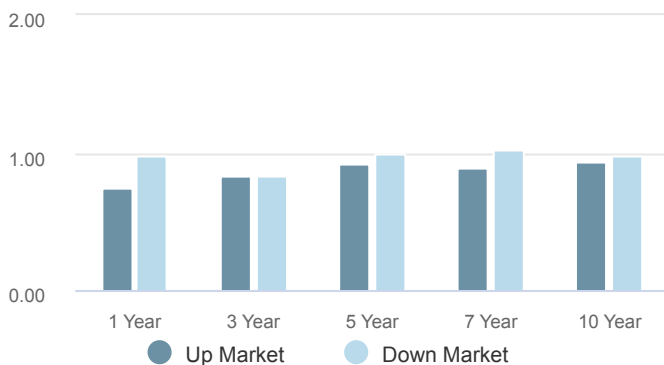
3 Year Rolling Sharpe Over 10 Years



Product Defensiveness

The drawdown profile of the Fund has been typically deeper than peers and the Benchmark over the long term, providing little downside protection to investors.

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

Lonsec Research Pty Ltd
Level 39, 25 Martin Place
Sydney NSW 2000
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. Before making a decision regarding any financial product, you should obtain and consider a copy of the relevant Product Disclosure Statement or offer document from the financial product issuer.

1.5 How Lonsec Research is paid

Lonsec Research receives fees from Fund Managers and/or financial product issuers for researching their financial product(s) using comprehensive and objective criteria. Lonsec receives subscriptions fees for providing research content to subscribers including financial advisers, fund managers and financial product issuers. Lonsec Research's fees are not linked to the financial rating outcome of a particular financial product.

Lonsec Research FSG (continued)

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 <https://www.lonsec.com.au/lonsec-group-conflicts-of-interest-statement/>. 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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This FSG was prepared on 1 August 2024.