

Tyndall Australian Share Wholesale Fund

TYN0028AU Author: Mitchell Ryan Published: 25 Oct 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	\$444m
Inception date	Mar 1995
Asset class	Australian Equities
Sector	Australian Large Cap
Peer group	Value
Rated peers	28

Product Characteristics

Business Life Cycle	Mature
Product Wind-Up Risk	Low
Key Person Risk	Low
Tenure of Decision Makers	Medium
Complex (RG240)	No
Strategy Remaining Capacity	None stated
ESG Approach	Risk or Value
Peer Relative Fees and Costs	In line with median

Annual Fees and Costs (% p.a.)

Management fees & costs	0.80
Performance fee costs	0.00
Net Transaction Costs	0.02
Buy/Sell Spread	0.00/0.00
Annual fees and costs	0.82

Source: FE fundinfo, PDS Date: Not Provided

Strengths

- Tyndall has a well-established investment process which is disciplined and logical.
- The Fund is led by a highly experienced co-portfolio manager team.
- The team's investment culture is considered to be cohesive and highly collegiate.

Weaknesses

- Benchmark relative performance outcomes have been disappointing over the medium and long term, and the Fund has not met its performance objective.
- The recent departure of two senior analysts may increase workload pressure, especially with the launch of a small companies strategy. However, the team remains highly qualified and experienced.
- With the tendency to 'let winners run', Tyndall's 'value' bias may be less pronounced relative to others in the sector at times.

Product Opinion

The Fund has retained its **Recommended** rating following the most recent review. This rating is supported by the experienced investment team and its well-established and logical investment process. However, concerns have been raised about the potential strain on the team following the departure of two senior analysts and the launch of the Small Companies Fund. Additionally, the Fund's performance has been disappointing, failing to achieve its investment objective over five years.

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 by 2.5% p.a., before fees, over rolling five-year periods
Internal return objective	To outperform the benchmark by 2.5% p.a., before fees, over rolling five-year periods
Internal risk objective	Tracking Error Range 2-8% p.a.
Non-financial objective	None stated

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

Australian Equities	98.92
Cash	1.08
Total	100.00

Source: FE fundinfo

Rating History

14-Sep-2023	Recommended
06-Oct-2022	Recommended
23-Sep-2021	Recommended

Product Distribution Profile

Frequency	Quarterly
Last Missed Distribution	Not applicable
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 (%)
BHP BILLITON LIMITED	11.190
CSL LIMITED	8.790
AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED	7.470
TELSTRA CORPORATION LIMITED	6.020
RIO TINTO LIMITED	5.080
COLES GROUP LTD	4.410
COMMONWEALTH BANK OF AUSTRALIA	4.160
WOODSIDE ENERGY GROUP	4.050
QBE INSURANCE GROUP LTD	3.970
NATIONAL AUSTRALIA BANK LIMITED	3.830

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)	4.38	9.58	7.19	12.30	5.06	7.28	5.48	7.37
Standard deviation	9.82	10.99	10.80	12.13	10.99	12.59	18.10	17.21
Excess return (% p.a)	-7.72	-2.43	-6.24	-1.00	-1.31	1.06	-1.78	0.15
Outperformance ratio (% p.a)	33.33	41.67	37.50	45.83	47.22	51.39	45.00	48.33
Worst drawdown (%)	-8.71	-7.71	-8.71	-7.74	-8.86	-10.92	-32.88	-29.32
Time to recovery (mths)	5	-	5	-	2	-	14	9
Sharpe ratio	0.00	0.45	0.33	0.72	0.24	0.38	0.21	0.33
Information ratio	-1.83	-0.53	-1.46	-0.27	-0.25	0.23	-0.29	0.06
Tracking error (% p.a)	4.22	4.56	4.27	4.65	5.22	5.48	6.13	5.45

Lonsec Peer Group: Australian Equities - Australian Large Cap - Value

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

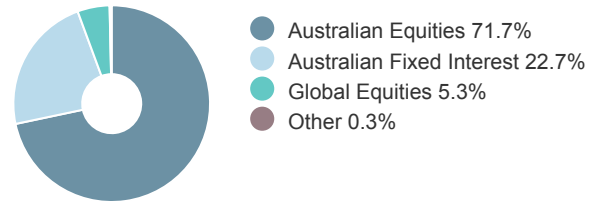
Profitability

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



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	2014	31/23	10
Brad Potter	Portfolio management	Yes	2014	29/21	10

KDM Change*

No changes.

* Last 3 years

Profile

Size	12
Structure	Centralised
Turnover	Medium

Alignment

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

Resources

	Number	Average Years Experience
Key decision makers	2	30
Portfolio Managers		
Hybrid portfolio manager/analysts	3	23
Dedicated analysts	6	12
Dedicated dealers	1	28
Quantitative		
ESG/Sustainability		
Macro		
Investment Specialists		

Who is the Team?

The team is led by Brad Potter, who has been the Head of Australian Equities since June 2014. He is supported by Deputy Head of Australian Equities, Tim Johnston. The Fund is managed equally by Potter and Portfolio Manager, Jason Kim, who each manage a 50% sleeve. The investment team consists of 10 investors with an additional research intern and a dedicated dealer. The Manager operates a relatively flat structure, whereby portfolio managers also maintain research responsibilities. Research is segregated along sectoral lines. In March 2023, the Manager launched the Tyndall Australian Small Companies Fund, which invests in small-cap stocks and is managed by Johnston and James Nguyen.



Lonsec Opinion

Skill

Potter brings extensive investment experience, primarily gained at the Manager, and is recognised as a capable investor who articulates the investment process well. Kim is equally seen as a passionate and highly skilled investor, well-suited to managing the strategy while also overseeing the Manager's Concentrated Fund. The broader team is well-qualified, with a range of experience levels. Senior members are considered to be highly experienced and are expected to provide strong support to junior staff. However, the recent departures of Senior Analysts, Malcolm Whitten and Stefan Hansen are considered significant losses due to their expertise. These departures are also expected to add pressure to the team's resources, especially given the launch of the Small Companies Fund. While the team remains capable, the impact of the small cap fund will be an area to monitor going forward."

Team Size

The investment team is considered reasonably sized to cover the spectrum of the Australian equities universe. 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 built a solid track record managing the strategy and share a strong co-tenure, having worked together since 2014. The broader team also demonstrates stability, with an average co-tenure of 11 years. However, the recent departures of senior personnel represent a significant loss of experience. Additionally, the team has made several hires in recent years, and their alignment with the firm's philosophy and culture will be a key area to monitor going forward.

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 Potter and Kim, 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. It employs a 'relative value' fundamental investment approach that seeks to invest in companies trading below the team's conservative estimation of intrinsic value. It operates a high-conviction, concentrated portfolio of typically 20 to 35 stocks, aiming to remain fully invested across market cycles. Companies that meet the team's initial screens are ranked according to total expected return, which gives an indication of which companies represent the highest relative value at any given point in the market cycle. The Fund's tracking error is expected to range between 2% and 8% p.a.

Lonsec Opinion & Supporting Facts

Philosophy and Universe

Investment Type	Fundamental
Investment Approach	Bottom-up
Investment Style	Value
Typical market cap	\$500m-\$5bn
Minimum market cap	None stated
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 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. The characteristics sought by the Manager are somewhat consistent with growth at reasonable price ('GARP') investing. Notwithstanding, elements within Tyndall's process act to control factor exposures and deliver a strategy that has exhibited mild 'value' through to more 'core' outcomes over time. The Manager's mandate, whilst more risk-aware than some peers, is flexible enough to ensure it can achieve its investment objective. However, a notable decline in the Fund's activeness in recent years, as measured by Active Share, is meaningful given the concentrated stock count.

Research Process

Key screens	Liquidity
Screened universe	200
Idea generation	Financial market data, Economic data, Newsflow/Events, Expert networks, Financial statements, Brokers
Stocks researched	150
Annual manager meetings	0
Key research inputs	Financial statements, Company meetings, Company data, Industry data, Economic/Market data, Sell-side reports, Expert networks
Primary valuation approach	IRR

Company research includes meeting with company management and reviewing financial disclosures. Findings are presented in a standardised report that touches on key investment factors like investment thesis, assumptions, risks, sensitivities, ESG and valuation. It is generally viewed that standardised outputs as good practice helping to support consistency in an investment process. 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. IRRs are ranked and the general aim is to invest in those companies with the greatest return profile.

Process (continued)



Portfolio Construction

Portfolio management structure	Co-PM
Approach to benchmark	Benchmark Aware
Typical security numbers	35
Typical securities range	20-35
Typical portfolio turnover p.a.	35%
Typical active share	55%

Each portfolio manager has the discretion to build their respective sub-portfolios, provided the stocks have passed through the investment process. However, trade ideas are typically discussed between the two, which helps support the overall cohesion of the Fund. Additionally, they use quantitative risk tools to actively monitor factor exposures at the aggregate Fund level. While there may be some differences between the sub-portfolios, these are generally due to timing and valuation rather than disagreements on a company's fundamentals. Portfolio construction is primarily guided by IRR rankings, with portfolio managers targeting companies offering the best return profiles. They also have the flexibility to maintain positions that fall in ranking, enabling them to let 'winners run.' While this approach helps avoid the common issue of 'value' managers selling too early, it may occasionally test their sell discipline.

Capacity Management

Capacity guidance	\$9bn
Strategy AUM	\$6.4bn
Portfolio liquidity (1 week)	98.20%
Substantial holdings by manager	Not applicable
Strategy previously closed	No

As of June 2024, Tyndall managed around \$7bn across its Australian equities strategies. The firm has set a hard close target at 0.75% of the S&P/ASX 200 market capitalisation, approximately \$18bn currently. Tyndall's mid-to-large cap bias, low portfolio turnover, and benchmark-aware approach help mitigate capacity constraints. While the current asset level is considered manageable, FUM remains a key watchpoint due to potential performance impacts. On balance, managers with smaller FUM are generally seen as better positioned to add value.

Investment Risk Management

Monitoring external to investment team	Yes
Frequency of monitoring	Daily
Primary risk management system	Factset
Security Limits (Min./Max.)	Hard: Benchmark Relative, -6-6%
Sector Limits (Min./Max.)	Hard: Benchmark Relative, -8-8%
Country Limits (Min./Max.)	Australia(100.00%),International(10.00%)
Cash Allocation (Typical, Max.)	2%, 10%

The Fund's risk management is considered appropriate. Risk is managed relative to the benchmark, with sufficient controls in place to oversee stock and sector exposures, led by a dedicated Investment Risk Manager. Given the Fund's concentrated holdings, risk management is crucial to the investment process. Stock limits are managed to the Index \pm 6% and sector limits to the Index \pm 8%. The Fund generally avoids holding more than 10% of a company's issued capital and focuses on companies with market capitalisations over \$300m. While not explicitly targeted, the team aims to keep the portfolio beta close to the market. Risk management is further supported by research, optimisation, scenario analysis, and daily performance monitoring.

ESG



Manager Positioning

Responsible investment style	ESG Integration
ESG approach	Risk or Value
Sustainability thematic	Not applicable
Non-financial objective	None

Sustainability Score

No score.

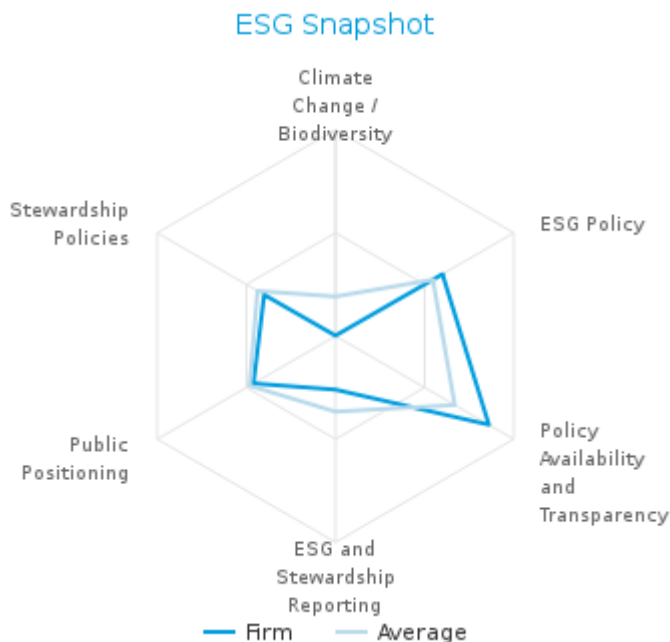
What is the Manager's ESG approach?

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.

Lonsec Opinion & Supporting Facts

Overview

ESG Process Score Mod



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	\$444m
Fund 12-month net flows	Negative
Distribution model	Internal
Buy/sell spreads	0.20%/0.20%
Investment structure	Direct
Product type	Registered Managed Investment Scheme
Currency hedged	Unhedged
Use of derivatives	Yes
Types of derivatives	Not applicable

What is the Product Structure?

The Fund is a listed, long-only Australian equity strategy focused primarily on investing in large-cap stocks. Yarra Capital acts as the responsible entity ('RE').

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 listed long-only Australian equity strategy that invests in primarily large-cap stocks, making it operationally straightforward to implement with no issues noted to date.

Wind-up Risks

The Fund and firm remain well-supported by the market, making the risk of a wind-up minimal.

Fees

Annual Fees and Costs (% p.a.)

Management fees & costs	0.80
Performance fee costs	0.00
Net Transaction Costs	0.02
Buy/Sell Spread	0.00/0.00
Annual fees and costs	0.82

Source: FE fundinfo, PDS Date: Not Provided

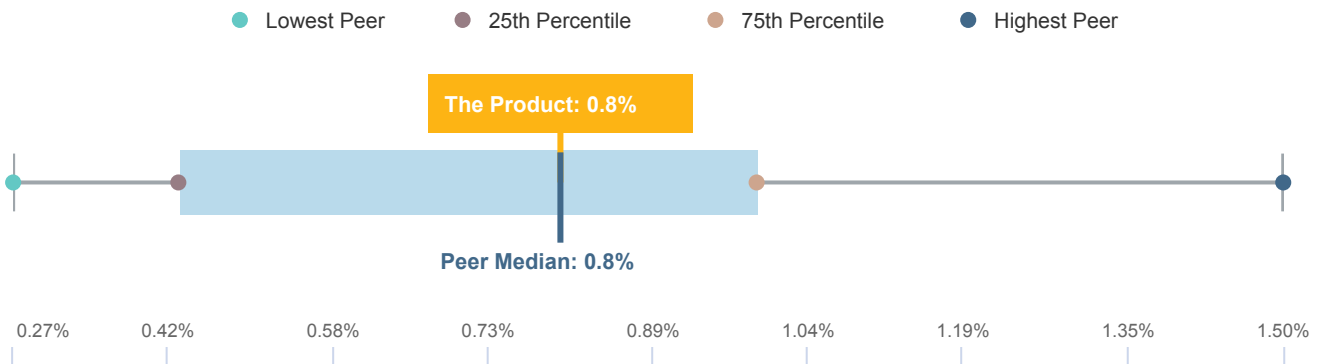
Performance Fees

Applicable	No
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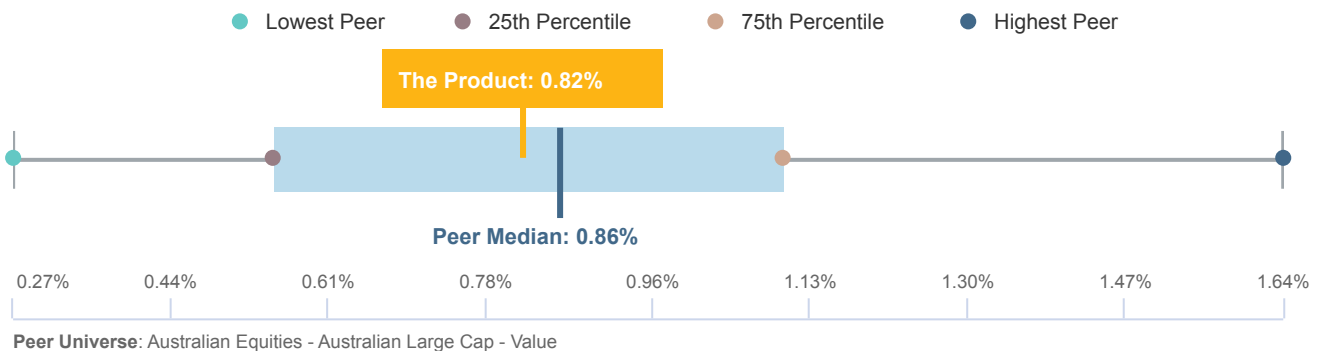
Fees Explained

The Fund's disclosed annual fees and costs ('AFC') total 0.82% p.a. comprising of (1) management fees and costs of 0.80% p.a., and (2) net transaction costs of 0.02% p.a. In line with RG97, some fees and costs have been estimated by the issuer on a reasonable basis. The Fund does not charge a performance fee.

Management Fees and Costs Peer Comparison



Annual Fees and Costs Peer Comparison



Lonsec Opinion

Annual Fees and Costs

The Fund's total fee load is considered comparable to peers.

Fairness

The overall fee load is viewed as reasonably competitive relative to peers and the lack of a performance fee provides investors with certainty.

Performance data is as at 30 June 2024

Performance

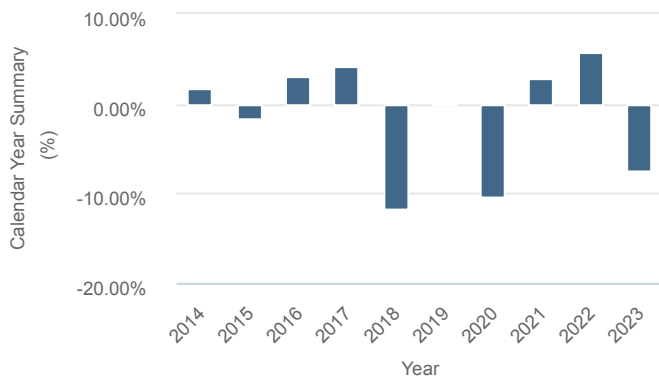
Performance Summary

PDS return objective	To outperform the benchmark by 2.5% p.a., before fees, over rolling five-year periods
Internal return objective	To outperform the benchmark by 2.5% p.a., before fees, over rolling five-year periods
Internal risk objective	Tracking Error Range 2-8% p.a.
Product benchmark	S&P/ASX 200 TR Index AUD
Lonsec peer group	Value

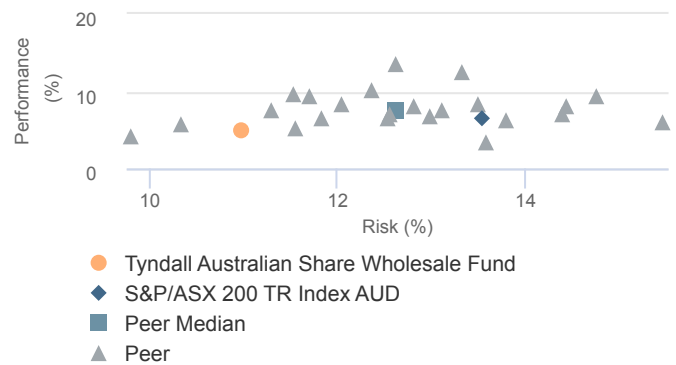
Alpha Generation

The Fund fell short of its outperformance objective over the five years to June 2024, underperforming the benchmark by 1.8% p.a., after fees. The Fund's track record has been impacted by a challenging period more recently, with the Fund underperforming the benchmark by 7.7%, after fees, over the year.

Calendar Year Excess Return



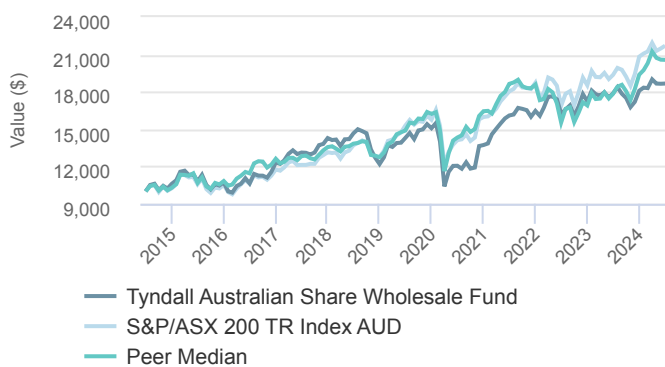
3 Year Risk and Return



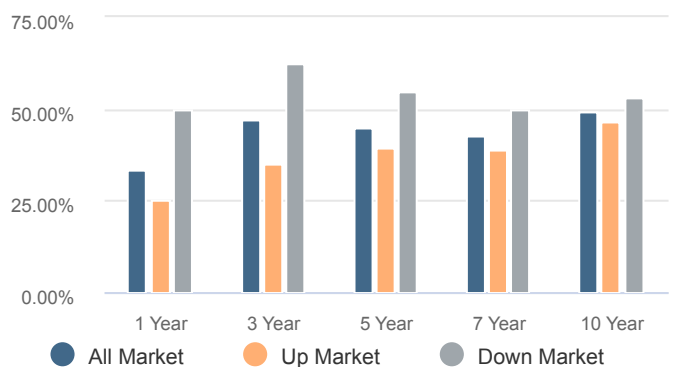
Alpha Consistency

The Fund's track record remains challenged, failing to achieve its alpha target over the medium- to long-term. The Fund's performance has also been weak on a peer-relative basis. A return to consistent outperformance is required to build conviction in the offering. Since inception, the Fund has outperformed the benchmark modestly by 0.2% p.a., after fees.

Growth of \$10,000 Over 10 Years



Returns Consistency



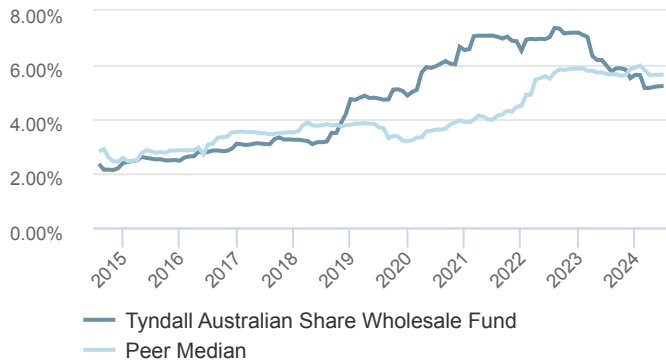
Performance data is as at 30 June 2024

Performance (continued)

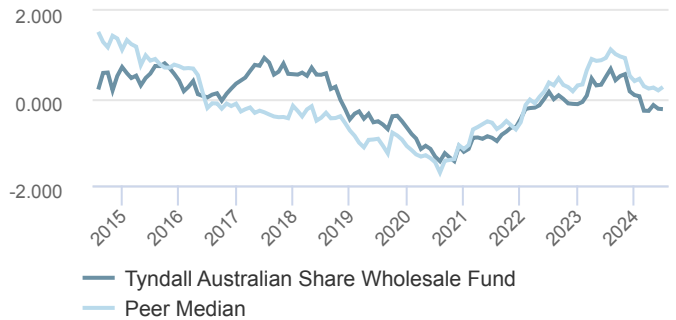
Benchmark Relativity

The Fund has historically demonstrated reasonable levels of activeness; however, this has diminished recently, as evidenced by a significant decline in Active Share. This is notable given the Fund's concentrated approach. As of June 2024, its three-year tracking error was 5.2% p.a., slightly below the peer median of 5.5% p.a. Additionally, its Information Ratio has lagged behind peers across all periods, reflecting a lower return per unit of active risk.

3 Year Rolling Tracking Error Over 10 Years



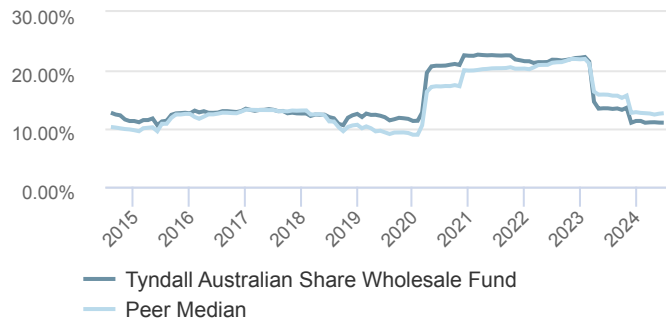
3 Year Rolling Information Ratio Over 10 Years



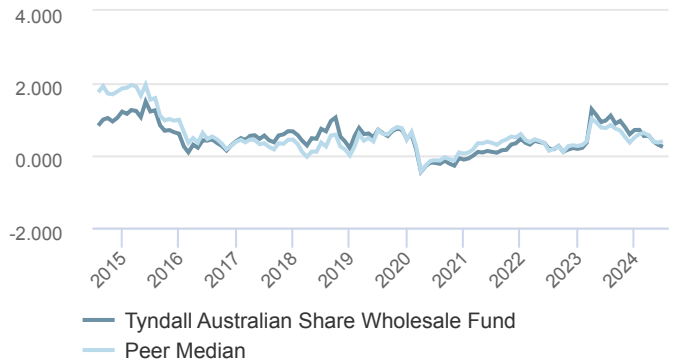
Return Volatility

The Fund has generally exhibited return volatility consistent with the benchmark and slightly lower than that of its peers. This, coupled with relative underperformance, has resulted in a weaker Sharpe Ratio compared to peers across all periods.

3 Year Rolling Standard Deviation Over 10 Years



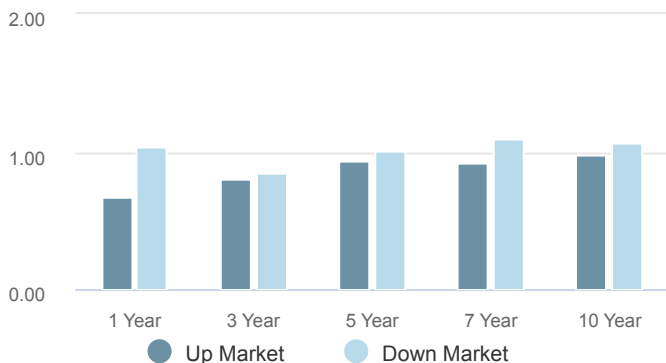
3 Year Rolling Sharpe Over 10 Years



Product Defensiveness

The Fund's defensiveness has been tested in recent years, as illustrated by the Fund's worst drawdown over the five years to June 2024 of 32.9% which was greater than the peer median of 29.3%. Pleasingly, the Fund has outperformed in approximately 55% of down markets since inception.

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.