

Tyndall Australian Small Companies Fund

TYN8782AU Author: Robbie Lew 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 Small Ordinaries TR Index AUD
Product structure	Managed Fund
Product size	\$1.90m
Asset class	Australian Equities
Sector	Australian Small Cap
Peer group	Value
Rated peers	8

Product Characteristics

Business Life Cycle	Mature
Product Wind-Up Risk	High
Key Person Risk	Medium
Tenure of Decision Makers	Medium
Complex (RG240)	No
Strategy Remaining Capacity	\$1.20b
ESG Approach	Risk or Value
Peer Relative Fees and Costs	Above median

Annual Fees and Costs (% p.a.)

Management fees & costs	0.90
Performance fee costs	0.76
Net Transaction Costs	0.00
Buy/Sell Spread	0.30/0.30
Annual fees and costs	1.66

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

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

- The Fund lacks a sufficient track record to build conviction in meeting its objectives.

Product Opinion

The Fund has been assigned a **'Recommended'** rating at the inaugural review. The rating is underpinned by the experienced and long-tenured investment team along with its disciplined and logical investment process. While the Fund does have significant headroom for FUM growth, wind-up risk at present levels remains elevated. The Fund also has a short performance track record.

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 outperform the Benchmark over the long term before fees, expenses and tax
Internal return objective	Outperform the S&P/ASX Small Ordinaries Accumulation Index by 3-5% p.a., before fees, over rolling five year periods
Internal risk objective	Tracking Error is expected to be within 5-9% p.a.

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

Australian Equities	97.12
Cash	2.88
Total	100.00

Source: FE fundinfo

Rating History

This is the initial review of the Product.

Product Distribution Profile

Frequency	Semi Annually
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 (%)
WEBJET LTD	4.78
AUB GROUP LTD	4.36
LIGHT & WONDER INC.	3.83
KELSIAN GROUP LTD	3.79
SMARTGROUP CORPORATION LTD	3.32
PWR HOLDINGS LIMITED	3.30
ZIP CO LIMITED	3.27
GOLD ROAD RESOURCES LIMITED	3.25
MAAS GROUP HOLDINGS LIMITED	3.12
TELEX PHARMACEUTICALS LTD	2.88

Source: FE fundinfo

Target Market Determination

Produced by issuer	Yes
Provided to Lonsec	Yes

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

	1 Year	Median	2 Year	Median	3 Year	Median	5 Year	Median
Performance (% p.a)	11.62	13.45	-	9.73	-	2.32	-	6.81
Standard deviation	13.00	13.47	-	15.06	-	16.60	-	19.72
Excess return (% p.a)	2.27	4.11	-	0.84	-	3.86	-	3.11
Outperformance ratio (% p.a)	58.33	62.50	-	47.92	-	55.56	-	54.17
Worst drawdown (%)	-9.88	-9.60	-	-11.20	-	-21.99	-	-30.75
Time to recovery (mths)	3	-	-	-	-	-	-	-
Sharpe ratio	0.56	0.65	-	0.43	-	-0.00	-	0.25
Information ratio	0.39	1.02	-	0.12	-	0.54	-	0.43
Tracking error (% p.a)	5.87	6.29	-	7.94	-	7.21	-	6.89

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

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

Cash Benchmark: Bloomberg AusBond Bank Bill Index AUD

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

Business 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

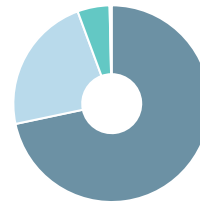
Profitability

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)
Tim Johnston	Portfolio management	Yes	2022	25/25	17
James Nguyen	Portfolio management	Yes	2022	20/16	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	Yes
Performance-Based bonus	Yes
Long term incentive plan	No

Resources

	Number	Average Years Experience
Key decision makers	2	23
Portfolio Managers		
Hybrid portfolio manager/ analysts	3	26
Dedicated analysts	6	13
Dedicated dealers	1	21
Quantitative		
ESG/Sustainability		
Macro		
Investment Specialists		

Who is the Team?

The Team is led by Brad Potter, with Tim Johnston being his backup as Deputy Head of Equities. The investment team comprises 11 equity investors and one dealer. All members of the investment team have stock research responsibilities (circa 15 to 20 stocks each) and five of the most senior members have additional portfolio management duties. Specifically for this Fund, the two co-portfolio managers are Tim Johnston and James Nguyen who leverage the large-cap research and ideas from the broader team and have specific coverage of the small-cap stocks.



Lonsec Opinion

Skill

Johnston and Nguyen possess 25 and 19 years of investment experience respectively, both have spent the vast majority of their investment career at Tyndall with an average of 20 years of co-tenure. Both portfolio managers are considered capable investment professionals with a strong understanding of the Manager's established investment process and approach. A longer track record for this Fund is required to build conviction in the co-portfolio manager's ability to meet investment objectives, although the broader Tyndall team has a long track record in managing Australian equity strategies with a similar approach.

Team Size

The size of the investment team is considered small relative to the peer group and the size of the investment universe. However, this is somewhat offset by the Manager's strong quality and value philosophy and screening process. Further, the team leverages the broader team for research efforts in the larger end of the small-cap universe. Further, the co-portfolio managers focus on the strategy that provides appropriate alignment and a competitive advantage relative to peers who manage multiple competing investment strategies.

Track Record/Co-Tenure

The co-portfolio managers have extensive co-tenure at Tyndall. The track record of the team managing this strategy is relatively short, although there is comfort that the approach of this Fund is highly aligned with other broader Australian equity strategies that have demonstrable long-term track records.

Alignment

The co-portfolio manager's alignment with end investors is relatively high with the key decision makers and other members of the team being equity holders in the business. While the equity ownership structure is not unique, the breadth of the equity across the team is viewed positively as a distinguishing feature of the remuneration structure. Variable remuneration is based on individual performance which holds all members accountable. Positively, the co-portfolio managers are co-invested in the underlying strategy, which further promotes alignment with investors.

Key Person Risk

There is moderate key person risk associated with both Johnston and Nguyen. However, this is mitigated by the equity stake held in the firm and co-investment in the Fund. Nonetheless, if either co-portfolio manager were to depart, a review of the Fund's rating would occur.

Process



What is the Investment Process?

The team operates a research process referred to as Comparative Value Analysis ('CVA'), a distinguished aspect of the process compared to other Tyndall large-cap strategies is the inclusion of a quality overlay which the Manager views as a pragmatic means of managing risk in this higher volatile market segment. Those stocks remaining after the screening process are then subjected to in-depth fundamental research. The quality overlay is implemented via a quality scorecard and leads to a moderation of position sizing for perceived lower-quality companies in the absence of an outsized return expectation.

The Team's fundamental research places an emphasis on business model sustainability, earnings stability, relative returns, balance sheet strength, management quality and ESG. Research output is standardised. Additionally, the research is updated on an ongoing basis.

The main measurement for selecting stocks is expected return which is based on a two-year internal rate of return ('IRR'). The co-portfolio managers in their stock assessment seek to take into account short-term earnings, balance sheet and structural risks, as well as optionality and cycle timing.

Lonsec Opinion & Supporting Facts

Philosophy and Universe

Investment Type	Fundamental
Investment Approach	Bottom-up
Investment Style	Value
Typical market cap	< \$250m - \$5bn
Minimum market cap	Not applicable
Available Universe	Ex - S&P/ASX 100 Index

The investment process is well aligned with the Manager's philosophy, seeking to identify companies that it believes exhibit fundamental intrinsic value. The philosophy gravitates towards companies that demonstrate sustainable earnings and is a driver in identifying quality companies with relative valuation upside. This approach has applicability to the Fund's universe and is consistent with the outperformance objective.

Research Process

Key screens	Liquidity
Screened universe	140
Idea generation	Financial market data, Economic data, Newsflow/Events, Expert networks, Financial statements, Brokers
Stocks researched	150
Annual manager meetings	450
Key research inputs	Financial statements, Company meetings, Company data, Industry data, Economic/Market data, 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 are aligned with 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 IRR model which has a two-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 expected return.

Process (continued)



Portfolio Construction

Portfolio management structure	Portfolio Managers
Approach to benchmark	Benchmark Agnostic
Typical security numbers	50
Typical securities range	43-54
Typical portfolio turnover p.a.	60% - 80%
Typical active share	80%

Trade ideas are typically discussed between the two and this is believed to support the management of the Fund as an aggregate portfolio. Further helping in this regard, the portfolio managers also have access to a range of quantitative risk tools which are used to actively monitor factor exposures at the aggregate fund level.

Capacity Management

Capacity guidance	\$1.20b
Strategy AUM	\$2.00m
Portfolio liquidity (1 week)	100.00%
Substantial holdings by manager	0
Strategy previously closed	No

Capacity for this strategy is earmarked between \$800m to \$1.2bn. As the strategy grows in FUM expect to see more detailed capacity studies. There are currently no capacity concerns given the current size of the strategy.

Investment Risk Management

Monitoring external to investment team	Yes
Frequency of monitoring	Daily
Primary risk management system	Quant Answer
Security Limits (Min./Max.)	Soft: Benchmark Relative, -10% -10%
Sector Limits (Min./Max.)	Soft: Benchmark Relative, -10% - 10%
Non-index Allocation (Typical, Max.)	10%, 25%
Cash Allocation (Typical, Max.)	3%, 10%

The Fund's risk is managed in a relative sense versus the benchmark. The team has sufficient risk controls in place to effectively manage the risks within the portfolio (such as stock and sector exposures). These are overseen by a dedicated Investment Risk Manager. Risk management is viewed as a vital element of the investment process. In addition, the Team's ongoing portfolio review process (including daily performance monitoring) may be considered as a further form of risk management.

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

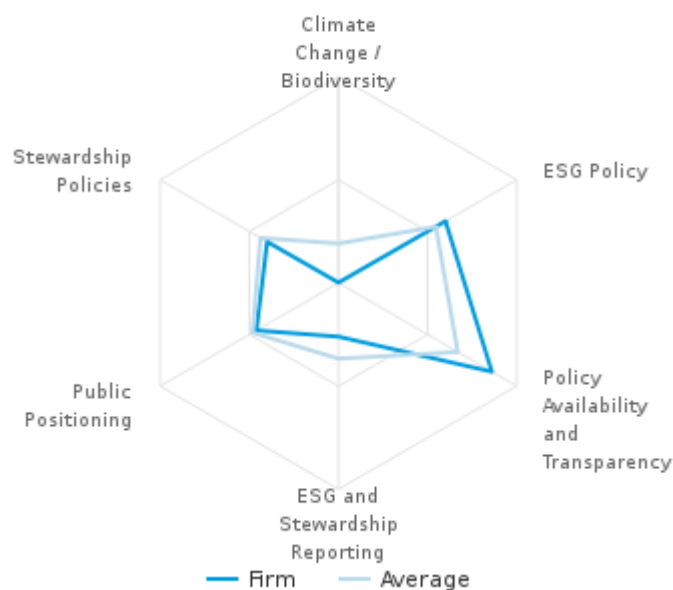
No score.

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	\$1.90m
Fund 12-month net flows	Positive
Distribution model	Internal
Buy/sell spreads	0.30%/0.30%
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 an Australian Unit Trust. The Fund is a long-only, actively managed Australian equities small-cap product. The Manager has a longstanding 'relative value' fundamental investment approach, which aims to invest in companies below the Fund's estimation of 'intrinsic value' with a quality overlay. The Fund is managed in a 'benchmark unaware' fashion with an expected tracking error range of between 5% to 9% p.a. The Fund is permitted to hold up to 10% in cash, however, it will typically be nearly fully invested over the cycle.

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 small-cap stocks. Hence, it is not considered to be operationally challenging to implement.

Wind-up Risks

The wind-up risk for the Fund is moderately high given the current low level of assets under management. However, the support from the well-resourced Yarra distribution network reduces this risk, somewhat.

Fees

Annual Fees and Costs (% p.a.)

Management fees & costs	0.90
Performance fee costs	0.76
Net Transaction Costs	0.00
Buy/Sell Spread	0.30/0.30
Annual fees and costs	1.66

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

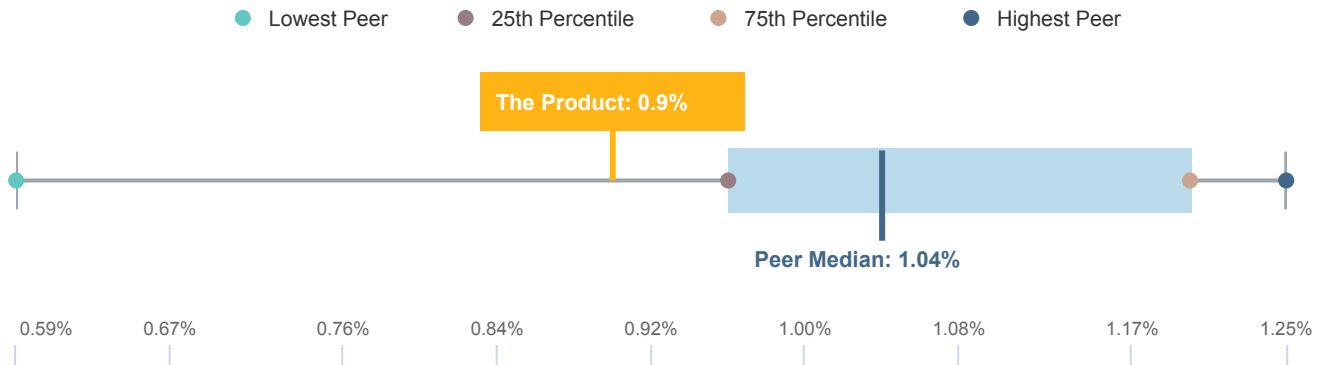
Performance Fees

Applicable	Yes
Hurdle type	Benchmark Relative
Hurdle	Outperform the benchmark net of fees
Rate	20%
Fee capping	No
High watermark	Yes
Above high watermark	No
Reset Allowed	No

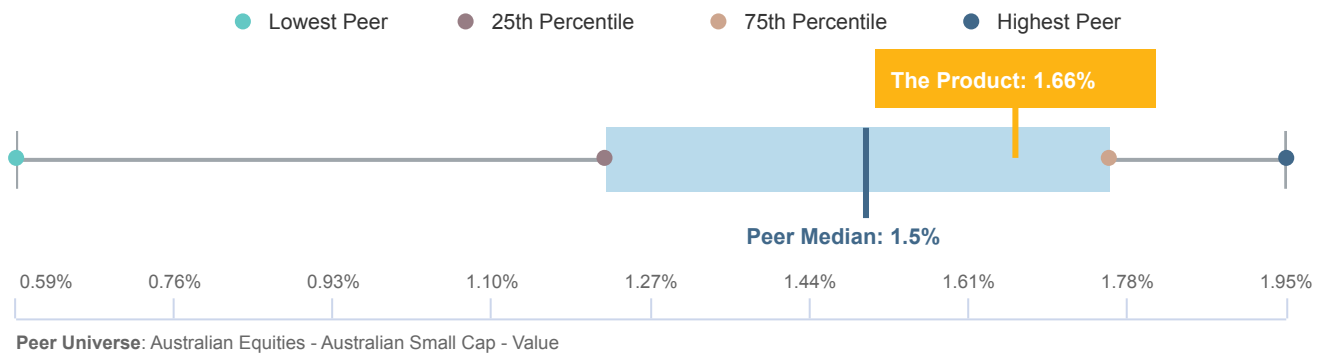
Fees Explained

The Manager charges management fees and costs of 0.90% p.a. The Fund also charges a performance fee of 20% on net outperformance of the Index. The performance fee is calculated and accrued daily but paid at the end of each quarter. This fee is subject to a high watermark which cannot be reset by the Manager.

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 higher than the peer median; however, it is worth noting that the management fee of 0.90% per annum is below the peer median, with the fee load impacted by an estimated performance fee charge.

Fairness

The product's annual fees and costs ('AFC') are reasonable when considering the opportunity set and delivery of highly idiosyncratic alpha. The performance fee is believed to be reasonably structured.

Performance data is as at 30 June 2024

Performance



Performance Summary

PDS return objective	The Fund aims to outperform the Benchmark over the long term before fees, expenses and tax
Internal return objective	Outperform the S&P/ASX Small Ordinaries Accumulation Index by 3-5% p.a. before fees over rolling five year periods
Internal risk objective	Tracking Error is expected to be within 5-9% p.a.
Product benchmark	S&P/ASX Small Ordinaries TR Index AUD
Lonsec peer group	Value

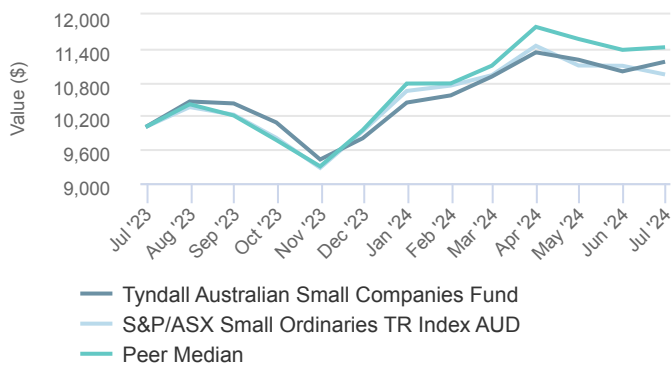
Alpha Generation

Since the Fund's inception in March 2023, a longer track record will be needed to build greater confidence in its performance. However, the one-year performance through June 2024, which outperformed the benchmark by 2.3%, was in line with its objective targets.

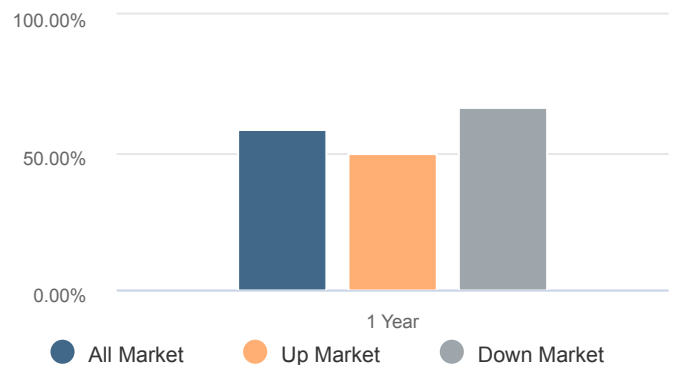
Alpha Consistency

Given the Fund's inception in March 2023, a longer track record will be needed to build stronger conviction. So far, the Fund has performed slightly better in down markets than in up markets.

Growth of \$10,000 Over 1 Year



Returns Consistency



Performance data is as at 30 June 2024

Performance *(continued)*



Benchmark Relativity

With a Fund inception of March 2023, a longer track record will be sought to gain greater conviction. To date, the Fund's activeness is slightly below the peer median.

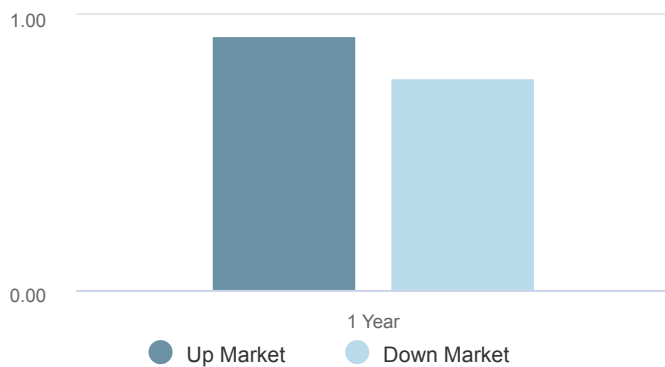
Return Volatility

With a Fund inception of March 2023, a longer track record will be sought to gain greater conviction. So far, the Fund typically delivers lower volatility than the benchmark.

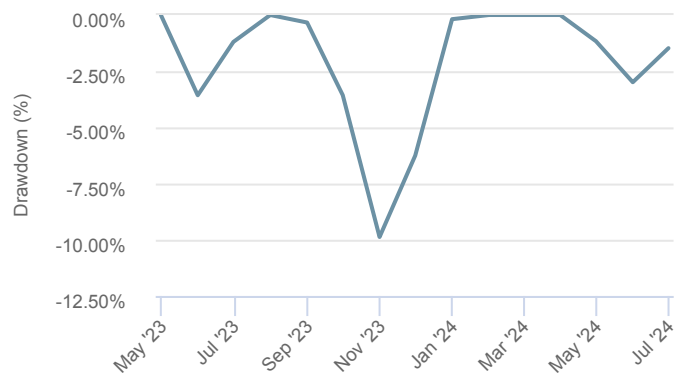
Product Defensiveness

Given the Fund's limited track record, it is difficult to comment on its defensive profile, however, since inception, the Fund has tracked in line with the benchmark.

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

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.

Lonsec Holdings has appointed Australian Retirement Trust Pty Ltd ABN 88 010 720 840, AFSL 228975 as the provider of default superannuation services to its Group employees. Lonsec Holdings appointment of Australian Retirement Trust is not an endorsement of, or opinion on, the Fund.

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

This FSG was prepared on 1 August 2024.