

## DSM Global Growth Equity Fund – Retail Class

ETL0410AU Author: Hong Hon Published: 10 May 2024

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

Refer to glossary for definition of the rating

### Product Review

#### About this Product

Investment manager	DSM Capital Partners, LLC
Benchmark	MSCI AC World TR Index AUD
Product structure	Managed Fund
Product size	\$7.18m
Inception date	Feb 2021
Asset class	Global Equities
Sector	Global Large Cap
Peer group	Fundamental Growth
Rated peers	55

#### Product Characteristics

Business Life Cycle	Growing
Product Wind-Up Risk	High
Key Person Risk	Medium
Tenure of Decision Makers	Medium
Complex (RG240)	No
Strategy Remaining Capacity	US\$20bn
ESG Approach	Stewardship
Peer Relative Fees and Costs	In line with median

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

Management fees & costs	0.99
Performance fee costs	0.00
Net Transaction Costs	0.06
Buy/Sell Spread	0.10/0.10
<b>Annual fees and costs</b>	<b>1.05</b>

Source: FE fundinfo

#### Strengths

- Founder-led firm owned by the investment team and staff, which offers strong alignment with investors.
- Highly experienced and tenured investment team with a collegiate and inclusive culture, led by a seasoned CIO who co-founded the firm.
- Well-established and robust investment philosophy and process, and the underlying strategy of the Fund has delivered strong returns since inception.

#### Weaknesses

- Risk constraints are very broad with regards to individual holdings and sector exposures.
- Strategy can be susceptible to deeper drawdowns than some peers given its high growth and concentrated investment approach.
- Team departures has been elevated in recent years, albeit appear to have stabilised.
- While wind-up risk remains relatively elevated due to fund size, the Manager has recently made a co-investment into the Fund to demonstrate its ongoing commitment to the Fund and Australian market.

### Product Opinion

The Fund's 'Investment Grade' rating has been maintained. The team managing the Fund is considered well-sized for the investment process and boasts solid experience levels with notable tenure and alignment via firm equity. The investment process is also robust for a concentrated portfolio. However, portfolio risk management could be strengthened to better manage idiosyncratic risk given the heightened concentration in high-conviction positions. Also weighing on conviction are the elevated team departures in recent years and relatively elevated wind-up risk.

#### 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 provide investors with sustainable growth in capital over the long-term by focusing on quality growth companies with attractive valuations
Internal return objective	To outperform the Benchmark by 2-5% p.a. (before fees) over rolling three to five-year periods
Internal risk objective	No stated risk objective
Non-financial objective	None

#### Asset Allocation (%)

International Equities	99.1
Cash	0.9
<b>Total</b>	<b>100.0</b>

Source: FE fundinfo

#### Rating History

02-May-2023	Investment Grade
14-Apr-2022	Recommended
29-Jun-2021	Recommended

#### Product Distribution Profile

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

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

	Weight (%)
Microsoft Corporation	8.7
NVIDIA Corporation	6.1
ASML Holding NV	4.6
Adobe Incorporated	4.5
Amazon.com, Inc.	4.4
Visa Inc. Class A	4.4
Alphabet Inc. Class A	4.1
Intuit Inc.	4.0
Evolution AB	3.8
Accenture Plc Class A	3.7

Source: FE fundinfo

#### Target Market Determination

Produced by issuer	Yes
Provided to Lonsec	Yes

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

	1 Year	Median	2 Year	Median	3 Year	Median	5 Year	Median
Performance (% p.a)	8.88	11.38	-6.92	-2.48	-	5.64	-	10.43
Standard deviation	14.85	12.64	15.76	14.48	-	13.92	-	13.46
Excess return (% p.a)	-3.28	-0.35	-9.85	-5.20	-	-5.48	-	-0.19
Outperformance ratio (% p.a)	50.00	41.67	37.50	41.67	-	41.67	-	50.00
Worst drawdown (%)	-7.12	-6.45	-25.68	-22.84	-	-22.96	-	-23.06
Time to recovery (mths)	NR	3	NR	NR	-	-	-	12
Sharpe ratio	0.35	0.65	-0.58	-0.31	-	0.29	-	0.68
Information ratio	-0.45	-0.02	-1.46	-0.79	-	-0.76	-	-0.03
Tracking error (% p.a)	7.38	5.58	6.76	6.20	-	6.78	-	6.23

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

**Product Benchmark:** MSCI AC World TR Index AUD

**Cash Benchmark:** Bloomberg AusBond Bank Bill Index AUD

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

### Business



#### Facts

Investment Manager	DSM Capital Partners, LLC
Ultimate Parent Company	100% owned by current employees and founding partners
Headquarters	Palm Beach Gardens, US
Inception Date	Mar 2001
% Staff Ownership	>50%

#### Governance

% Independent board members	0
% Female board members	13
Independent chair	No
CEO as Chair	No
Seperate Audit Committee	Yes

#### Who is the Manager?

Mantis Funds Pty Ltd ('Mantis') is the investment manager of the Fund. Mantis was founded in 2020 and provides investment managers with distribution, marketing, product, operational and compliance services. Mantis has appointed DSM Capital Partners LLC ('DSM' or 'the Manager') as the sub-investment manager, who has day-to-day responsibility for the management of the Fund. DSM was appointed on 9 February 2021 and replaced the Fund's previous global small-cap strategy.

DSM is a profitable boutique manager, founded in 2001 specialising in US and global equities. The firm has always been and remains 100% founder and employee-owned. As of 30 June 2023, DSM had US\$6.4bn in assets under management ('AUM'). The firm expanded beyond its US-focused roots in 2009 with its maiden global equities offering and has since expanded into adjacent regional and income-orientated strategies. The core investment business is supported by dedicated resources such as business, legal and distribution.

### Lonsec Opinion

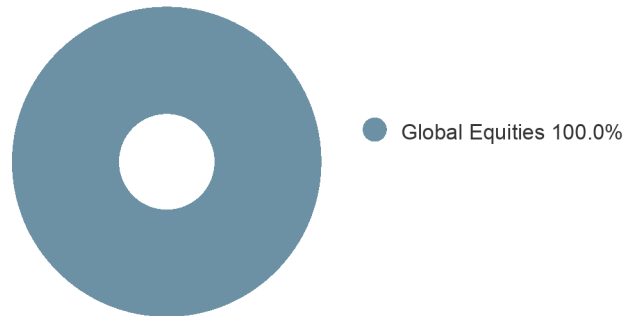
#### Profitability

DSM is a profitable boutique manager with US\$6.4bn in AUM, the majority of which is in the Manager's US Large Cap Growth strategy. However, AUM has been in outflows in recent years and there is some client concentration risk.

#### Business Track record

The firm has experienced steady AUM growth since its inception, which peaked in 2021 at over US\$10bn. Since then, AUM has declined to the current US\$6.4bn, driven largely by market movements and some client redemptions. A return to growth would be viewed favourably.

#### AUM



#### Metrics

Total AUM	\$10.7bn
Investment Management Headcount	23
Investment Professionals	9
Sales & Service	4
Distributor	Clearway Capital Solutions

#### Business Ownership

There is a strong 'boutique' culture, with the co-founders owning 60% of the firm equity and other employees owning the remaining 40%, including 28% owned by the investment team. Pleasingly, since the retirement of one of the co-founders in 2020, there have been efforts to enhance the equity structure amongst all employees.

#### Business Governance

Governance is in line with 'boutique' peers with a reasonable governance framework in place and no recent regulatory findings. However, five of the eight-member board are also members of the investment team, which may give rise to conflicts between their business and investment responsibilities.

### Team



#### Key Decision Makers (KDM)

	Primary function	Dedicated to strategy	Appointed to strategy	Industry/Mgr exp. (yrs)	Exp. in PM roles (yrs)
Daniel Strickberger	CIO	Yes	2011	42/22	42
David McVey	Deputy CIO	Yes	2011	27/22	27
Eric Woodworth	Deputy CIO	Yes	2011	22/22	22

#### KDM Change\*

	Function	Change	Type	Tenure (yrs)	Date of change
Kenneth Yang	CIO	Departed	Exit	7	Oct 2021

\* Last 3 years

#### Profile

Size	9
Structure	Centralised
Turnover	Low

#### Alignment

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

#### Resources

	Number	Average Years Experience
Key decision makers	3	30.33
Portfolio Managers		
Hybrid portfolio manager/analysts		
Dedicated analysts		
Dedicated dealers		
Quantitative		
ESG/Sustainability		
Macro		
Investment Specialists		

#### Who is the Team?

The investment team of nine professionals is considered well-sized. Managing Partner and CIO, Daniel Strickberger, leads the team and has significant experience boasting over 42 years in the industry, having held senior investment leadership positions at AllianceBernstein (formerly W.P. Stewart) and Lazard Asset Management before co-founding DSM. Primarily supporting Strickberger are Deputy CIOs, David McVey and Eric Woodworth, who are both highly experienced investors with over 27 and 22 years in the industry, respectively. Four of the nine including Strickberger have been with the firm since or near its inception. The team on average has meaningful industry experience and tenure and has been gradually added to as the breadth of products and AUM have increased.



## Lonsec Opinion

### Skill

Strickberger is considered a highly experienced and capable investor. Similarly, both McVey and Woodworth are considered capable investors and bring complementary skills to their roles. The three are well-aligned with the investment approach having been with the firm since its inception. However, stock selection has been mixed and insights are considered on par with peers.

### Team Size

Team size is considered appropriate to the investment philosophy, breadth of the opportunity set and concentrated nature of the portfolio (approximately 60 stocks actively researched across the firm). The relative compactness of the team also allows for a flat hierarchical structure, and the Manager's model is for combined analyst/portfolio manager roles with industry-based coverage.

### Track Record/Co-Tenure

While the extensive co-tenure of the senior investment team members is viewed positively, the departures since 2020 have been a key watchpoint with the most recent in early 2023. Notably, the Manager entered a period of generational change with one of its two co-founders retiring in 2020, albeit they were not involved in the investment process. Strickberger as the second co-founder remains involved with his investing responsibilities and has committed to remain with the firm until the end of 2025. The Manager responded to this period of transition thoughtfully by broadening investment decision-making and succession planning. McVey and Kenneth Yang were appointed Deputy CIOs from within the investment team to gain extra leadership experience and additional client exposure. These appointments were effective from September 2020, with the choice of Deputy CIOs designed to aid flexibility and reduce key person risk. However, Yang resigned in October 2021, which is considered a loss for the team. His responsibilities have been assumed by Woodworth.

### Alignment

Most of the team are equity holders and share in the firm's profitability, which should enhance their alignment with investors, dependent on the size of their holding. The net profits of the firm are distributed quarterly due to the partnership-like structure of the firm. The short frequency is unusual compared to peers. This forms part of the remuneration package, which includes a base salary and annual bonus potential.

### Key Person Risk

Key person risk is considered moderate, reflecting decision making being centred around Strickberger, though both McVey and Woodworth also have votes during decision making. Furthermore, it will be highly unlikely for Strickberger to depart from the firm outside of retiring given his tenure, founder status and equity holding.

### Process



#### What is the Investment Process?

The DSM Global Growth Equity Fund – Retail Class ('the Fund') is an actively managed global equities product. The strategy seeks to achieve capital appreciation by targeting high-quality growth companies across developed and emerging markets. The Manager applies a consistent 'quality / growth' philosophy and process to identify companies that can consistently grow their earnings and are reasonably priced based on the Manager's bottom-up security selection. The concentrated portfolio is expected to hold between 25-50 stocks with broad, absolute risk parameters in place. Mantis is the investment manager of the Fund, and DSM was appointed as the sub-investment manager in February 2021.

### Lonsec Opinion & Supporting Facts

#### Philosophy and Universe

Investment Type	Fundamental
Investment Approach	Bottom-up
Investment Style	Growth
Typical market cap	Large
Minimum market cap	US\$10bn
Available Universe	1,200

DSM adopts a 'growth' oriented philosophy that seeks to identify companies with predictable growth at reasonable valuations. Relative to peers, DSM's valuation approach is more pronounced and avoids 'bubble valuations' that some growth managers may embrace. DSM's broad based research process can result in the portfolio to be opportunistically invested in such areas as healthcare, payments, software, technology, internet services or, through 2021, China. The Manager defines quality as predictability, which leads it to focus on companies that are high return on equity and asset businesses that are asset light and can generate significant free cash flow with modest amounts of debt.

#### Research Process

Key screens	Balance Sheet, Earnings, Liquidity, Market Cap
Screened universe	400-500
Idea generation	Analyst research, Investment universe screens/filter, Meetings with company management, Expert networks, Conferences
Stocks researched	80
Annual manager meetings	300
Key research inputs	Financial statements, Company meetings, ESG inputs
Primary valuation approach	Price to earnings

The 'quality / growth' philosophy is expected to generate notable sector and regional tilts as secular growth trends are identified. While there is no standardised screening mechanism, analysts will develop their screens as needed, which is viewed as being on par with peers but highly dependent on the individual experience of analysts. The research process is traditional and similar to many fundamental bottom-up driven approaches employed by peers, which includes meeting with company representatives, peers and/or competitors to perform a 360-degree analysis, and coalescing views into proprietary financial forecasts. While sell-side research may be used, third-party inputs tend to be mainly from expert networks where the Manager seeks to build knowledge quickly or gain more depth. Valuation is an important feature of the research process, and analysts must prepare proprietary earnings models and forecast earnings per share. Price to earnings is used as the default valuation metric and there generally must be at least a 10% discount in the price for a stock to be considered eligible. Analysts are also required to provide a worst-case scenario to help frame expectations.

### Process (continued)



#### Portfolio Construction

Portfolio management structure	CIO and Deputy CIO majority decision
Approach to benchmark	Benchmark Agnostic
Typical security numbers	30
Typical securities range	25-50
Typical portfolio turnover p.a.	45
Typical active share	85

Decision-making ultimately rests with the CIO and Deputy CIO through a majority vote amongst the three. Portfolio construction is bottom-up-led, although top-down considerations are expected to feature when considering the relative prospects between sectors and regions. Notably, the Deputy CIOs are also involved in the deliberations, which is positive for succession planning as it aids closer sharing of thought processes. The portfolio is concentrated and exhibits low name turnover. The Manager will ease into new positions as confidence and conviction build, which is regarded as a pragmatic and common-sense approach. However, this also translates into a significant tolerance for high individual stock positions, consistent with the concentrated approach.

#### Capacity Management

Capacity guidance	US\$20bn
Strategy AUM	US\$656m
Portfolio liquidity (1 week)	100%
Substantial holdings by manager	None
Strategy previously closed	None

Capacity for the Manager's global equities strategies is estimated at US\$20bn. As at 30 June 2023, the Manager had US\$6.4bn in AUM, of which approximately US\$656m was in global equities. Thus, there remains ample headroom for AUM growth.

#### Investment Risk Management

Monitoring external to investment team	Yes
Frequency of monitoring	Daily
Primary risk management system	Barra
Security Limits (Min./Max.)	Maximum 12% (Absolute)
Sector Limits (Min./Max.)	Maximum 40% (Absolute)
Country Limits (Min./Max.)	US: Maximum 60% / Europe ex-UK: Maximum 50%
Non-index Allocation (Typical, Max.)	0%, 15%
Cash Allocation (Typical, Max.)	1%, 5%

Risk management is viewed as reasonable with bottom-up stock knowledge the key driver. There are portfolio constraints with sector and region limits, although these are very broad. Concerning sectors, there is an additional requirement for at least five GICS sectors to be represented in the portfolio, which is regarded as being consistent with a concentrated strategy. There was also an emphasis on the liquidity and size profile of names. While these characteristics may be useful guideposts, large and liquid names can also be exposed to significant idiosyncratic risk. While the Manager does not have a separate investment risk department, which is typical of many boutique firms, mandate compliance is monitored separately from the investment team and there is a Risk Committee, which regularly considers the portfolio's positioning and fundamental risks. The Risk Committee comprises members from the investment team, trading desk, and COO, intentionally excluding the CIO. While the Risk Committee is seen as a crucial control over the CIO's discretion, it includes several investment team members, including both of the Deputy CIOs who report to the CIO. Therefore, greater separation of duties would be preferred.



### ESG



#### Manager Positioning

Responsible investment style	ESG Integration
ESG approach	Stewardship
Sustainability thematic	General Sustainability or Impact
Non-financial objective	None

#### Sustainability Score

No score.

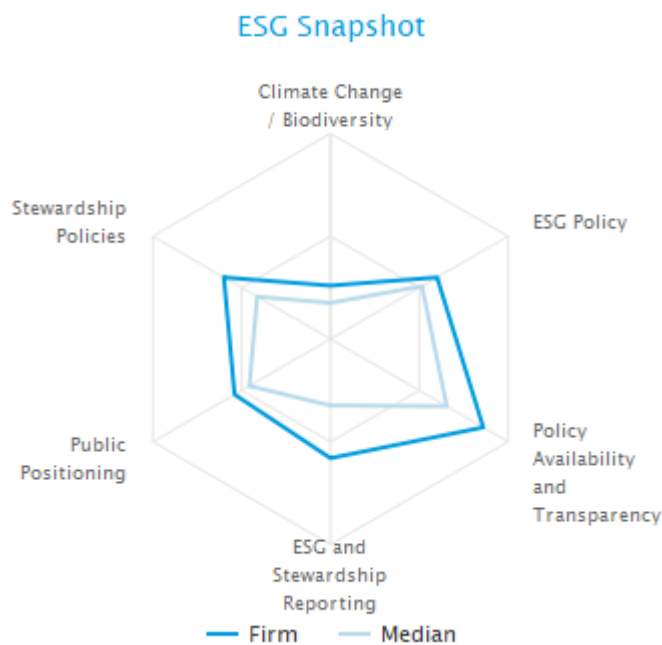
#### What is the Manager's ESG approach?

The Manager has indicated that their Responsible Investment style is 'Sustainability'. This ESG review is not a measure of the sustainability the companies in the portfolio but is an assessment of the process the Manager undertakes to assess the degree to which ESG factors are considered when assessing investment opportunities. With a primary ESG style of 'Filters or Screens', the Manager is likely using predetermined rules to either include or exclude companies from their investable universe. They may undertake further ESG analysis or use these screens as the sole ESG measure.

## Lonsec Opinion & Supporting Facts

#### Overview

ESG Process Score Mod



#### Product Level Approach

The Manager is sourcing data from external ESG data providers and utilise the ESG scores and underlying data in their investment approach. There are clear signs of defined ESG elements within the research process for the Fund. Transparency on the transmission from research to portfolio construction is limited. While ESG risks are reflected at the point of investment, there is no clear portfolio level ESG monitoring or management, with all activity focused on individual stocks. The Manager demonstrated a clear engagement program and structured approach. Engagements are documented and tracked.

#### 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 of the product does not apply and thus a risk of misalignment scores is not applicable

#### Manager Level Approach

The Manager has made clear forward steps in its overall ESG approach in the last year. The Manager has indicated a commitment to integrating ESG within their investment process with evidence of public positioning and policy framework. Updated ESG and proxy voting policies are freely available on the firm's website. New voting policies now include reference to ESG issues and a new Stewardship Report provides improved disclosure of a broader stewardship approach. The Manager has pleasingly published reporting on voting outcomes and rationales that is considered to be in line with peers.



### Product



#### Service Providers

Responsible entity	Equity Trustees Limited
Investment manager	Mantis Funds Pty Ltd
Sub-investment manager	Mantis Funds Pty Ltd
Custodian	Apex Fund Services
Administrator	Apex Fund Services
Fund Auditor	KPMG
Change in Key Providers? (Over last 12 months )	Yes

#### What is the Product Structure?

The product is structured as a vanilla Australian-domiciled unit trust that predominately invests in large-cap listed global equities and is currency unhedged. Equity Trustees are the Responsible Entity ('RE') of the product.

Over the past 12 months, the Fund's Custodian and Administrator changed from State Street to Apex Fund Services.

### Lonsec Opinion

#### Service Providers

Service providers are all external third parties and are considered 'tier 1' with no material adverse findings in the past 12 months. This positive view extends to the RE.

#### Operational 'Red Flags'

The Fund is a relatively straightforward listed global equities strategy focusing on large-cap companies. While there are no significant operational challenges expected in managing the Fund, it may occasionally have meaningful exposure to emerging markets, which could present potential liquidity challenges.

#### Product Details

Product size	\$7.18m
Fund 12-month net flows	Positive
Distribution model	External
Buy/sell spreads	0.10%/0.10%
Investment structure	Direct
Product type	Registered Managed Investment Scheme (Unitised)
Currency hedged	Unhedged
Use of derivatives	No

#### Wind-up Risks

The Fund has struggled to attract inflows since DSM was appointed as sub-investment manager in 2021 and as at 31 July 2023, the Fund had approximately \$7.2m.

While wind-up risk remains relatively elevated for the local unit trust, the recent co-investment by the Manager of approximately US\$8m in January 2024 demonstrates its ongoing commitment to the Fund and Australian market, which will assist in reducing wind-up risk.

### Fees

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

Management fees & costs	0.99
Performance fee costs	0.00
Net Transaction Costs	0.06
Buy/Sell Spread	0.10/0.10
<b>Annual fees and costs</b>	<b>1.05</b>

Source: FE fundinfo

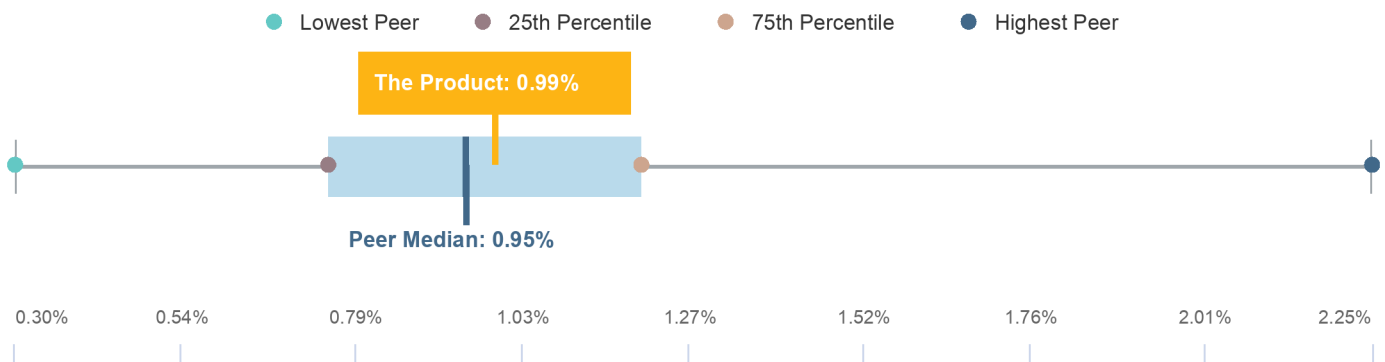
#### Performance Fees

Applicable	No
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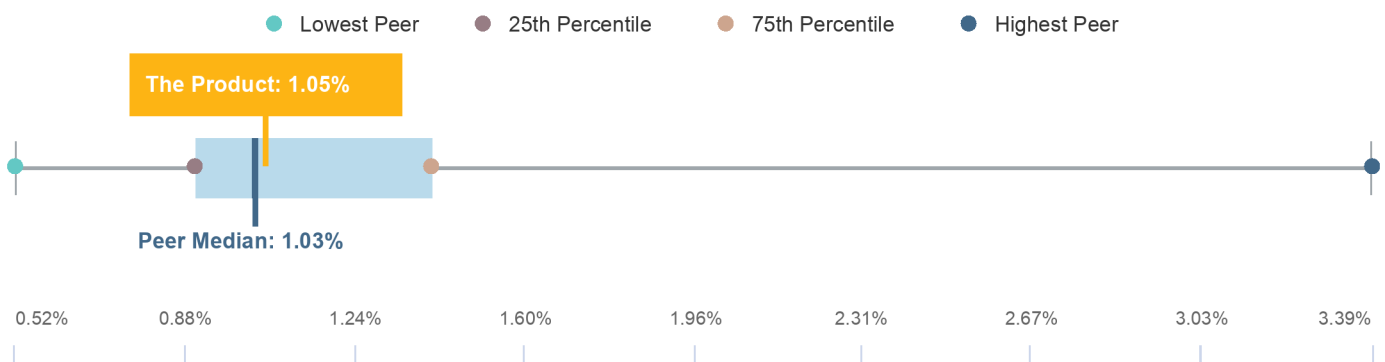
### Fees Explained

The Fund's PDS dated 11 December 2023 disclosed Annual Fees and Costs ('AFC') totalling 1.05% p.a. This value comprises management fees and costs of 0.99% p.a. and net transaction costs of 0.06% p.a. The Fund does not charge a performance fee.

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



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



## Lonsec Opinion

### Annual Fees and Costs

The total fee load for the Fund (AFC of 1.05% p.a.) is considered in line with the peer group average.

### Fairness

The total fee load is considered fair for a long-only, concentrated large-cap strategy. Further, the absence of a performance fee provides investors with certainty.

Performance data is as at 31 October 2023

### Performance

#### Performance Summary

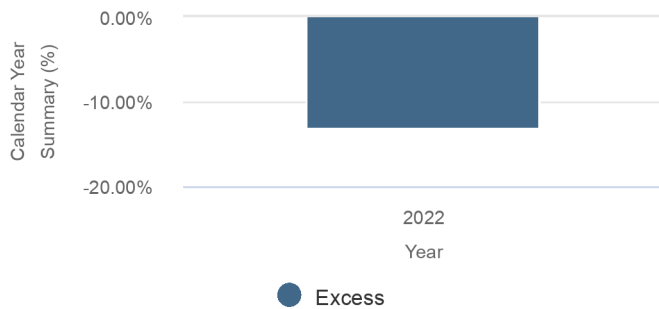
PDS return objective	To provide investors with sustainable growth in capital over the long-term by focusing on quality growth companies with attractive valuations
Internal return objective	To outperform the Benchmark by 2-5% p.a. (before fees) over rolling three to five-year periods
Internal risk objective	No stated risk objective
Product benchmark	MSCI AC World TR Index AUD
Lonsec peer group	Fundamental Growth

#### Alpha Generation

The Fund's track record is limited, as it was established on 9 February 2021. However, the underlying strategy dates back to 1 October 2010. Over the two years to October 2023, the Fund underperformed the benchmark by 9.9% p.a. Recent performance outcomes have been hampered by the Manager's China and information technology exposures and broader 'growth' headwinds.

#### Calendar Year Excess Return

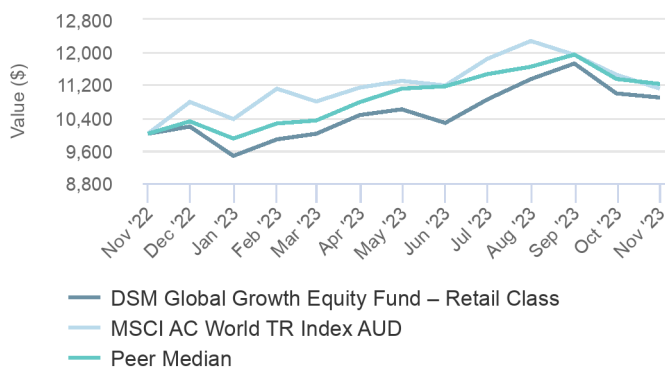
DSM Global Growth Equity Fund – Retail Class vs MSCI AC World TR Index AUD



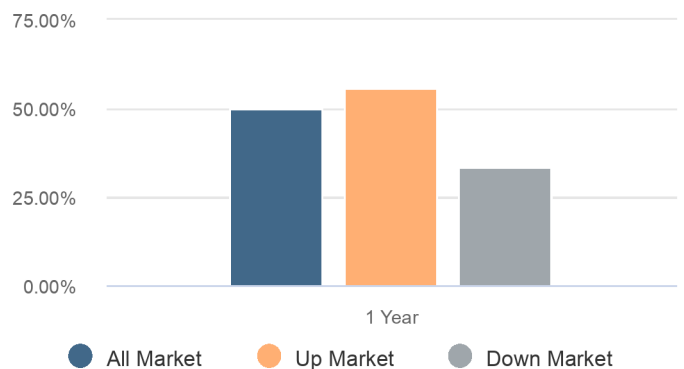
#### Alpha Consistency

Despite the short-term outcomes, the underlying strategy has a track record of generating outperformance in periods where market conditions have been more conducive to the Manager's investment style. Since inception to October 2023, the underlying strategy generated 2% p.a. of alpha, after fees.

#### Growth of \$10,000 Over 1 Year



#### Returns Consistency



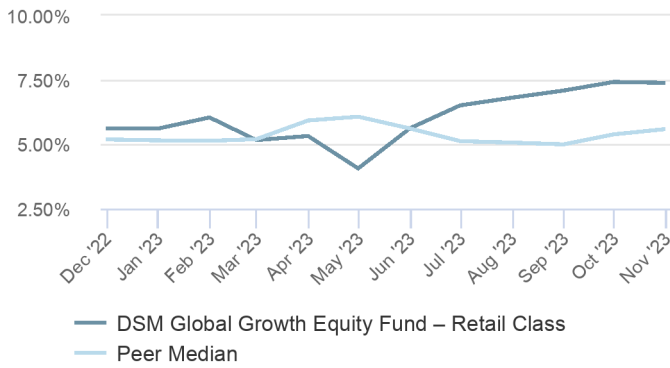
Performance data is as at 31 October 2023

### Performance (continued)

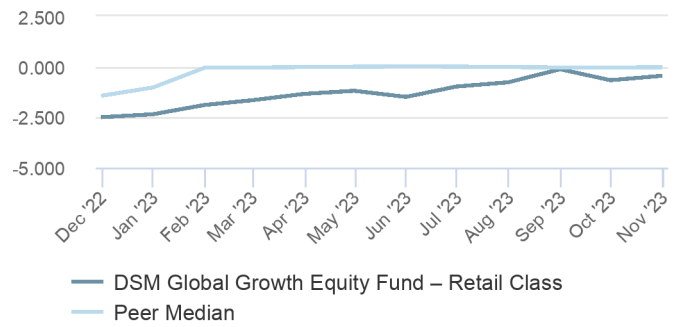
#### Benchmark Relativity

The Fund's tracking error over the two-year period to October 2023 was 6.8%, which was in line with peers and demonstrates a reasonable degree of activeness. This is further evident in the fund maintaining an active share of 80% or higher.

##### 1 Year Rolling Tracking Error Over 1 Year



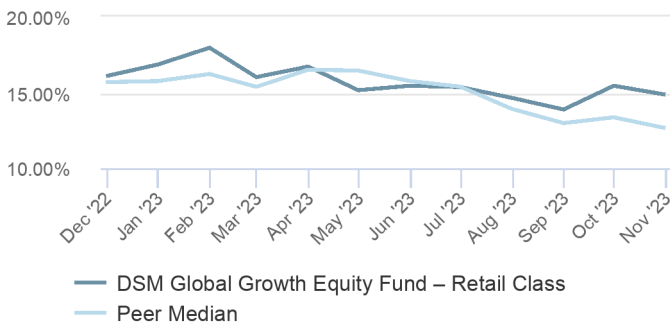
##### 1 Year Rolling Information Ratio Over 1 Year



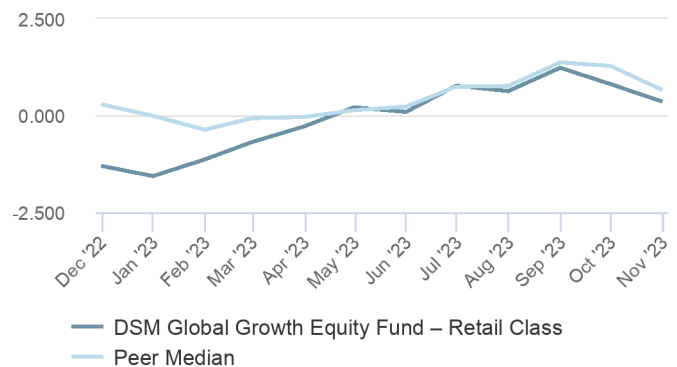
#### Return Volatility

The Fund's standard deviation typically exceeds its peers, primarily due to its growth investment style and focused approach. This, combined with its notable underperformance in the two years to October 2023, has led to the Fund's Sharpe Ratio trailing behind its peers, indicating less favourable risk-adjusted returns. This pattern continued over the shorter 12-month period.

##### 1 Year Rolling Standard Deviation Over 1 Year



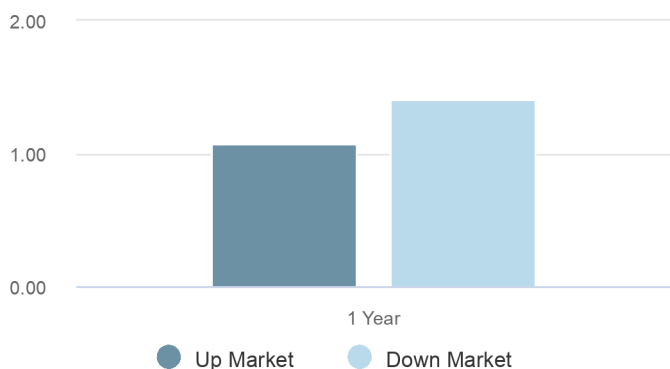
##### 1 Year Rolling Sharpe Over 1 Year



#### Product Defensiveness

Despite the Fund's greater valuation awareness, downside protection has been poor mainly reflecting its growth investment style. In 2022, the Fund experienced a significant drawdown, in line with what was observed across its peer group. However, the Fund has not yet recovered from this decline.

##### 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

#### Lonsec Research

9 June 2023

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

### 1.1 What is a Financial Services Guide?

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

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

### 1.2 About Lonsec Research and its related parties

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

### Contact Details

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[www.lonsec.com.au](http://www.lonsec.com.au)

### 1.3 What kind of financial services can Lonsec Research provide?

Lonsec Research is authorised under its Australian Financial Services Licence to provide general financial product advice to retail and wholesale clients on the following types of financial products:

- securities
- deposit and payment products limited to basic product products
- derivatives
- interests in managed investment schemes including investor directed portfolio services
- superannuation
- retirement savings accounts
- foreign exchange products
- life products including:
- investment life insurance products as well as any products issued by a Registered Life Insurance Company that are backed by one or more of its statutory funds; and
- life risk insurance products as well as any products issued by a Registered Life Insurance Company that are backed by one or more of its statutory funds;

Lonsec Research is also authorised to deal in a financial product by arranging for another person to apply for, acquire, vary, or dispose of the above types of products for or by retail and wholesale clients.

### 1.4 Provision of general advice

Any advice that Lonsec Research provides is of a general nature and does not take into account your personal financial situation, objectives or needs. You should, before acting on the information, consider its appropriateness having regard to your own financial objectives, situation and needs and if appropriate, obtain personal financial advice on the matter from a financial adviser. Before making a decision regarding any financial product, you should obtain and consider a copy of the relevant Product Disclosure Statement or offer document from the financial product issuer.

### 1.5 How Lonsec Research is paid

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 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.



## Lonsec Research FSG (continued)

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### 1.6 How do we manage our compensation arrangements?

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

### 1.7 What should you do if you have a complaint?

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

#### Complaints Manager

Level 39, 25 Martin Place  
Sydney NSW 2000

Tel: 1300 826 395

Email: [complaints@lonsec.com.au](mailto:complaints@lonsec.com.au)

An individual may request further information about Lonsec Research's internal complaints handling procedure at any time. If an individual is not satisfied with the outcome of their complaint or has not received a response within 30 days from Lonsec Research, the individual can complain to the Australian Financial Complaints Authority (AFCA). AFCA provides an independent dispute resolution service and can be contacted on:

Online: [www.afca.org.au](http://www.afca.org.au)

Email: [info@afca.org.au](mailto:info@afca.org.au)

Phone: 1800 931 678

#### Mail:

Australian Financial Complaints Authority  
GPO Box 3  
Melbourne, Victoria, 3001.

### 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.

Generation Development Group Limited (ACN 087 334 370), a shareholder of Lonsec Holdings, is the parent company of Generation Life Ltd who issue a series of products rated by Lonsec Research. Lonsec Research manages this potential conflict by disclosing to investors accessing our research of Generation Life related products, and implementing our comprehensive ratings process, information barriers and monitoring program. 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.

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This FSG was prepared on 9 June 2023.