



Yarra Income Plus Fund

JBW0016AU Author: Ian Cannon Published: 20 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	Yarra Funds Management Limited
Benchmark	Bloomberg AusBond Bank Bill Index AUD
Product structure	Managed Fund
Product size	\$76.80m
Inception date	Jun 1998
Asset class	Multi-Asset
Sector	Variable Growth Assets
Growth/defensive split	25%/75%
Peer group	Multi-Asset Income
Rated peers	7

Product Characteristics

Business Life Cycle	Growing
Product Wind-Up Risk	Low
Key Person Risk	Low
Tenure of Decision Makers	Medium
Complex (RG240)	No
Strategy Remaining Capacity	No capacity limit
ESG Approach	Minimum Standards
Peer Relative Fees and Costs	Below median

Annual Fees and Costs (% p.a.)

Management fees & costs	0.68
Performance fee costs	0.00
Net Transaction Costs	0.01
Buy/Sell Spread	0.10/0.10
Annual fees and costs	0.69

Source: FE fundinfo

Strengths

- The Manager has demonstrated strong linkages between its portfolio construction process and its investment philosophy and research, particularly its focus on income producing asset classes.
- Strong risk management culture, reflected in the Fund's drawdowns being one of the lowest in the peer group.
- Head of Australian Fixed Income and Co-Portfolio Manager Roy Keenan is considered to be highly experienced and Co-Portfolio Manager Tim Toohey strengthens the team and product offering on the macro-economic front.

Weaknesses

- The co-tenure of Keenan and Toohey is below some multi-asset peers.
- While the Fund's management fees are lower than the peer average, the Fund's fee load is not considered to be overly competitive when considering the actual invested capital with the neutral benchmark having a 40% cash weight.
- The Fund's integration of ESG is not as comprehensive as some leading peers, particularly with regards to engagement.

Product Opinion

The Fund's rating has been upgraded to Recommended at its most recent review. Co-Portfolio Managers Keenan and Toohey are held in high regard and their capacity and experience is considered a strength of the Fund. The investment process is robust, disciplined and backed by the appropriate portfolio and risk management systems. The stability within the team and structure is viewed positively. Relative to leading peers, the co-tenure of Keenan and Toohey is low, and the relatively low fee may not be competitive when considering the high neutral cash allocation.

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 regular income and to achieve medium term capital growth with the aim to outperform the Bloomberg AusBond Bank Bill Index over rolling three-year period.
Internal return objective	Excess return of Cash +2% p.a., net of fees, over three to five years.
Internal risk objective	Standard deviation between 2-4% p.a. over rolling three years.
Non-financial objective	N/A

Asset Allocation (%)

	SAA Benchmark %	Min %	Max %	Current Allocation %
Australian Equities	0.00	N/A	N/A	0.00
International Equities	0.00	N/A	N/A	0.00
Listed Property	15.00	N/A	N/A	8.90
Unlisted Property	0.00	N/A	N/A	0.00
Australian Fixed Interest	45.00	N/A	N/A	60.80
International Fixed Interest	0.00	N/A	N/A	0.00
Alternatives/Other	0.00	N/A	N/A	0.00
Cash	40.00	N/A	N/A	23.40
Other	15.00	N/A	N/A	6.90
Total				100.00

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

	1 Year	Median	2 Year	Median	3 Year	Median	5 Year	Median
Performance (% p.a)	3.29	3.29	0.76	-0.19	1.82	2.98	2.25	3.16
Standard deviation	3.62	5.18	3.89	5.75	3.49	5.36	4.59	6.08
Excess return (% p.a)	-0.37	-1.75	-1.44	-3.19	0.35	-1.24	0.94	0.46
Outperformance ratio (% p.a)	41.67	41.67	37.50	37.50	47.22	47.22	58.33	56.67
Worst drawdown (%)	-1.88	-2.61	-4.61	-5.46	-4.61	-5.94	-7.84	-9.80
Time to recovery (mths)	NR	NR	6	13	6	NR	15	8
Sharpe ratio	-0.10	-0.10	-0.37	-0.37	0.10	0.30	0.20	0.22
Information ratio	-0.10	-0.52	-0.38	-0.99	0.10	-0.39	0.20	0.13
Tracking error (% p.a)	3.65	5.19	3.83	5.85	3.49	5.56	4.59	6.37

Lonsec Peer Group: Multi-Asset - Variable Growth Assets - Multi-Asset Income

Product Benchmark: Bloomberg AusBond Bank Bill Index AUD

Cash Benchmark: Bloomberg AusBond Bank Bill Index AUD

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

Product Distribution Profile

Frequency	Quarterly
Last Missed Distribution	N/A
AMIT Election	Yes
TOFA Election	Yes

Rating History

20-Apr-2023	Investment Grade
06-Apr-2022	Investment Grade
09-Apr-2021	Investment Grade

Target Market Determination

Produced by issuer	Yes
Provided to Lonsec	Yes

Business



Facts

Investment Manager	Yarra Funds Management Limited
Ultimate Parent Company	Yarra Capital Management Limited
Headquarters	Melbourne
% Staff Ownership	20-50%
Inception Date	Apr 2017

Governance

% Independent board members	50
% Female board members	50
Independent chair	Yes
CEO as Chair	No
Separate Audit Committee	Yes

Who is the Manager?

Yarra Funds Management Limited ('Yarra') is the Manager of the Fund. Yarra is part of Yarra Capital Management Limited, which was established in 2017 following the management buyout of Goldman Sachs Asset Management Australia's domestically focused investment capabilities with the backing of TA Associates ('TA'). Funds under management stands at \$20.1 billion as of September 2023.

In April 2021, Yarra Capital Management Limited acquired Nikko Asset Management's ('Nikko AM') Australia business. Yarra is 40% owned by TA, 40% owned by staff, with the remaining 20% owned by Nikko AM.

Lonsec Opinion

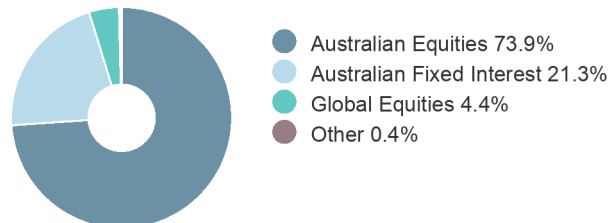
Profitability

Yarra is an established boutique stand-alone investment manager with \$20.1bn in AUM.

Business Track record

Established in 2017, Yarra has a moderate track record with steady AUM. A longer track record exists when considering the teams and ownership prior to the establishment of Yarra.

AUM



Metrics

Investment Management Headcount	86
Investment Professionals	40
Sales & Service	11
Distributor	Internal
Total AUM	\$20.1bn

Business Ownership

Yarra demonstrates a strong boutique culture. Staff own between 40% of equity in the parent company, which is viewed favourably.

Business Governance

Governance framework is good and considered above average for boutiques of similar size. The Board includes two non-executive members, including the Chair. No regulatory findings or none in recent history at the corporate level and there are no reputational issues.

Team



Key Decision Makers (KDM)

	Primary function	Dedicated to strategy	Appointed to strategy	Industry/Mgr exp. (yrs)	Exp. in PM roles (yrs)
Roy Keenan	Portfolio management	Yes	2003	37/31	30
Tim Toohey	Portfolio management	Yes	2019	30/4	16

KDM Change*

No changes.

* Last 3 years

Profile

Size	15
Structure	Decentralised
Turnover	Medium

Alignment

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

Resources

	Number	Average Years Experience
Key decision makers	2	33
Portfolio Managers	7	28
Hybrid portfolio manager/ analysts		
Dedicated analysts	6	7
Dedicated dealers		
Quantitative		
ESG/Sustainability		
Macro		
Investment Specialists		

Who is the Team?

The Fund's Co-Portfolio Managers are Roy Keenan, Head of Australian Fixed Income, and Tim Toohey, Head of Macro and Strategy. Keenan and Toohey have dedicated multi-asset support from Charl Marais, and also draw upon the resources of the Fixed Income team of nine, with an average 22 years' experience. The Equities team of 14, with an average years' experience of 19 years, are responsible for providing the Fund's exposures to Real Assets.

The Multi Asset Allocation Committee ('MAAC') drives the tactical allocation process and comprises of ten members, including Toohey as Chair, Keenan, multi-asset specialist Marais, credit specialists Phillip Strano and Tina Everist, fixed income specialists Darren Langer and Jessica Ren, and equities specialists Dion Hershman, Marcus Ryan, and Edward Waller.



Lonsec Opinion

Skill

There is moderate to high evidence of demonstrable skill supported by consistent/persistent meeting of investment objectives through the cycle. The Multi-Asset Allocation Committee is diverse and made up of seasoned investment professionals with an average industry experience of 24 years. While there is limited dedicated multi-asset experience within the team, given the fixed income focus of the Fund, the capability and experience are commensurate with the investment philosophy and process.

Team Size

The investment team consists of 26 members, predominantly focused on fixed income and equities with dedicated multi-asset resources arguably limited to Toohey and Marais. While some multi-asset peers may have larger dedicated multi-asset resources, the broader team's size and diverse range of expertise is considered positively, as is the Multi-Asset Allocation Committee.

Track Record/Co-Tenure

The track record of the broader investment team is viewed positively, particularly given Keenan's involvement in the strategy since 2003. The co-tenure of Keenan and Toohey, as key decision makers, is four years, which is below some multi-asset peers.

Alignment

The alignment of interest between the investment team and investors is observed to be strong, with senior members of the team owning equity, owning 40% of the parent company. Individual asset class managers take ownership of their respective sleeves, and the remuneration structure recognises the contribution to the Fund.

Key Person Risk

Key person risk for the Fund is centred around Keenan and, less-so, Toohey. This risk is somewhat mitigated with the alignment structures in place.

Process



What is the Investment Process?

The Fund seeks to provide regular income and medium-term capital growth through exposure to income generating securities which include cash, Australian fixed interest, domestic high yield, loans, asset backed securities, property, infrastructure securities, other ASX listed income securities/hybrids.

The Fund's strategy is managed via a top-down multi-strategy approach that invests across fixed income and income generating sectors which have historically exhibited a low correlation of returns. The Fund's strategy relies on a combination of SAA and TAA, as well as the stock selection within the underlying asset exposures.

The Fund is managed with explicit risk objectives of maintaining similar volatility to the Bloomberg AusBond Composite Bond Index of around 2.0% to 4.0% p.a. over rolling periods and to preserve capital. The Fund uses an optimised asset mix designed to exhibit low to medium volatility. The Fund's expected volatility is managed by actively varying its exposure to the permitted asset classes.

Lonsec Opinion & Supporting Facts

Philosophy and Universe

Investment Style	Income
Asset Allocation Approach	SAA, TAA
Sector Exposure	Active
Available Universe	Cash, direct securities

The Manager's investment philosophy and approach has fixed income at its core, which aligns with the objective of delivering regular and stable income within a range of volatility akin to fixed income markets. The Fund's growth allocation is also focused on income producing sectors such as infrastructure and utilities. The Manager has adhered to its philosophy through the cycle, notably retaining a meaningful allocation to cash during low-rate environment. The lack of an explicit income objective is viewed as a relative weakness compared to multi-asset income peers.

Research Process

Idea generation	Manager and analyst networks. Filters of credit screening, security structure, valuation and relative value analysis
SAA review frequency	Annually
DAA/TAA signals	Valuation, Macro
Managers actively tracked	N/A
External consultant	N/A

Idea generation is structured and consistent with the SAA and TAA processes benefiting from the knowledge and experience of senior members of the MAAC. There is also a good balance of external and proprietary tools.

The Fund's TAA signals are strongly aligned to the Manager's top-down approach. Detailed econometric analysis is conducted on a range of macro and asset specific variables that influence each asset class to determine valuation inefficiencies and macro directions, such as cycle, cash-flow outlook, strength and momentum of forward economy, expected trends in inflation and rates, and asset class specific metrics.

Breadth is average amongst peers, with SAA the main contributor to absolute returns. The breadth of asset classes is intentionally limited, with a core allocation to fixed income, although the breadth within fixed income is good.

Process (continued)



Portfolio Construction

Portfolio decision making	PM based
Approach to benchmark	Benchmark Unaware
Targeted tracking error	N/A
Typical number of managers	<10
Use of mandates	No
Use of alternatives	No
Use of unlisted assets	No
Allocation to related/affiliated exposure	Yes

The Manager has demonstrated strong linkages between its portfolio construction process and its investment philosophy and research, particularly its focus on income producing asset classes while achieving diversification. TAA is meaningful, providing active scope to enhance returns and manage volatility across the cycle, and is conducted in a disciplined manner analysing asset class attractiveness.

Capacity Management

The Fund is not subject to a capacity constraint and given the modest size of the Fund and the Manager's fixed income AUM, does not face any capacity issues at the moment.

Investment Risk Management

Monitoring external to investment team	Yes
Frequency of monitoring	Daily
Primary risk management system	Factset
Security Limits (Min./Max.)	0-10%
Rebalancing bands	+/-1%
Max illiquid	0.00%
Gross exposure range	N/A

Yarra has an appropriate risk management framework, incorporating macro and micro considerations using quantitative optimisation tools and qualitative assessment from the MAAC. Risk limits are broad but clear. While there is separate risk management oversight from the Board and risk committees, there is no dedicated investment risk management team, with investment risk monitoring the investment team's responsibility.

ESG



Manager Positioning

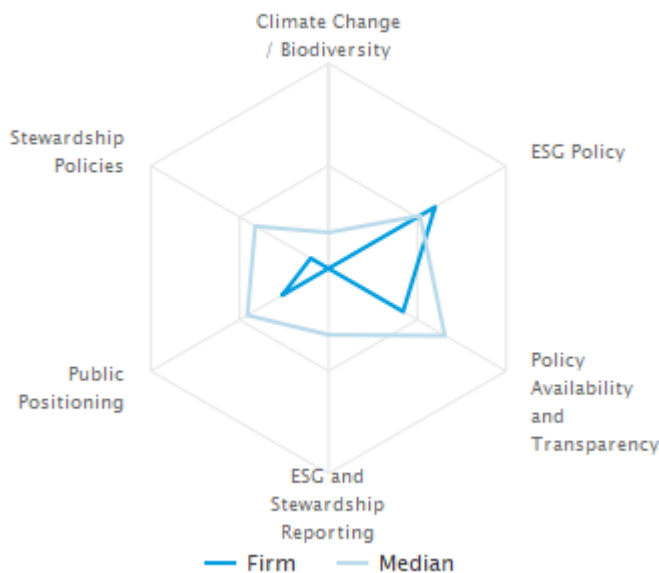
Responsible investment style	ESG Integration
ESG approach	Minimum Standards
Sustainability thematic	No Sustainability Thematic
Non-financial objective	None

Lonsec Opinion & Supporting Facts

Overview

ESG Process Score	ModLow
Responsible Investment strategy risk: Clarity, measurability & reporting	N/A

ESG Snapshot



Manager Level Approach

The Manager's overall ESG policy framework and disclosure are behind peers. The Manager has articulated a commitment to the integration of ESG within their investment process, however there is limited evidence in their public positioning. While the Manager has a proxy voting policy in place, the policy is not publicly available and lacks depth compared to peers. Reporting on voting outcomes is publicly available and aligned with peers, although rationales for dissenting votes is not provided.

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 'Minimum Standards' Managers typically use ESG scores (internal proprietary or external provider) to determine a hard threshold below which they won't invest in a company. Investors need to be comfortable with this threshold.

Product Level Approach

The Manager has an appropriately structured approach to the collection and use of ESG specific data. The Manager accesses a smaller range of data providers than other managers of their size. There are clear signs of defined ESG elements within the research process for the Fund. There are clear links from the Manager's research to the stock selection process through adjusting internal credit ratings. While there is monitoring of ESG characteristics of the portfolio across a number of ESG and sustainability dimensions, this plays no clear role in overall portfolio construction. While engagement is a component of the Manager's approach, there is limited structure around overall engagement activities ESG does not form a component of the Managers broader compliance framework and portfolio transparency is lagging.

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 thus the product's risk of misalignment has been assessed as N/A.

Product



Service Providers

Responsible entity	Yarra Funds Management Limited
Investment manager	Yarra Funds Management Limited
Sub-investment manager	N/A
Custodian	Citibank
Administrator	Citibank
Fund Auditor	Deloitte
Change in Key Providers? (Over last 12 months)	No

Product Details

Product size	\$76.80m
Fund 12-month net flows	Negative
Distribution model	Internal
Buy/sell spreads	0.10%/0.10%
Net transaction costs	0.01
Product type	Registered Managed Investment Scheme (Unitised)
Unlisted asset valuation frequency	N/A
Valuation externally audited	N/A

What is the Product Structure?

The Fund is an Australian registered Managed Investment Scheme ('MIS').

Lonsec Opinion

Service Providers

Yarra Funds Management Limited is the Responsible Entity (the 'RE'), a related entity. The RE is responsible for operating and managing the MIS, holds an AFSL and as such is required to comply with its AFSL and RE obligations as outlined under the Corporations Act. While the use of an external RE considered best practice, the Fund's RE is expected to have built experience in operating and managing a number of schemes over time.

Operational 'Red Flags'

The Fund is a multi-asset strategy investing across a range of relatively liquid securities within growth and defensive assets classes and is not considered operationally challenging to implement.

Wind-up Risks

Wind-up risk of the Fund is considered moderate, supported by the long track record of the strategy and the track record of the Yarra investment team.

Fees



Annual Fees and Costs (% p.a.)

Management fees & costs	0.68
Performance fee costs	0.00
Net Transaction Costs	0.01
Buy/Sell Spread	0.10/0.10
Annual fees and costs	0.69

Source: FE fundinfo

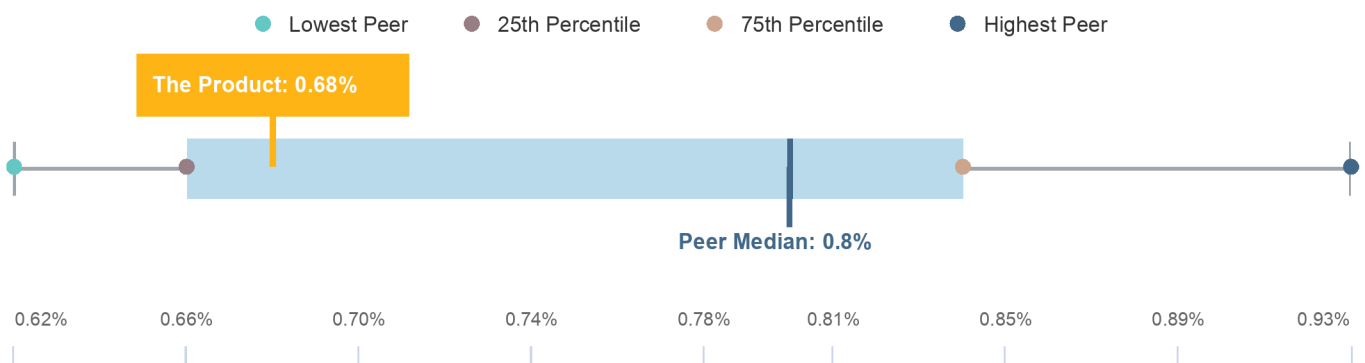
Performance Fees

Applicable	No
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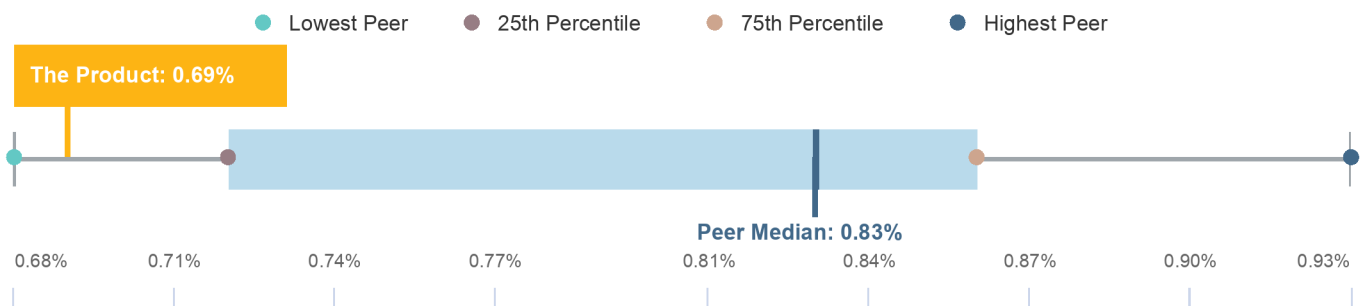
Fees Explained

The Fund's PDS dated 29 May 2023 disclosed Annual Fees and Costs ('AFC') totaling 0.69% p.a. This value comprises Management Fees and Costs of 0.68% p.a., and (2) Net Transaction Costs estimated to be 0.01%. The Manager does not charge performance fees on this Fund. The Fund charges buy/sell spreads set at 0.10%/0.10%.

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



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



Peer Universe: Multi-Asset - Variable Growth Assets - Multi-Asset Income

Lonsec Opinion

Annual Fees and Costs

The total fee load for the Fund, as measured by the disclosed AFC, is considered low in comparison to its 'Variable Growth Assets Multi-Asset Income' Lonsec peer group.

Fairness

The fees and costs are reasonable given the investment opportunity and return expectations, although may appear high given the neutral cash weight of 40%.

Performance data is as at 31 October 2023

Performance

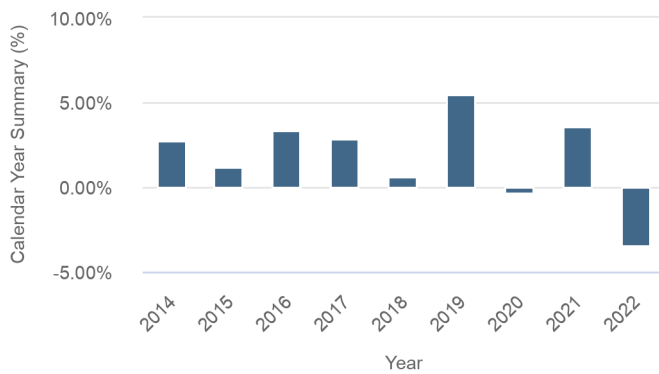
Performance Summary

PDS return objective	To provide regular income and to achieve medium term capital growth with the aim to outperform the Bloomberg AusBond Bank Bill Index over rolling three-year period.
Internal return objective	Excess return of Cash +2% p.a., net of fees, over three to five years.
Internal risk objective	Standard deviation between 2-4% p.a. over rolling three years.
Product benchmark	Bloomberg AusBond Bank Bill Index AUD
Lonsec peer group	Multi-Asset Income

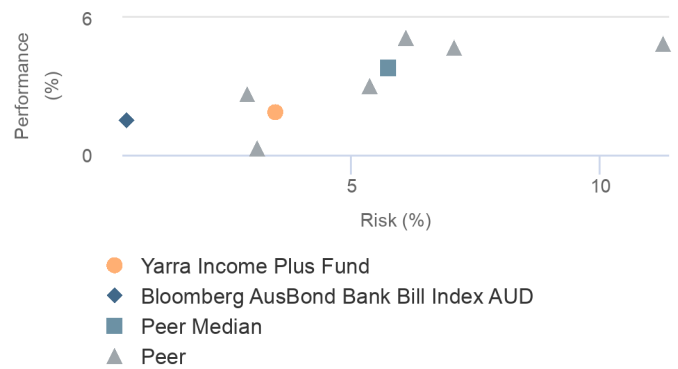
Alpha Generation

Over the medium-term, the Fund has demonstrated above average excess returns relative to the Lonsec peer group, but below average with respect to absolute returns and income returns.

Calendar Year Excess Return



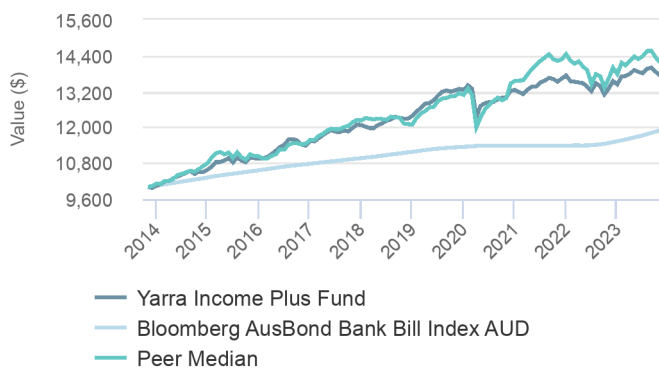
3 Year Risk and Return



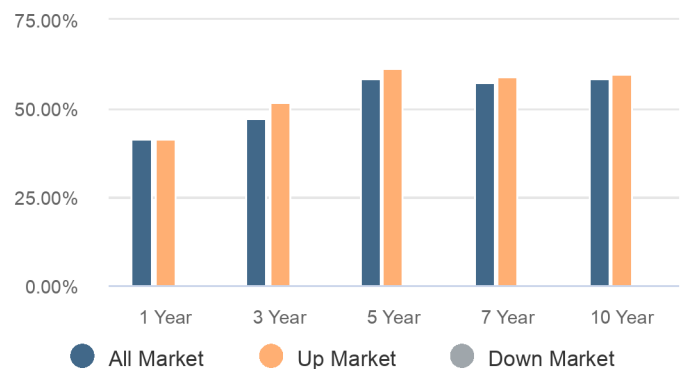
Alpha Consistency

Over the medium-term, the Fund has demonstrated a consistent level of income and a consistent level of volatility of returns. Apart from 2022, the Fund consistently outperforms its benchmark on a calendar year basis.

Growth of \$10,000 Over 10 Years



Returns Consistency



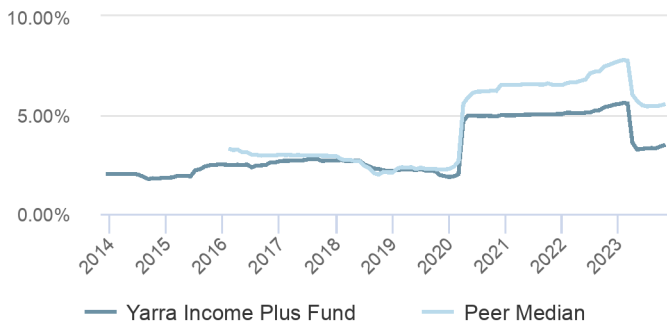
Performance data is as at 31 October 2023

Performance (continued)

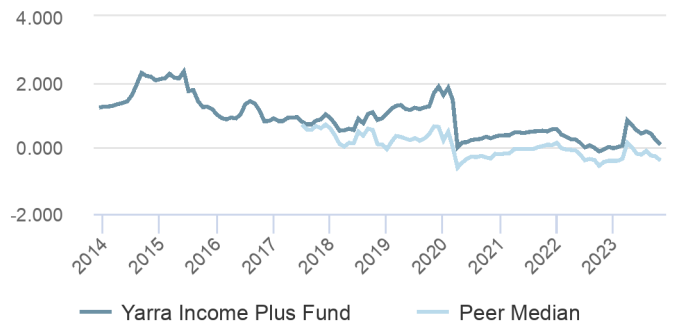
Benchmark Relativity

The Fund's activeness, as measured by tracking error and information ratio, ranks in-line and above the peer median over the medium-term.

3 Year Rolling Tracking Error Over 10 Years



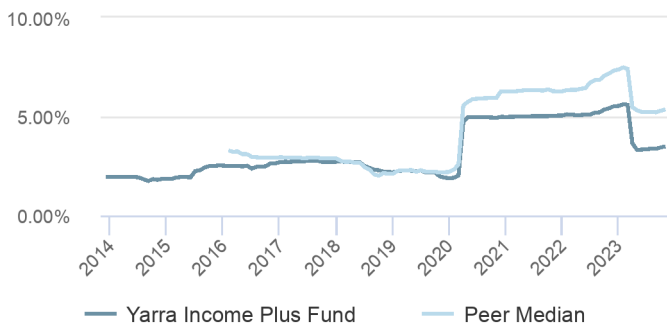
3 Year Rolling Information Ratio Over 10 Years



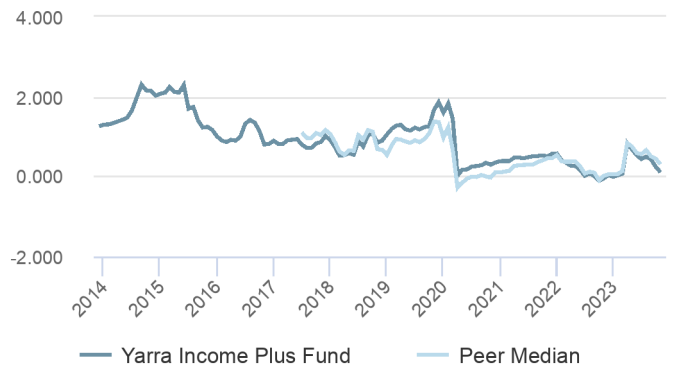
Return Volatility

The Fund's volatility of returns is broadly within the target range of 2-4% p.a. and is below the peer median.

3 Year Rolling Standard Deviation Over 10 Years



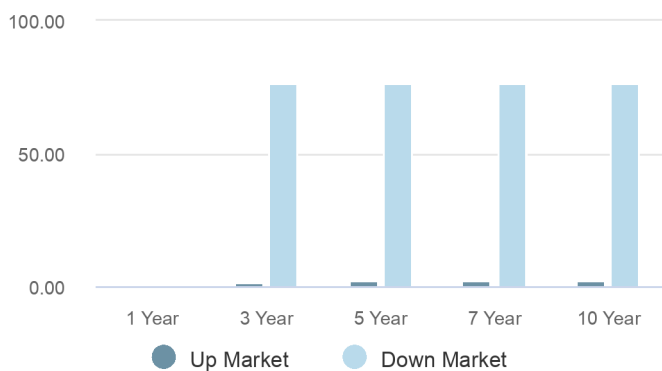
3 Year Rolling Sharpe Over 10 Years



Product Defensiveness

The Fund enjoys one of the most favourable drawdown profiles in the peer group, particularly over rolling three-year periods

Market Capture Ratio



Drawdowns



Ratings

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

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

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

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

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

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

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

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

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

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

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

General

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

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

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

Excess return: Return in excess of the benchmark return.

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

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

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

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

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

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

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

Standard deviation: Volatility of monthly Absolute Returns.

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

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

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

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

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

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Lonsec Research FSG

Financial Services Guide

Lonsec Research

9 June 2023

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

1.1 What is a Financial Services Guide?

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

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

1.2 About Lonsec Research and its related parties

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

Contact Details

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 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)

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.

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.

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 9 June 2023.