

## iShares Enhanced Strategic Moderate

Author: Ian Cannon Published: 03 Jun 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	BlackRock Investment Management (Australia) Limited
Benchmark	Lonsec Strategic Multi-Asset (Traditional) 30% Growth Index
Product structure	SMA Investment
Product size	\$261.00m
Inception date	Jan 2015
Asset class	Multi-Asset
Sector	21-40% Growth Assets
Growth/defensive split	30%/70%
Peer group	SMA
Rated peers	2

#### Product Characteristics

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

#### Annual Fees and Costs - Platform Summary (% p.a.)\*

Number of Platforms	9
Min. / Max.	0.23 / 0.36
Average	0.324

\* Details of the individual platform fees are presented in Fees section. 'Min./max' is the minimum and maximum fee across the platforms. Excluding platform costs

#### Strengths

- Experienced investment team with a long track record managing similar portfolios.
- Access to well-resourced global research team with a strong research agenda.
- Well-regarded risk management teams and proprietary risk system, Aladdin.
- Most of the underlying ETFs are highly regarded by Lonsec.

#### Weaknesses

- There is relatively less allocation to alternatives asset class, limiting the potential benefits from diversification.
- The choice of asset classes and underlying funds are limited to a subset of iShares ETFs on the ASX. The limited choice of ETFs could potentially restrict the Manager's ability to carry out TAA.

### Product Opinion

The Portfolio has retained its 'Recommended SMA' rating at its latest review. The rating is supported by the conviction in Michael McCorry and Karsten Kumpf, and the strength and stability of senior investors across the BlackRock MASS team.

While there is a positive view on the SAA process, the investable universe is limited to a subset of ASX listed iShares ETFs, potentially restricting TAA and diversification. iShares has products across granular sub-asset classes which mitigates some of these risks.

#### 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	Match or outperform a composite benchmark over a rolling five-year period.
Internal return objective	Excess return over the Fund's benchmark a composite based on the SAA.
Internal risk objective	Tracking Error of 0.5%-1.5% p.a. over a rolling five-year period.
Non-financial objective	N/A

#### Model PF Asset Allocation (%) (as at 31/07/2023)

	SAA Benchmark %	Min %	Max %	Current Allocation %
Australian Equities	11.00	0.00	28.00	11.15
International Equities	19.00	4.00	43.00	20.80
Listed Property	0.00	0.00	20.00	0.00
Unlisted Property	0.00	0.00	0.00	0.00
Australian Fixed Interest	41.00	26.00	66.00	45.51
Global Fixed Interest	16.50	0.00	34.00	11.93
Alternative Assets	0.00	0.00	15.00	0.00
Cash	12.50	2.00	20.00	10.61
Others	0.00	0.00	0.00	0.00
Total				100.00

#### Rating History

28-Apr-2023	Recommended
28-Mar-2022	Recommended
01-Apr-2021	Recommended

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

	1 Year	Median	2 Year	Median	3 Year	Median	5 Year	Median
Performance (% p.a)	1.88	-	-2.55	-	0.29	-	2.45	-
Standard deviation	6.03	-	6.67	-	6.25	-	6.53	-
Excess return (% p.a)	-0.62	-	-1.21	-	-1.05	-	-0.52	-
Outperformance ratio (% p.a)	41.67	-	29.17	-	41.67	-	51.67	-
Worst drawdown (%)	-4.04	-	-11.33	-	-12.13	-	-12.13	-
Time to recovery (mths)	NR	-	NR	-	NR	-	NR	-
Sharpe ratio	-0.29	-	-0.71	-	-0.19	-	0.17	-
Information ratio	-0.35	-	-0.73	-	-0.61	-	-0.28	-
Tracking error (% p.a)	1.77	-	1.65	-	1.73	-	1.88	-

**Lonsec Peer Group:** Multi-Asset - 21-40% Growth Assets - SMA

**Product Benchmark:** Lonsec Strategic Multi-Asset (Traditional) 30% Growth Index

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

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

#### Platform Availability

BT Panorama
CFS Edge
CFS Wrap
Hub24
Macquarie Wrap
Mason Stevens
MyNorth
NetWealth
Praemium

#### Target Market Determination

Produced by issuer	Issued by platform
Provided to Lonsec	Yes

### Business



#### Facts

Investment Manager	BlackRock Investment Management (Australia) Limited
Ultimate Parent Company	BlackRock, Inc.
Headquarters	New York (Parent)
Inception Date	Jan 1988
% Staff Ownership	0-10%

#### Governance

% Independent board members	0
% Female board members	20
Independent chair	No
CEO as Chair	Yes
Separate Audit Committee	Yes

#### Who is the Manager?

The Product is managed by BlackRock Investment Management (Australia) Ltd ('BlackRock', 'BIMAL' or the 'Manager'). BIMAL is wholly owned by BlackRock Inc., one of the world's largest asset managers with over US\$8.5tn of AUM as of September 2023.

## Lonsec Opinion

#### Profitability

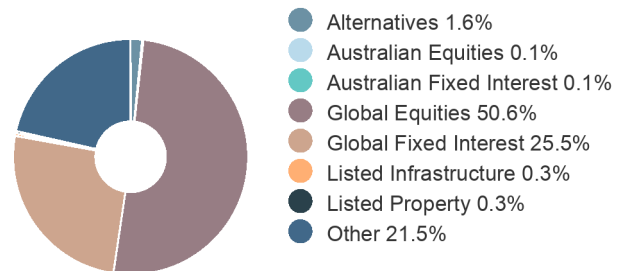
BlackRock is a stand-alone global large scale profitable investment manager, with over US\$8.5tn of assets as of 30 September 2023.

#### Business Track record

The Manager's investment management business is viewed as sustainable, with a long track record in managing multi asset portfolios since 1992, with over US\$1.0tn assets in multi-asset products globally, of which A\$64bn are sourced from the Australian business as of September 2023.

All investments are made into BlackRock managed ASX listed iShares ETFs. BlackRock's pedigree in managing ETFs is robust, with the first iShares ETF debuting in 1996 with BlackRock now managing close to US\$4.1tn within its ETF strategies as of September 2023.

#### AUM



#### Metrics

Total AUM	\$14.2tn
Investment Management Headcount	19,311
Investment Professionals	2,756
Sales & Service	79 (Australia)
Distributor	Internal

#### Business Ownership

BlackRock Inc shares are owned by a large number of individual and institutional investors as a public company listed on the NYSE, with no single majority shareholder.

#### Business Governance

BlackRock enjoys a positive reputation with a strong governance framework and has not experienced any regulatory finding or compliance breaches in recent history.

BIMAL does not have any external directors and the Chair and CEO are the same person, both of which may not be considered best practice. The Board of BlackRock Inc. consists of a majority of external directors.

### Team



#### Key Decision Makers (KDM)

	Primary function	Dedicated to strategy	Appointed to strategy	Industry/Mgr exp. (yrs)	Exp. in PM roles (yrs)
Michael McCorry	CIO	No	2015	32/26	32
Karsten Kumpf	Portfolio management	No	2015	17/17	17
Ilyas Chabane	Portfolio management	Yes	2015	13/11	13
Ron Montgomery	Portfolio management	No	2015	22/18	22
Tatiana Bernard	Portfolio management	Yes	2023	11/7	11

#### KDM Change\*

No changes.

\* Last 3 years

#### Profile

Size	9
Structure	Decentralised
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	5	19
Portfolio Managers	5	19
Hybrid portfolio manager/ analysts	7	9
Dedicated analysts		
Dedicated dealers		
Quantitative	2	12
ESG/Sustainability	2	23
Macro	3	16
Investment Specialists	4	15

#### Who is the Team?

BlackRock's Multi-Asset Strategies & Solutions ('MASS') team is responsible for the management of the Product.

As of December 2023, the MASS team managed A\$63bn locally and over A\$1.5tn globally. The MASS team benefits from BlackRock's broader global investment platform, and is responsible for asset allocation and investment research as well as investment strategy of the portfolio.

Chief Investment Officer of BlackRock Australia, Michael McCorry leads the team and is supported by the investment committee in the management of the product. The investment committee for the portfolio includes senior members of the MASS team: Michael McCorry (CIO BlackRock Australia), Karsten Kumpf (Head of Portfolio Management MASS APAC), Ilyas Chabane (Head of Model Portfolio Solutions APAC), Tatiana Bernard (Lead Model Manager) and Ron Montgomery (Model Manager). Collectively, the team is responsible for reviewing the portfolio, identifying appropriate building blocks and performing due diligence on sub-strategies that meet the team's strict investment criteria.



## Lonsec Opinion

### Skill

McCorry and Kumpf are considered to be a credible and experienced investment professionals in providing oversight to these portfolios and Chabane has relevant experience to carry out the Product's quantitative based research methodology.

The Product benefits from the expertise of the local MASS and iShares teams. Specifically, McCorry and Kumpf are supported by the Product's Investment Committee which comprise of McCorry, Kumpf and three other senior members. The local MASS team is a valuable resource in contributing domestic insights as well as asset allocation expertise to the management of the Product. BlackRock possess depth of resources available globally and the individual teams' ability to extract the best ideas and views from those resources.

### Team Size

The team size is considered adequate, although the MASS team is also responsible for multiple strategies within the wider BlackRock umbrella, beyond the iShares products. The workload of the team will continue to be monitored.

### Track Record/Co-Tenure

Both Chabane and Kumpf exemplify the team's stability with their long tenures at BlackRock which is viewed favourably. The track record of the team is adequate, and the co-tenure is developing in line with the peer median.

### Alignment

The alignment of interests between the MASS team and external investors is assessed to be low to moderate, albeit in line with many industry peers. In addition to a base salary, a portfolio manager is awarded a discretionary bonus driven by non-financial goals and overall financial measures, as well as investment performance. A portion of the bonus is issued in the form of restricted stock in BlackRock and units in the strategy, such as co-investment which vest over a period of time. Members of the team may also participate in BlackRock's employee stock purchase plan.

### Key Person Risk

Given the key roles of McCorry, Chabane, and Kumpf in the management of the Product and their intimate knowledge of BlackRock's internal capabilities, key person risk rests with these individuals, although the risk is considered moderately low, alleviated by the investment process and depth of the team.

### Process



#### What is the Investment Process?

All investments are made into BlackRock managed ASX listed iShares ETFs. Positions are largely implemented with passive ETFs, however the Manager may also use quantitative, factor-based ETFs.

The Portfolio is constructed based on the long-term SAA. The Manager uses a mean-variance optimisation approach in its asset allocation framework and expects to capture short to medium term market mispricings via quarterly tactical asset allocation tilts. The Manager considers valuation, momentum and thematic views in forming its asset allocation. The Portfolio's asset allocation is tactically rebalanced four-six times a year as market conditions change.

## Lonsec Opinion & Supporting Facts

### Philosophy and Universe

Investment Style	Diversified
Asset Allocation Approach	SAA, TAA
Sector Exposure	Passive
Available Universe	ETFs, Cash

The investment return and risk objectives are clear and measurable, with a reference Benchmark a multi-asset composite reflecting the Portfolio's SAA.

The investment philosophy for the Portfolio follows the BlackRock-wide held philosophy of achieving investment outcomes through a disciplined, objective investment process. The Portfolio's investment process is aligned to this philosophy, seeking to harvest return premia, while managing risks and implementation costs through optimisation-based portfolio construction.

### Research Process

Idea generation	BlackRock's multi-asset strategy teams across the globe, specialised researchers and portfolio managers of BlackRock's single asset class portfolios.
Managers actively tracked	N/A
Annual manager meetings	N/A

The asset allocation process is robust and consistently applied. BlackRock uses a proprietary mean-variance optimisation model which incorporates internally derived asset class forecasts for returns, volatility and correlations to determine the SAA. The asset allocation process uses valuation signals based on arbitrage pricing theory, momentum signals using ETF returns in local currency, as well as economic and fundamental views. Tactical Asset Allocation ('TAA'), conducted four to six times a year, is designed to capture short to medium term market mispricings.

The breadth of research resources available is strong, with the investment team using the global network of other multi-asset teams, specialised researchers and specialist portfolio managers to facilitate the formation of AA views with respect to expectations and decompositions of various risk premia.

BlackRock investment tools are considered best in class.

### Process (continued)



#### Portfolio Construction

Portfolio decision making	Investment Committee
Targeted tracking error	0.5%-1.5% p.a.
Typical number of managers	<10
Use of mandates	No
Use of alternatives	Yes
Use of unlisted assets	No

The portfolio construction is considered straightforward. Generally, the systematic nature of the investment management processes leads to highly structured, consistent and repeatable portfolio construction.

The Portfolio consists of 'core' ETFs which make up the bulk of the portfolio, with the remainder consisting of 'satellite' ETFs. Turnover is expected to be moderate in the range of 40% to 60% p.a. which is considered to be reasonable given its quarterly tactical asset allocation approach.

The Portfolio may be less diversified than peers, given its investment universe is limited to a subset of locally listed iShares ETFs, and up until recently has not been able to allocate to certain asset classes on a stand-alone basis such as property, infrastructure and alternatives.

#### Capacity Management

There are no immediate concerns around capacity based on the Manager's current level of FUM and given the highly liquid and tradeable nature of the underlying ETFs.

#### Investment Risk Management

Monitoring external to investment team	Yes
Frequency of monitoring	Daily
Primary risk management system	Aladdin
Security Limits (Min./Max.)	No Limit Type: 0-0%
Rebalancing bands	N/A
Country Limits (Min./Max.)	N/A
Gross exposure range	0-0%

BlackRock is a market leader in risk management, with extensive risk management systems and resources at its disposal. The risk management platform at BlackRock includes the Risk & Quantitative Analytics ('RQA') team, an internal group with a separate reporting line to the investment teams providing in-depth portfolio analysis, as well as the BlackRock Solutions group, a separate sister business group which supplies customised risk models and reports. The proprietary risk management tool Aladdin is also viewed as market leading, allowing portfolio risk to be disaggregated and analysed on a granular level.

### ESG



#### Manager Positioning

Responsible investment style	Nil
ESG approach	Stewardship
Sustainability thematic	No Sustainability Thematic
Non-financial objective	None

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

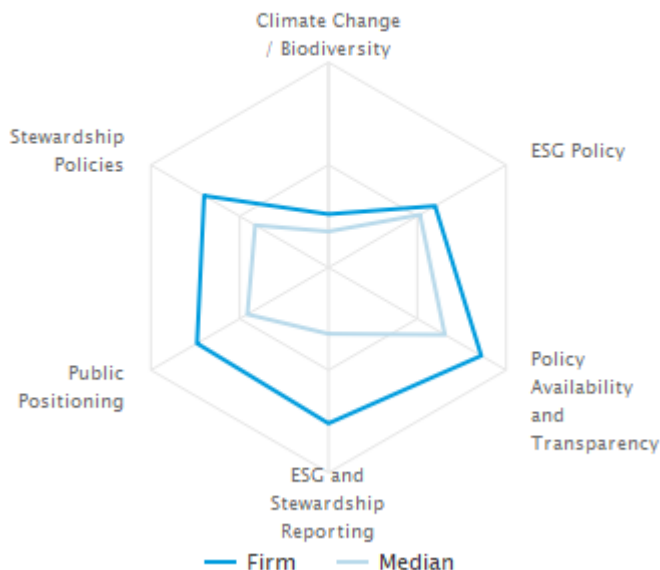
The Manager has not indicated any ESG approach in their submissions to Lonsec. While the Manager may be undertaking some activities that would be considered ESG integration Lonsec is unable to provide guidance on how that might reflect portfolios.

### Lonsec Opinion & Supporting Facts

#### Overview

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

#### ESG Snapshot



#### Product Level Approach

The Manager has no observable approach to the collection or use of ESG data within their investment process. There is no internal ESG research carried out by the Manager for this Fund. There is no relationship between ESG factors and the stock selection process. Portfolio level measurement or assessment of ESG risks is not evident. The Manager demonstrated a strong engagement program and a structured approach. Engagements are documented with clear objectives set and outcomes tracked. Portfolio transparency is industry leading however there is no evidence that ESG factors form any component of the Manager's compliance framework.

#### 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.

#### Manager Level Approach

The Manager's overall ESG policy framework and disclosure are ahead of peers. The updated ESG policy and stewardship principles are freely available on the firm's website. The proxy voting policy and reporting on voting outcomes is stronger than peers with particular credit paid to the disclosure of voting rationale for controversial votes. The level of disclosure with respect to the Manager's engagement policies and outcomes is considered ahead of peers, particularly the firm's stewardship policies. Reporting on engagement outcomes is publicly available and the Manager is transparent about the engagement priorities, which focus on disclosure and climate change related issues.



### Product



#### Product Details

Product type	SMA
Currency hedged	Partial
Product size	\$261.00m
Buy/sell spreads	0.00/0.00

#### What is the Product Structure?

The Product is a Model Portfolio, available on platforms that offer Separately Managed Accounts ('SMA') or managed portfolios services. The Portfolio allocates to iShares ASX-listed ETFs and cash.

### Lonsec Opinion

#### Service Providers

As a model Portfolio, the Responsible Entity ('RE') will be dependent on each platform provider. The RE is responsible for operating the Product, holds an ASFL and as such is required to comply with its AFSL and RE obligations as outlined under the Corporations Act.

#### Operational 'Red Flags'

The Portfolio is a diversified strategy investing across a range of liquid ETFs within growth and defensive asset classes. It is not considered to be operationally challenging to implement. Given the nature of the underlying ETFs and the quarterly rebalancing, the Portfolio is well suited to SMA platforms and provides an efficient means of obtaining a diversified exposure to different asset classes.

#### Wind-up Risks

Wind-up risk is low based on the Manager's current level of FUM and given the highly liquid and tradeable nature of the underlying ETFs.

### Fees



#### Investment Management Fees (as at 31/07/23)

Platform	Investment Mgmt Fees*
BT Panorama	0.33
CFS Edge	0.33
CFS Wrap	0.33
Hub24	Depends on menu
Macquarie Wrap	0.33
Mason Stevens	Refer to platform PDS
MyNorth	0.36
NetWealth	0.36
Praemium	0.23
<b>Min. / Max.</b>	0.23 / 0.36
<b>Average</b>	0.324

\* Excluding platform costs

#### Investment Transaction Costs

Platform	Transaction costs estimate %	Market Restrictions
BT Panorama	0.14	Please refer to the platform PDS
CFS Edge	0.10	Please refer to the platform PDS
CFS Wrap	0.01	Please refer to the platform PDS
Hub24	0.06	Please refer to the platform PDS
Macquarie Wrap	0.14	Please refer to the platform PDS
Mason Stevens	Refer to platform PDS	Please refer to the platform PDS
MyNorth	0.07	Please refer to the platform PDS
NetWealth	0.14	Please refer to the platform PDS
Praemium	0.08	Please refer to the platform PDS
<b>Min. / Max.</b>	0.01 / 0.14	
<b>Average</b>	0.092	

#### Fees Explained

Based on the Portfolio's constituents as of August 2023, the Portfolio's indirect cost ratio is 0.18% p.a. In addition, there may be other platform specific fees and costs, including BlackRock management overlay fee (0.05%-0.10% p.a.) management fees and costs (0.05%-0.10% p.a.), administration fees, a Responsible Entity fee, and transactional costs (0.01%-0.14% p.a.).

### Lonsec Opinion

#### Annual Fees and Costs

The total fee load for the Portfolio is considered low.

#### Fairness

The composite fee load for the Portfolio is considered fair given its diversified risk profile focus, and the product is not easily substituted by a cheaper alternative.

Performance data is as at 31 October 2023

### Performance

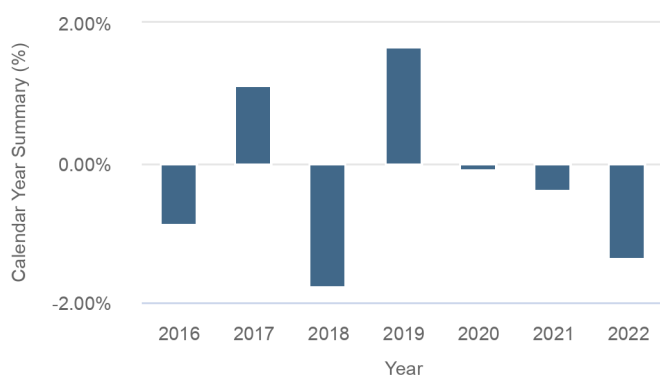
#### Performance Summary

PDS return objective	Match or outperform a composite benchmark over a rolling five-year period.
Internal return objective	Excess return over the Fund's benchmark a composite based on the SAA.
Internal risk objective	Tracking Error of 0.5%-1.5% p.a. over a rolling five-year period.
Product benchmark	Lonsec Strategic Multi-Asset (Traditional) 30% Growth Index
Lonsec peer group	SMA

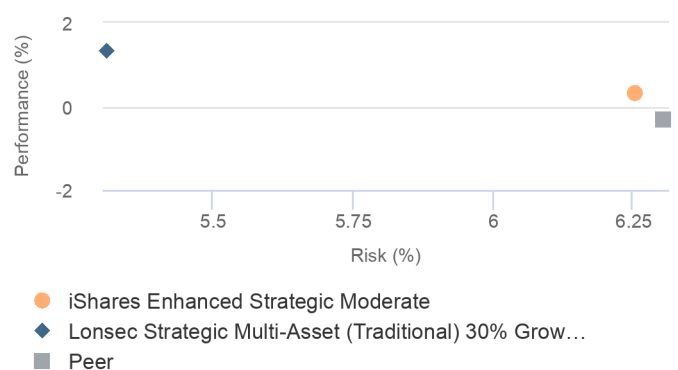
#### Alpha Generation

The Portfolio's reference Benchmark is a multi-asset composite based on the SAA of the Portfolio. The Portfolio has performed in line with its SAA benchmark.

##### Calendar Year Excess Return



##### 3 Year Risk and Return



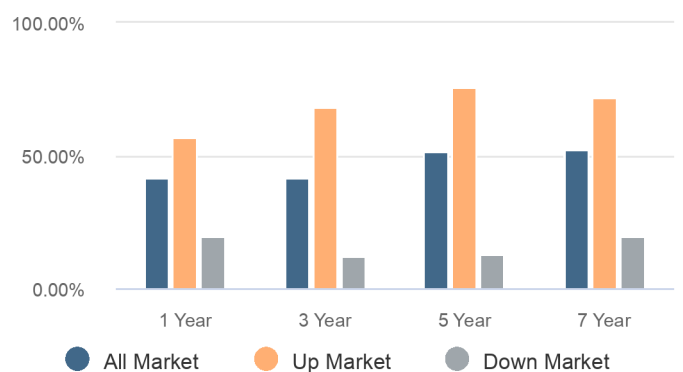
#### Alpha Consistency

The Portfolio's performance has been moderately consistent with respect to rolling returns and achieving its return objective.

##### Growth of \$10,000 Over 7 Years



##### Returns Consistency



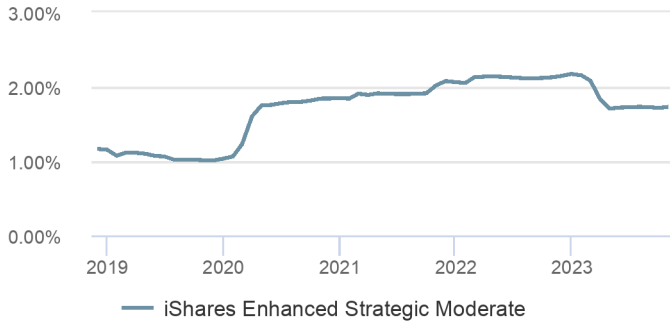
Performance data is as at 31 October 2023

## Performance (continued)

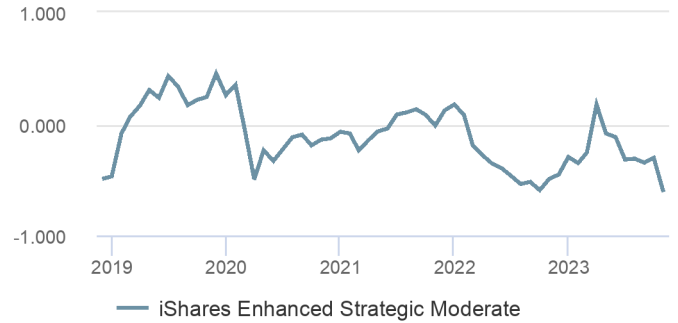
### Benchmark Relativity

Compared to the Lonsec peer group and referencing the Lonsec Strategic Multi-Asset (Traditional) 30% Growth Index as a proxy benchmark, the Fund has performed broadly in line with the Lonsec peer group benchmark. The Portfolio demonstrates a good degree of activeness with respect to tactical risk exposures. The Portfolio has consistently performed within the internal tracking error target range against its SAA benchmark.

3 Year Rolling Tracking Error Over 5 Years



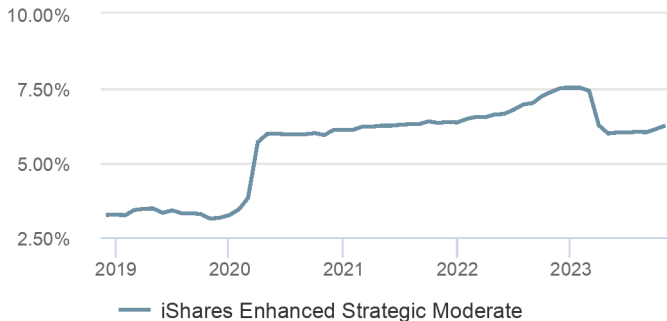
3 Year Rolling Information Ratio Over 5 Years



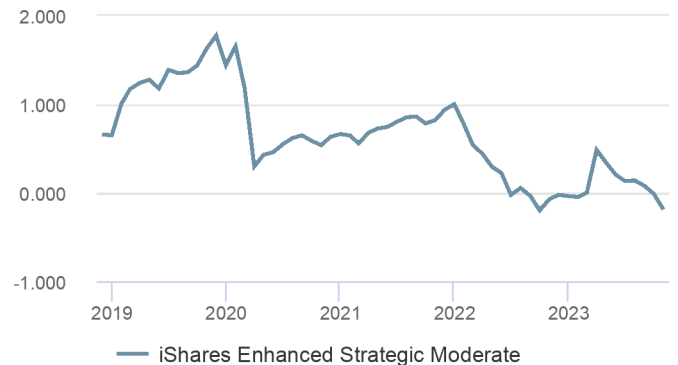
### Return Volatility

The Portfolio's volatility over rolling periods has been reasonable given the Portfolio's risk profile. The Portfolio's Sharpe ratio is also reasonable.

3 Year Rolling Standard Deviation Over 5 Years



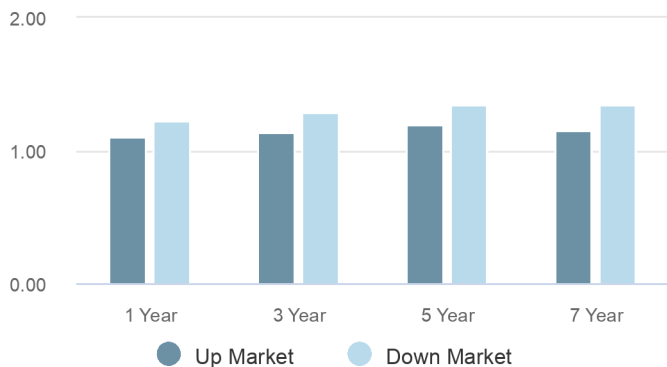
3 Year Rolling Sharpe Over 5 Years



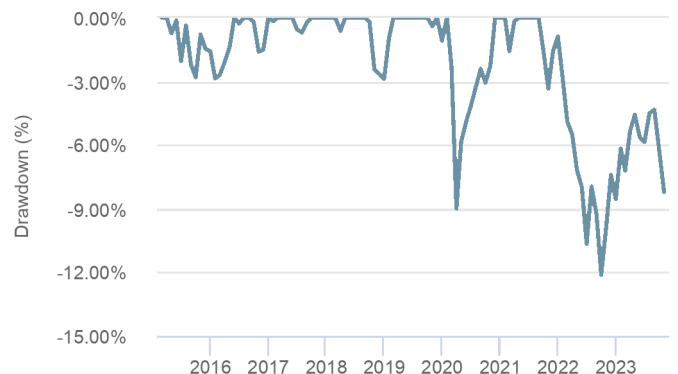
### Product Defensiveness

The Portfolio's drawdown profile is reasonable given the Portfolio's risk profile.

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

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