

## Hostplus - Socially Responsible Investment (SRI) – Balanced

Author: Hewad Safi Published: 30 Apr 2025

Data is provided by the manager at 30 Jun 2024, and currency in AUD, unless otherwise stated

Refer to glossary for definition of the rating

### Product Review

#### About this Product

Benchmark	SR Sustainable Balanced Index#
Product structure	Super Option
Product size	\$657.2m
Inception date	Mar 2017
Asset class	Multi-Asset
Sector	61-80% Growth Assets
Growth/defensive split	77/18
Peer group	Superannuation
Rated peers	28

#### Product Characteristics

Business Life Cycle	Mature
Product Wind-Up Risk	Medium
Key Person Risk	High
Tenure of Decision Makers	High
Complex (RG240)	No
Strategy Remaining Capacity	N/A
ESG Approach	Stewardship
Peer Relative Fees and Costs	Above median

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

Administration fees and costs	0.23
Investment fees and costs	0.61
Net Transaction Costs	0.07
Buy/Sell Spread	0.00/0.00
<b>Annual fees and costs</b>	<b>0.91</b>

Source: FE fundinfo, PDS Date: 01/Oct/2024

#### Strengths

- Genuine long term investment approach supported by a young member base and strong cash flows.
- High-quality and experienced senior investment team.
- Engagement of dedicated resources from asset consultant, JANA, extends investment capabilities.
- May satisfy members who wish to invest in accordance with the Option's values based exclusions.

#### Weaknesses

- The investment team remains moderately sized relative to similar peers, albeit with support from dedicated JANA resources.
- At this stage, the Option has limited scale which impacts the ability to access greater bespoke underlying assets and limits the breadth and edge within some asset classes.
- Exclusions increase the tracking error risk versus the APRA performance test. While this increases the risk of failure, it has been managed well to date.
- A lower allocation to traditional defensive assets and a higher allocation to illiquid assets may afford the Option less downside protection in a sudden, extended equity market sell-off and in addition, introduce greater liquidity risks.

### Product Opinion

The Option's 'Investment Grade' rating has been maintained at the latest review. This rating is supported by Hostplus's heritage in multi-asset investing and sustained performance over the long term. The investment team, led by experienced seniors, emphasizes investing in resources and systems to manage growing assets, with dedicated JANA resources providing ongoing support.

The Option may serve members who wish to invest in an exclusions-based mandate, although its values-based approach to exclusions has constrained the level of manager diversity. Further, the Option's size limits the availability of investable managers.

#### 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	CPI plus 3.0% per annum on average over 20 years.
Internal return objective	Accumulation: CPI plus 3.0% per annum on average over 20 years. Pension: CPI plus 4.0% per annum on average over 20 years.
Internal risk objective	Negative returns for the SRI Balanced investment option are expected to occur in between 3 to less than 4 out of every 20 years.
Non-financial objective	None

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

	SAA Benchmark %	Min %	Max %	Current Allocation %
Australian Equities	24.00	10.00	50.00	24.60
International Equities	26.00	0.00	70.00	28.20
Unlisted Property	8.00	0.00	30.00	6.90
Unlisted Infrastructure	10.00	0.00	30.00	9.10
Global Fixed Interest	8.00	0.00	30.00	6.90
Alternative Assets	19.00	0.00	60.00	19.30
Cash	5.00	0.00	20.00	5.00
Others	0.00	0.00	20.00	0.00
Total				100.00

#### Rating History

24-May-2024	Investment Grade
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#### Target Market Determination

Produced by issuer	Yes
Provided to Lonsec	Yes

#### Performance Analysis - annualised after fees at 31/12/2024

	1 Year	Median	2 Year	Median	3 Year	Median	5 Year	Median
Performance (% p.a)	8.92	12.22	8.20	11.70	3.84	5.34	7.35	6.94
Standard deviation	3.59	4.36	4.94	5.09	6.55	6.58	8.41	7.68
Excess return (% p.a)	2.11	1.86	-1.65	1.10	1.51	0.41	2.27	0.75
Outperformance ratio (% p.a)	58.33	66.67	41.67	58.33	58.33	55.56	60.00	58.33
Worst drawdown (%)	-1.46	-1.79	-4.36	-3.86	-7.26	-6.39	-13.76	-12.65
Time to recovery (mths)	2	-	2	2	7	-	8	-
Sharpe ratio	1.24	1.79	0.81	1.35	0.10	0.30	0.64	0.63
Information ratio	0.81	1.28	-0.53	0.91	0.38	0.19	0.60	0.31
Tracking error (% p.a)	2.62	1.37	3.13	1.63	3.94	2.06	3.77	2.03

**Lonsec Peer Group:** Multi-Asset - 61-80% Growth Assets - Superannuation

**Product Benchmark:** SR Sustainable Balanced Index#

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

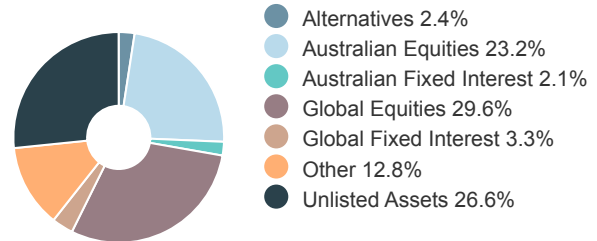
**Time to recovery:** NR - Not recovered, dash - No drawdown during period

### Business ●●●

#### Facts

Fund Name	Hostplus
Fund ABN	68 657 495 890
Inception Date	Feb 1988
RSE licensee profit status	Not For Profit
Membership	1,861,500

#### AUM



#### Governance

% Independent board members	27
% Female board members	36
Independent chair	Yes
CEO as Chair	No
Separate Audit Committee	Yes

#### Metrics

Total AUM	\$107.6b
Investment Management Headcount	22
Investment Professionals	21
Sales & Service	0

#### Who is the Manager?

Hostplus Superannuation Fund ('Hostplus' or the 'Fund') is one of the country's largest profit-to-member industry superannuation funds, managing the retirement savings of over 1,861,500 members across 312,000 employers. The superannuation industry has experienced a spate of fund mergers and acquisitions over the past few years. More recently, Hostplus merged with Maritime Super in September 2023, adding 23,000 members and \$6 billion in FUM. As at December 2024, funds under management stood at \$118.8bn, with strong cashflow supported by a young member base.

## Lonsec Opinion

#### Profitability

Hostplus is considered a leading Australian provider of superannuation services and is one of the largest funds in the superannuation industry. With the current levels of funds under management, the Fund is in a strong financial position with sufficient scale to benefit members.

#### Business Track record

Hostplus has a long and respected track record in multi-asset investing after being founded in 1988 as the industry fund for hospitality workers. A predominately young member base supports the investment program, with sustainable growth and strong cash flows. The Fund has significantly expanded in the previous decade, through mergers but primarily defined contribution plans.

#### Business Ownership

The Fund operates a not-for-profit, mutual type structure and solely operates to benefit the members of the Fund. This structure has the benefit of all profits going to the Fund, rather than shareholders and should be resilient to corporate ownership issues that may beset 'for profit' super funds. All else equal, this is expected to bring greater stability and focus on its long-term strategy.

#### Business Governance

Hostplus has demonstrated multiple layers of compliance and risk monitoring, with oversight from the trustee board, external board directors and separate audit committees. The Board of Directors comprises 12 members, with three independent directors and an independent Chair. Board composition is considered to be in line with peers. The Fund has not reported any significant regulatory findings in recent years.

## Team ●●●

### Key Decision Makers (KDM)

	Primary function	Dedicated to strategy	Appointed to strategy	Industry/Mgr exp. (yrs)	Exp. in PM roles (yrs)
Sam Sicilia	CIO	No	2008	30/17	17
Greg Clerk	Deputy CIO - Investment Strategy & Risk	No	2016	26/9	9
Susan Orr	Deputy CIO	No	2025	20/1	1

### KDM Change\*

	Function	Change	Type	Tenure (yrs)	Date of change
Janice Morris	PM - Infrastructure	Joined	New	<1	Feb 2025
Susan Orr (promoted)	Deputy CIO	Joined	Internal	<1	Jan 2025
Con Michalakis	Deputy CIO	Departed	Exit	3	Jan 2025
Chris Cawson	PM - Property	Joined	New	<1	Aug 2024
Susan Orr	Portfolio Management	Joined	New	<1	Jun 2024
Spiros Deftereos	Head of Property	Departed	Exit	9	Dec 2023
Jordan Kraiten	Head of Infrastructure	Departed	Exit	10	Dec 2023
Con Michalakis	Portfolio Management	Joined	New	3	Apr 2022

\* Last 3 years

### Profile

Size	18
Structure	Centralised
Turnover	Medium

### Alignment

Performance-Based bonus	Yes
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### Resources

	Number	Average Years Experience
Key decision makers	3	25
Portfolio Managers	7	10
Hybrid portfolio manager/ analysts		
Dedicated analysts	4	7
Dedicated dealers		
Quantitative	1	3
ESG/Sustainability	1	17
Macro		
Investment Specialists	2	5

### Who is the Team?

The Investment team is organized around a core group led by the CIO, Sam Sicilia, supported by two Deputy CIOs, Greg Clerk and Susan Orr. This team, consisting of 18 investment professionals, is tasked with designing and implementing the fund's investment strategy, as directed by the Board of Directors.

Sicilia, who has over 30 years of industry experience, is responsible for capital markets and generating investment insights for the Fund. He is supported by two Deputy CIO's – Greg Clerk and Susan Orr. Clerk (previously Head of Investment Strategy) joined the Fund in 2016 with an existing lengthy working relationship from his role at JANA, the primary asset consultant to the Fund. Orr joined the Fund in June 2024 and was appointed Deputy CIO in January 2025 subsequent to the departure of Con Michalakis. Like Clerk, Orr was a senior leader at JANA where she was the Head of Infrastructure Research for over 12 years. The KDMs are supported by portfolio managers in International Equities - Dmitry Capel, Alternatives - Daniel Dujmovic, Credit, Diversified FI & Cash - Alice Hardie, Australian Equities - David Obst and Private Equity & Venture Capital - Chris Williams, Property - Chris Cawson and Infrastructure - Janice Morris.

The Board oversees the Fund's governance and overall strategy, while the Investment Committee is focused on investment-related decisions, performance monitoring, and compliance with investment policies.

## Lonsec Opinion

### Skill

The investment team, led by Sicilia and supported by Clerk and Orr, is highly experienced. The senior leaders have significant tenure within the team and bring a broad range of experience in investment consulting and management. Since 2002, the Fund has exclusively used JANA for asset consulting, acknowledging JANA's extensive research capabilities. JANA is responsible for researching and monitoring the Fund's strategic asset allocation ('SAA') and tactical asset allocation ('TAA'). Furthermore, the Fund leverages JANA's manager research process, with the internal investment team involved in the later stages of manager due diligence.

### Team Size

The investment team is considered moderate against peers of a similar size. The Fund predominantly outsources the management of its investments to external managers, except for direct investments and co-investments in property, infrastructure, and private equity. The Fund additionally benefits from a dedicated 27-member team at JANA, which focuses on Capital Markets, Portfolio Construction and various asset classes. The internal team at Hostplus has sufficient expertise to test assumptions, modelling and other output from JANA to ensure it's in the best interests of the Fund and members.

### Track Record/Co-Tenure

The key decision makers have a demonstrable track record developed over multiple market cycles with a reasonable level of co-tenure. The most recent joiner, Orr, had an existing relationship with the investment team in her role at JANA which alleviates co-tenure concerns.

### Alignment

The level of alignment is considered to be relatively low but adequate and in line with the Fund's profit-for-member philosophy, governance, and decision-making structures. The investment team is paid a base salary, with portfolio managers also receiving a discretionary component related to the performance of the Fund and the Option rather than their sector of responsibility. This may lead the team to adopt a greater 'whole of portfolio' mindset rather than promoting a siloed culture.

### Key Person Risk

Key person risk is moderate and centered primarily around CIO, Sam Sicilia. This is slightly elevated due to the recent departure of co-deputy CIO, Con Michalakakis. Positively, the risk is mitigated by the team structure and outsourced investment model.

### What is the Investment Process?

The Fund adopts a long-term approach supported primarily by JANA's asset allocation and manager research processes supplemented by internal resources and requirements. Ultimately, the Trustee Board is responsible for asset allocation and manager selection decisions, with guidance and input from the investment team supplemented by JANA. JANA is responsible for researching and monitoring the Fund's strategic asset allocation ('SAA'). JANA's asset allocation is determined quarterly by an in-house committee and then tailored to meet the objectives of the Fund. Exclusions are applied across certain asset classes using ESG screening. The Fund has historically allocated materially to unlisted assets with a soft limit of 40% of the Fund applied.

Hostplus remains committed to outsourcing investments to external managers. For this Option, the Fund has structured a discrete equities mandate with IFM, utilised iShares exclusion-based ETFs for bonds, and tailored holdings across other asset classes in line with exclusion criteria. While efforts have been made to exclude controversial industries, this may be more challenging for pooled investments.

Screening reduces exposure to companies that:

- own reserves, explore, mine, extract, produce, refine or generate energy from fossil fuels or receive revenue from servicing these sectors through equipment services, pipeline transport or distribution;
- breach the UN Global Compact or the International Labour Organisation's (ILO) Core Conventions;
- have an MSCI ESG rating of B or CCC;
- develop, produce, maintain or sell controversial weapons;
- grow, process or use palm oil, where >10% of revenue is derived from these activities and <50% of the palm oil is Sustainable Palm Oil (RSPO) certified;
- are involved in predatory lending, including unfair or deceptive products, excessive interest rates, misleading marketing, inclusion of hidden fees and targeting minority, low-income or elderly consumers;
- derive >5% of their revenue from for-profit detention;
- derive >5% of their revenue from gambling;
- manufacture tobacco products;
- export live animals.

## Lonsec Opinion & Supporting Facts

### Philosophy and Universe

Investment Style	Multi-Manager & Direct
Asset Allocation Approach	SAA & TAA
Sector Exposure	Active & Passive
Available Universe	Mandates, pooled trusts, co-investments, derivatives

The Fund's investment philosophy makes good use of its long-term growth, member demographics and robust net cash flows. Hostplus notes that these are material advantages that not all super funds are afforded. A young demographic means the Fund can take a true long term investment approach and coupled with strong net flows means they can have a higher tolerance for illiquidity.

The Option's ESG tilt is derived from the Manager seeking to reduce exposure to particular industries by applying rules-based exclusions. This approach involves using specialist fund managers and is enhanced with direct investments and co-investments, particularly focusing on the illiquidity premium of unlisted assets as a central element of its strategy.

### Research Process

Idea generation	JANA, External Managers, Network
SAA review frequency	Annual
DAA/TAA signals	N/A
Managers actively tracked	N/A
External consultant	JANA Investment Advisers Pty Ltd

JANA's asset allocation process is considered robust and compatible with the Fund's investment approach. Additionally, JANA's approach to manager research is comprehensive, with a dual focus on quantitative and qualitative analysis, ensuring a thorough evaluation of investment managers.

The Fund has prioritized investments that align with values-based exclusions. However, this approach limits the breadth and edge found in the Balanced Option, where greater allocations can be made to high-conviction, active management. As the Option scales, a broader investment pool may enhance manager diversification. Currently, research has focused on a limited set of managers, particularly in equities and bonds, and further development in this area is encouraged.

The Fund has effectively applied ESG screens across property, infrastructure, and private equity/venture capital but has less control over pooled investments. In property, the focus on assets with superior NABERS energy ratings has restricted investments to a single manager for now.

Process (continued) ●●●

**Portfolio Construction**

Portfolio decision making	Other
Approach to benchmark	CPI+ relative
Typical number of managers	30
Use of mandates	Yes
Use of alternatives	Yes
Use of unlisted assets	Yes
Allocation to related/affiliated exposure	Yes

While the Balanced Option benefits from diverse underlying managers, this Option is naturally more constrained due to exclusions. Equities and bonds are focused on one manager each, which is less than desired in a multi-asset portfolio. However, Hostplus has leveraged its IFM relationship to align equities with the Option’s objectives, not only applying exclusions but also increasing exposure to holdings with higher Sustainable Development Goals (SDG) ratings.

Encouragingly, the Option retains exposure to alternative assets, which can be challenging in SRI-focused multi-asset portfolios. While most investments are made through mandates or fund-of-one structures, pooled funds do not allow for direct exclusion criteria, posing a risk of some holdings that contradict screening policies. The Option’s current size limits access to tailored SRI investments, but as it scales, greater customization and diversification opportunities are expected.

**Capacity Management**

It is considered good practice for Superannuation funds to have a strategic capacity management plan. A growing pool of assets can lead to capacity issues in more capacity-constrained asset classes such as Australian equities. As such, the Fund can lean on greater international investments, including equities and unlisted assets, as part of its capacity strategy.

Hostplus is well aware of potential domestic capacity issues and continues to develop its strategy. While these challenges will continue to be monitored, the Fund is suitably positioned with several levers that can be used to alleviate capacity concerns.

**Investment Risk Management**

Monitoring external to investment team	Yes
Primary risk management system	Aladdin
Rebalancing frequency	Weekly
Country Limits (Min./Max.)	N/A
Gross exposure range	N/A

The investment team conducts portfolio analytics primarily through Aladdin, integrated with eFront for private markets, which has been operational since Q1 2023. Aladdin is regarded as a best-in-class risk management system, though full implementation and optimization may take time. The Fund continues to utilize JANA’s tools, including Solve, for top-down asset allocation. Hostplus continues to enhance its investment risk and performance analytics, building on substantial improvements in recent years. This ongoing refinement further strengthens its ability to provide a comprehensive ‘whole-of-portfolio’ view.

#### Manager Positioning - Product

Responsible investment style	ESG Integration
ESG approach	Stewardship
Sustainability thematic	SDG Alignment
Non-financial objective	None

#### What is the Manager's ESG approach for this product?

The Fund has indicated that their Responsible Investment style is "ESG Integration" and as such they consider Environmental, Social and Governance factors when assessing investment opportunities. With a primary ESG style of "Stewardship" Funds will usually focus their ESG strategy on Engagement and Voting as the key tool in managing their ESG risks. While stewardship approaches are common across most Funds, they can form the key ESG strategy employed by some Funds.

### Lonsec Opinion & Supporting Facts

#### Overview

ESG Process Score	Mod
Responsible Investment strategy risk: Clarity, measurability & reporting	Mod

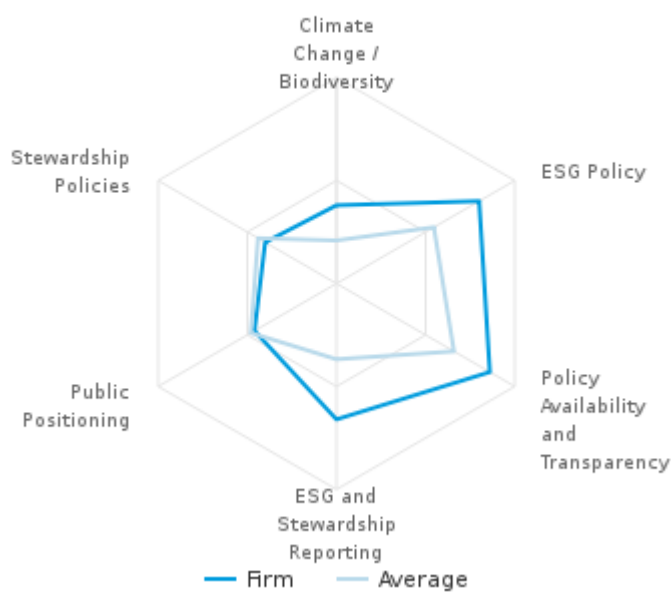
#### Product Level Approach

While there may be elements of ESG integration undertaken in underlying asset classes there is no clear ESG structure at the overall portfolio level, with no ESG committee, minimum ESG requirements for underlying assets or required styles of ESG integration. While this Option does apply screens at the overall portfolio level, systems for monitoring, on a look-through basis, are not evident. The Fund has a clear ESG element in their manager selection process. Funds must have ESG policies in place and adhere to other minimum ESG-based investment standards. Documentation requirements are appropriate. While there is no monitoring of the ESG characteristics of the underlying stocks performed, ongoing monitoring of the policies of the underlying managers is performed on at least an annual basis

#### Strategy: Clarity, Measurability & Reporting

The name of the Option and its underlying strategy are adequately aligned. This Option offers an ethically based range of exclusions. The Option's PDS offers a high degree of clarity around the non-financial objective. The Option delivers a standard range of exclusions. Exclusion materiality is the industry standard. Whilst clear, there is no articulated framework for establishing those exclusions. ESG-based compliance monitoring is seen as appropriate. There is no clear link between the objective for this Option and the Fund's overall mission statement. On balance, this product provides a fair degree of clarity, measurability and reporting of its non-financial objectives, and the risk of misalignment is MODERATE.

#### ESG Snapshot



#### Manager Level Approach

The Fund's overall ESG policy framework and disclosure are slightly ahead of their peers. The Fund is committed to integrating ESG within their investment process with evidence of policy framework and clear public positioning. The responsible investment and stewardship policies are available on the firm's website and include voting guidelines. The level of disclosure concerning the proxy voting policy and voting outcomes is in line with peers supported by publicly available reporting and high-level voting beliefs. The Fund has outsourced engagement activities and reporting to stewardship providers.

### Product ●●●

#### Service Providers

Registrable Superannuation Entity	Host-Plus Pty Limited
Custodian	Citigroup Pty Limited and Pacific Custodians Pty Limited
Administrator	MUFG
Fund Auditor	PricewaterhouseCoopers
Change in Key Providers? (Over last 12 months )	No

#### Product Details

Product size	\$657.2m
Fund 12-month net flows	Positive
Buy/sell spreads	0.00/0.00
Net transaction costs	0.07
Product type	Registrable Superannuation Entity
Unlisted asset valuation frequency	Quarterly
Valuation externally audited	Yes

#### What is the Product Structure?

The Fund is a registrable superannuation entity (RSE) for which Host-plus Pty Ltd is the issuer and the Trustee. APRA regulates the trustees of superannuation funds who are required to act in the best interest of their members.

The Fund is subject to the Federal Government's Your Future, Your Super (YFYS) reforms which came into effect on 1 July 2021. A key requirement for APRA under these reforms is to conduct an annual Performance Test ('the test'), which aims to increase the transparency and accountability of superannuation funds, particularly concerning underperformance. Failure of the test can halt future contributions and lead to member outflows for the Option.

### Lonsec Opinion

#### Service Providers

The Fund employs high-quality Tier 1 service providers. The RSE licensee is a related entity and is responsible for operating and managing the superannuation fund, holds an AFSL and as such is required to comply with its AFSL and RSE obligations as outlined under law and the APRA standards. APRA has not flagged any concerns with the RSE licensee at the time of this review. Recent press has highlighted the importance of the Administrator function in the general member experience. While somewhat agnostic on the preference of internal or outsourced administration, Funds are encouraged to ensure they balance the costs, risks and efficiencies in both approaches and ensure robust risk management and governance apply.

#### Operational 'Red Flags'

The Fund may hold a reasonable allocation towards assets that are not marked to market. The Trustee has developed a transparent and well-documented valuation policy ensuring valuations are consistently applied through time.

Hostplus relies heavily on the underlying managers to provide valuation estimates. Where valuations are relied upon by the external asset managers of interposed vehicles, the Fund has a process to ensure those valuations are conducted appropriately. The Fund also has a policy concerning private equity allocations to assess if the General Partner's ('GP') valuation practices are appropriate. Infrastructure and property assets are backed by independent third-party valuation, with a significant majority occurring quarterly. The Fund's valuation policy has measures to deal with stale underlying valuations where market environments are rapidly changing.

Given the scale and complexity of unlisted assets, the establishment of a separate valuation committee is seen as best practice. Further internal expertise could enhance valuation reliability, particularly during periods of public market volatility.

#### Wind-up Risks

While the Option has a reasonable level of FUM, it is smaller relative to the Fund's other diversified options. Further, the exclusion based approach increases the tracking error risk against the APRA performance test, and subsequently, the risk of potential failure. As such, the windup risk is considered moderate.

Fees ●●●

Annual Fees and Costs (% p.a.)

Administration fees and costs	0.23
Investment fees and costs	0.61
Net Transaction Costs	0.07
Buy/Sell Spread	0.00/0.00
<b>Annual fees and costs</b>	<b>0.91</b>

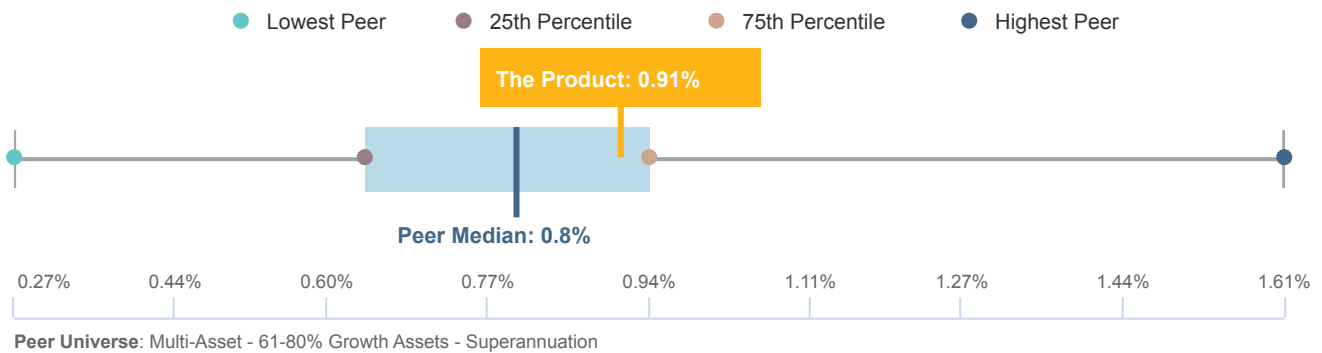
Source: FE fundinfo, PDS Date: 01/Oct/2024

Fees Explained

Under RG97, annual fees and costs for superannuation funds comprise 1) administration fees and costs, 2) investment fees and costs, and 3) net transaction costs.

Given administration costs generally consist of both dollar (weekly or annual) amounts and asset-based fees, administration costs are calculated on a balance of \$50,000. The administration fees and costs of 0.23% p.a. are comprised of a flat fee of \$115.26 p.a.

Annual Fees and Costs Peer Comparison



Lonsec Opinion

Annual Fees and Costs

The Option's absolute fee load (AFC of 0.91% p.a. based on a \$50,000 balance) is considered moderate to high relative to its superannuation peer group.

Fairness

The AFC is reasonable given the active nature of the product and level of exposure to unlisted markets.

Performance data is as at 31 December 2024

## Performance ●●●

### Performance Summary

PDS return objective	CPI plus 3.0% per annum on average over 20 years.
Internal return objective	Accumulation: CPI plus 3.0% per annum on average over 20 years. Pension: CPI plus 4.0% per annum on average over 20 years.
Internal risk objective	Negative returns for the SRI Balanced investment option are expected to occur in between 3 to less than 4 out of every 20 years.
Product benchmark	SR Sustainable Balanced Index#
Lonsec peer group	Superannuation

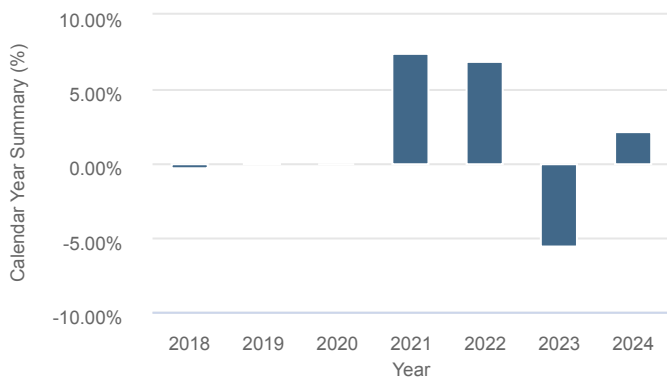
### Alpha Generation

All reported performance figures are net of fees and tax but gross of explicit admin fees.

The Option has consistently met its return objective through time and has produced an excess return (against CPI+3.0%) of 1.2% p.a. over seven years.

Relative to peers, the Option's return of 7.4% p.a. was above the peer median of 6.9% p.a. over five years. Over the three-year period, the Option returned 3.8% p.a. (after fees and tax) which was below the peer median return of 5.4% p.a.

#### Calendar Year Excess Return



#### 3 Year Risk and Return

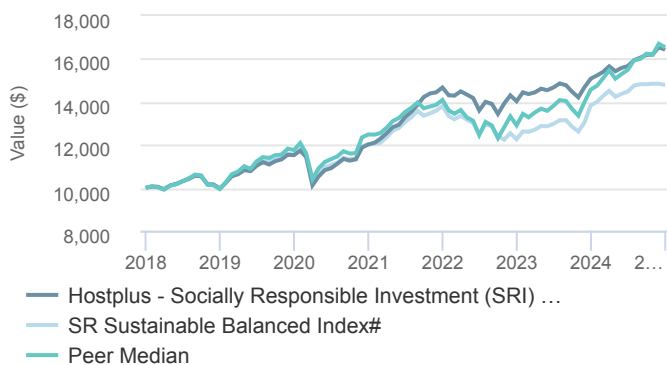


### Alpha Consistency

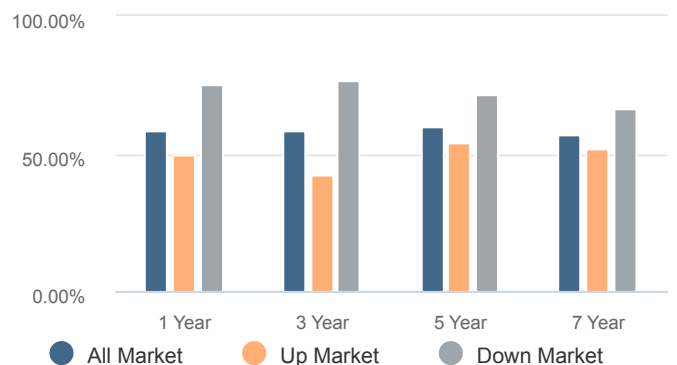
The Option's performance is above Lonsec's superannuation peer group over the long term, demonstrating an ability to generate reasonable returns over the long term. Short-term performance however, has been lagging peers. The Option's return over the seven years to December 2024 (7.4%) was in line with the peer median, as shown in the growth of \$10k chart.

Over the five, seven and 10-year periods the Option typically outperforms the SR Sustainable Balanced Index in 'down markets' while exhibiting neutral performance in 'up markets'. This has been consistent with its one-year returns.

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



#### Returns Consistency



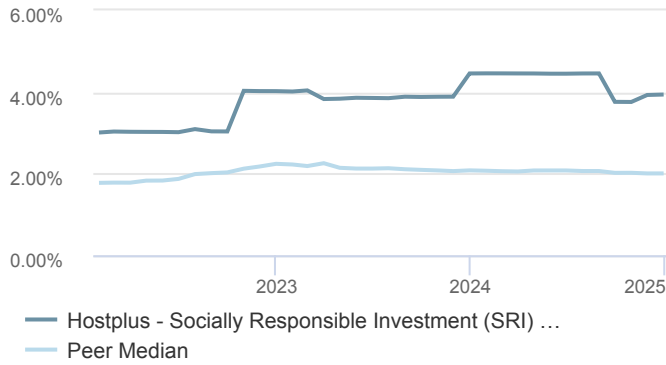
Performance data is as at 31 December 2024

## Performance (continued) ●●●

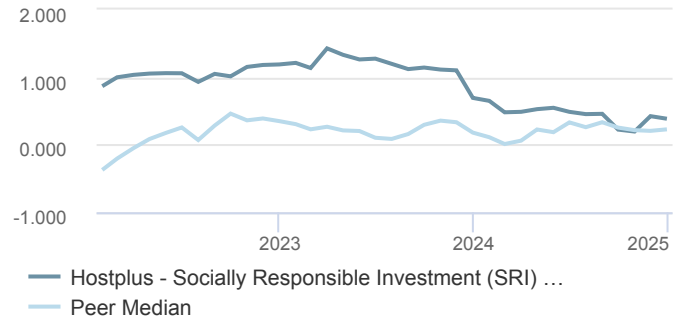
### Benchmark Relativity

No commentary available

#### 3 Year Rolling Tracking Error Over 3 Years



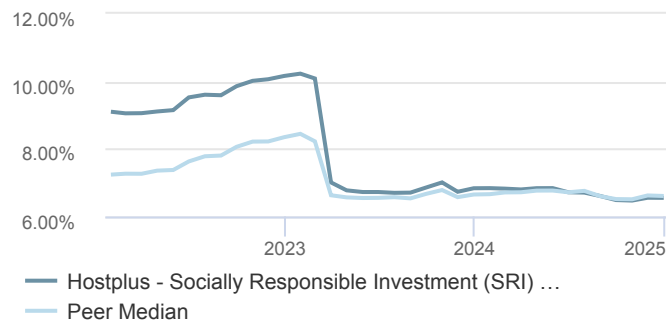
#### 3 Year Rolling Information Ratio Over 3 Years



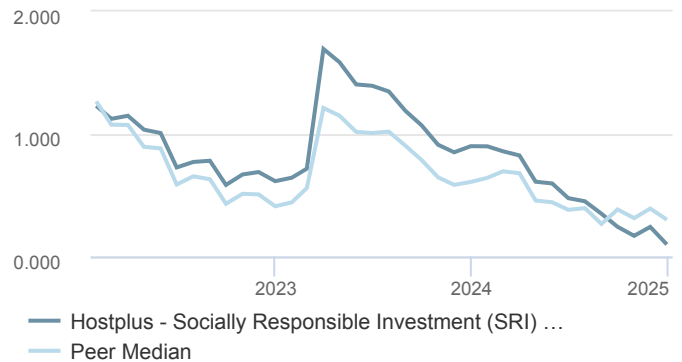
### Return Volatility

The Option's three-year rolling volatility is typically in line with the peer median over the assessable period, although it experienced heightened volatility in 2022. As a result of this, coupled with its absolute returns, the Option's three-year rolling Sharpe ratio has been above the peer median through time, albeit tracking more closely recently.

#### 3 Year Rolling Standard Deviation Over 3 Years



#### 3 Year Rolling Sharpe Over 3 Years

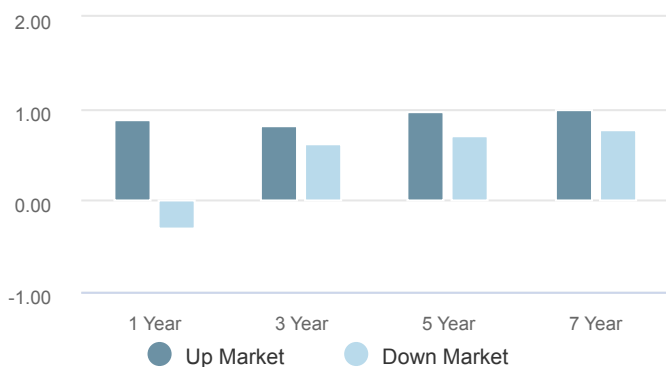


### Product Defensiveness

The Option's worst drawdown was above the peer median over two, three and five-year periods. Over five years, the Option's maximum drawdown of -13.8% was higher than the peer median of -12.7%.

As shown in the Market Capture Ratio chart, the Option typically captures slightly less downside and neutral upside relative to the market, over the long term.

#### 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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# Cumulative returns are calculated by compounding SuperRatings' monthly benchmark series, returns are annualised for periods greater than one year.

## Lonsec Research FSG Financial Services Guide

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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

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- 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;

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## Lonsec Research FSG (continued)

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#### Complaints Manager

Level 39, 25 Martin Place

Sydney NSW 2000

Tel: 1300 826 395

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

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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.

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This FSG was prepared on 1 August 2024.

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