

Operational Filter Outcomes and Ratings Distributions

ISSUE DATE: 18-11-2024

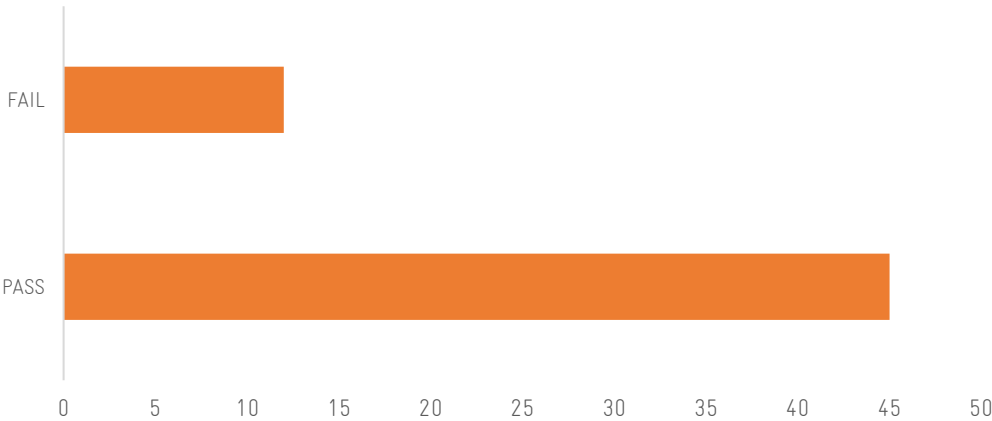
Lonsec Research Pty Ltd (Lonsec) publishes a quarterly update on the outcomes of its operational filter and research process. This is intended to provide clients with further transparency and perspective regarding the outcomes of these processes.

Lonsec’s Operational Filter

Prior to being contracted for research, all new financial products must pass Lonsec’s operational filter. The operational filter ensures that there are no operational roadblocks impeding the research process once a research agreement is signed. The operational filter includes items such as the provision of data to Lonsec’s data provider, the existence of a Product Disclosure Statement and where relevant, the satisfaction of basic risk/return metrics.

Over the three months to 30 September 2024, Lonsec put 57 financial products through its operational filter, with 45 passing and 12 not satisfying Lonsec’s requirements, as outlined below.

Operational Filter Outcome - 3 months to 30 September 2024



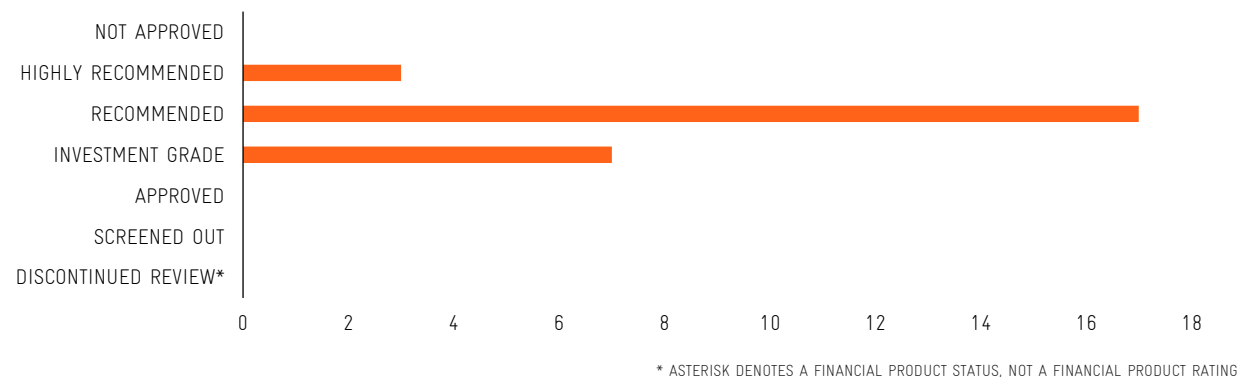
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New Financial Product Ratings

Over the three months to 30 September 2024, Lonsec put 27 new financial products (i.e., not previously rated by Lonsec) through its research process. The chart below provides a summary of the ratings outcomes for these financial products.

Ratings action (new financial products) - 3 months to 30 September 2024

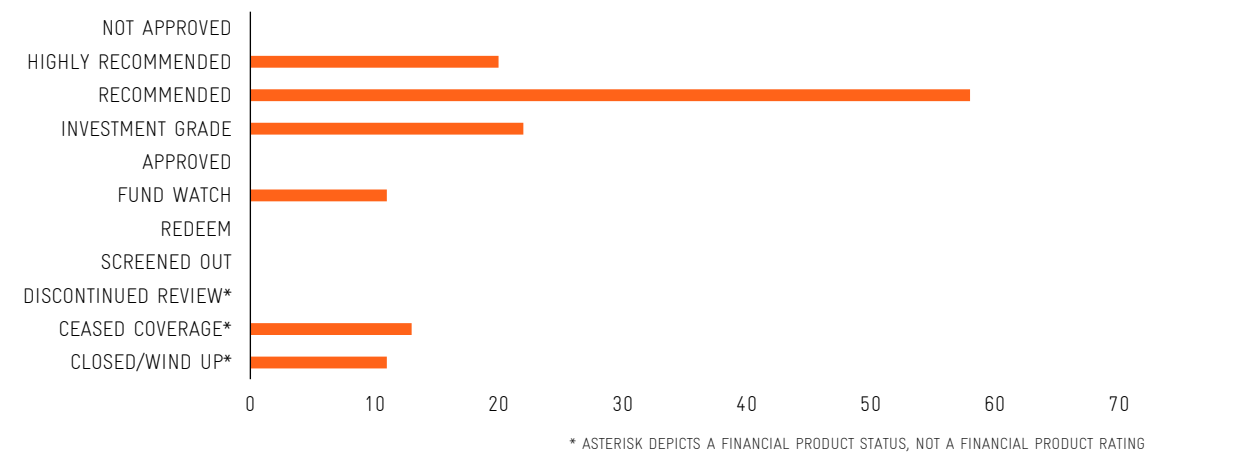


The Screened Out rating is assigned to new financial products that do not meet Lonsec’s criteria for an investable rating. During the September 2024 quarter, 0 new financial products were ascribed a Screened Out rating.

The Discontinued Review is a status that is applied where a fund manager that has approached Lonsec and agreed to tender a financial product for assessment, subsequently elects to discontinue participating in the Review prior to its completion for any reason, other than the financial product being closed or unavailable to retail investors. During the September 2024 quarter, 0 new financial products were ascribed a Discontinued Review status.

Over the three months to 30 September 2024, Lonsec published a rating on a total of 135 financial products. The chart below provides a summary of the ratings outcomes for these financial products.

Ratings action (all financial products) - 3 months to 30 September 2024

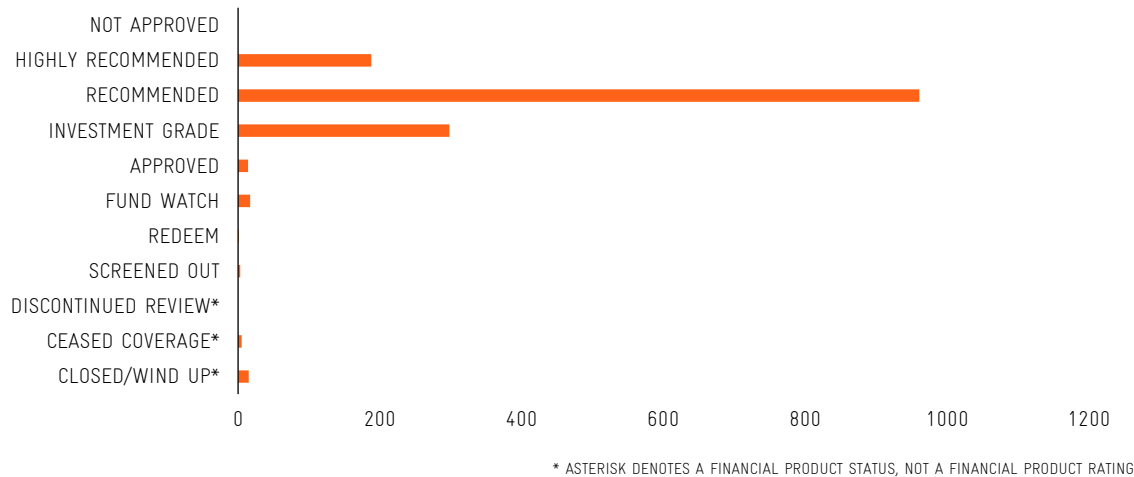


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The chart below shows the ratings distribution of all financial products rated by Lonsec as at 30 September 2024.

Overall rating distribution as at 31 December 2023



This skew of ratings towards Investment Grade and Recommended is expected, given Lonsec’s historical bias to rate only those financial products it considered most likely to add value to investor portfolios and more recently, fund managers’ tendency to present only those financial products in which they have a high degree of confidence of satisfying Lonsec’s ratings criteria.

An explanation of the ratings is set out below.

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Managed Funds Ratings

The rating system designates financial products under the categories of Highly Recommended, Recommended, Investment Grade, Fund Watch, Redeem and Screened Out. These ratings reflect Lonsec’s degree of conviction in the financial products’ ability to generate risk adjusted returns in line with relevant objectives

Highly Recommended	The Highly Recommended rating indicates that Lonsec has very strong conviction the financial product can generate risk adjusted returns in line with relevant objectives. The financial product is considered a preferred entry point to this asset class or strategy.
Recommended	The Recommended rating indicates that Lonsec has strong conviction the financial product can generate risk adjusted returns in line with relevant objectives. The financial product is considered an appropriate entry point to this asset class or strategy.
Investment Grade	The Investment Grade rating indicates that Lonsec has conviction the financial product can generate risk adjusted returns in line with relevant objectives. However, if applicable, Lonsec believes the financial product has fewer competitive advantages than its peers.
Fund Watch	The Fund Watch rating indicates that no new investment into this financial product is recommended. A significant change has occurred with the financial product and a detailed assessment of the change is needed and / or series of rectifying actions required prior to this rating being changed.
Screened Out	The Screened Out rating indicates that Lonsec currently does not have conviction that the financial product can generate risk adjusted returns in line with relevant objectives. The financial product currently has insufficient competitive advantages relative to its review peer group (if applicable).
Redeem	The Redeem rating indicates the financial product is no longer considered worthy of investment for any time period and investors should immediately redeem units from the financial product, subject to seeking financial advice.

The binary rating scale of Approved / Not Approved will be used where any of the following applies:

- The lack of a meaningful peer group (as defined by Lonsec) renders a tiered rating scale less relevant. If a peer group subsequently develops, then Lonsec may adopt a tiered rating scale.
- The product pricing is subject to continual change.
- Lonsec’s review is confined to the product structure and investment returns are dependent on an investor’s selection from an underlying menu, such as range of ASX listed securities.
- The pay-off to investors is defined at the outset and requires investors to have a definitive view.

Financial Products Withdrawn from Research Process

The following are statuses, not ratings. They articulate the circumstances under which a financial product was withdrawn from Lonsec’s researched universe.

Discontinued Review	The Discontinued Review status is applied where a fund manager that has approached Lonsec and agreed to tender a financial product for assessment, subsequently elects to discontinue participating in the Review prior to its completion for any reason, other than the financial product being closed or unavailable to retail investors. The Discontinued Review status will be published on the Lonsec website.
Ceased Coverage	The Ceased Coverage status is applied to financial products where fund managers withdraw from the Lonsec research process after the research process has been completed.
Closed / Wind Up	The Closed / Wind Up rating is applied to a financial product when the fund manager advises Lonsec that the financial product is being wound up and the capital is to be returned to investors

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