

AUSTRALIAN  
**RESEARCH**  
INDEPENDENT INVESTMENT RESEARCH

**Loomis Sayles Global Equity  
Fund (Quoted Managed Fund)  
(ASX: LSGE)**

Initiation of Coverage

November 2021

For Sign-Off

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- 1) The research process has complete editorial independence from the company and this is included in the contract with the company;
- 2) Our analyst has independence from the firm's management, as in, management/ sales team cannot influence the research in any way;
- 3) Our research does not provide a recommendation, in that, we do not provide a "Buy, Sell or Hold" on any stocks. This is left to the Adviser who knows their client and the individual portfolio of the client.
- 4) Our research process for valuation is usually more conservative than what is adopted in Broking firms in general sense. Our firm has a conservative bias on assumptions provided by management as compared to Broking firms.
- 5) All research mandates are settled upfront so as to remove any influence on ultimate report conclusion;
- 6) All staff are not allowed to trade in any stock or accept stock options before, during and after (for a period of 6 weeks) the research process.

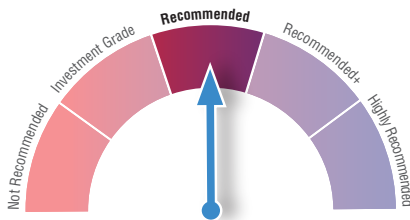
For more information regarding our services please refer to our website [www.independentresearch.com.au](http://www.independentresearch.com.au).

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**Note:** This report is based on information provided by the Manager as at August 2021

### Rating



### Key Investment Information (as at 20 October 2021)

|                                |                                     |
|--------------------------------|-------------------------------------|
| Ticker                         | LSGE                                |
| Unit Price (\$)                | 2.47                                |
| NAV per Unit (\$)              | 2.4992                              |
| Number of units on issue (m)   | 4.0                                 |
| Market Cap (\$m)               | 9.9                                 |
| Listing Date                   | 1 October 2021                      |
| Investment Structure           | Exchange Traded Managed Fund (ETMF) |
| Responsible Entity             | Investors Mutual Limited            |
| Investment Manager             | Loomis, Sayles & Company, L.P       |
| Market Maker                   | Investors Mutual Limited            |
| Market Making Agents           | ICE & Solactive                     |
| Distribution Frequency         | Annual                              |
| Benchmark                      | MSCI All Country World Index        |
| <b>Fees:</b>                   |                                     |
| Management Fee (p.a) incl. GST | 0.99%                               |
| Performance Fee                | na                                  |

### Key Exposure

|                      |   |
|----------------------|---|
| Underlying Exposure: | Concentrated portfolio of global equities.  |
| FX Exposure:         | The Fund invests in global equities and as such will have direct foreign currency exposure. Currency exposure will be unhedged. |

The investment opinion in this report is current as at the date of publication. Should circumstances of the issuer and/or product change, this may affect our investment opinion.

## PRODUCT SUMMARY

Loomis Sayles Global Equity Fund (Quoted Managed Fund), (ASX: LSGE) (the "Fund") is a newly listed Exchange Traded Managed Fund (ETMF), also known as an Active ETF. The Fund was listed on 1 October 2021 and provides exposure to the Loomis Sayles Global Equity Opportunities Strategy (the "Strategy"), which was established in October 2004. The Responsible Entity (RE) is Investors Mutual Limited who has appointed Loomis, Sayles & Company, L.P as the Investment Manager ("Loomis Sayles" or the "Manager") of the Fund. Loomis Sayles is a global asset manager that was established in 1926 and had over US\$350b AUM as at 30 June 2021 across fixed income and equity investment mandates.

The Fund has a long only investment strategy with a fundamental bottom-up investment approach with the portfolio representing the "best ideas" of the investment team. The Fund seeks to deliver a return (after fees and expenses but before taxes) in excess of the benchmark (MSCI All Country World Index) over a full market cycle, which is considered to be 3-5 years. The Manager has an unconstrained mandate with no sector, style or geographic limitations. Stock selection is driven by the fundamental bottom up analysis undertaken by the investment team. The portfolio is concentrated given the investable universe with 35-65 stocks. The Manager has a long-term investment horizon and as such typically has low levels of portfolio turnover. The portfolio is expected to be largely fully invested at all times, with the portfolio typically having a cash position of less than 5%.

The Manager is paid a management fee of 0.99%p.a (incl. GST) of the gross assets of the Fund. There is no performance fee.

## INVESTOR SUITABILITY

An investment in the Fund is suitable for investors seeking exposure to global equities with a focus on quality. Investors should have a long-term focus, in line with the Manager's investment horizon, to recognise the full benefits of the Manager's investment style and objectives. The Fund will have direct exposure to foreign currency and the portfolio will not be hedged. As such, investors should be comfortable with the impact of currency movements (either positive or negative) on the performance of the portfolio in Australian dollars. LSGE is the quoted class of the Fund, with the Strategy available via an unlisted managed fund as well. An investment in the quoted class is for those investors seeking market liquidity and/or do not seek to be restricted by the minimum investment amount associated with the unlisted vehicle (\$50,000). An investment in the Fund is not suitable for those seeking a regular income stream with the Fund only paying a distribution, where applicable, on an annual basis. Given the trust structure of LSGE, distributions have the potential to be volatile with distributions dependent on the realised capital gains and income of the Fund in any given year.

## RECOMMENDATION

Independent Investment Research (IIR) has assigned the Loomis Sayles Global Equity Fund (Quoted Managed Fund), (ASX:LSGE) a **Recommended** rating. The Fund provides exposure to the Loomis Sayles Global Equity Opportunities Strategy, which has consistently delivered on its objective of outperforming the benchmark index over a market cycle. Over 5-year rolling periods since inception in October 2004 to 31 July 2021, the Strategy has generated excess returns to the benchmark in 95.8% of the periods. This level of consistency reflects a disciplined and repeatable investment process. The Fund provides access to a global asset manager that has a long history of managing a range of both fixed income and equity strategies. The investment team is small given the unconstrained mandate, however with the Manager having over 160 research analysts and 50+ on the trading floor, the investment team has a wealth of resources at their disposal.

The ETMF provides retail investors access to the Strategy with no minimum investment amount, except for minimum investment amounts required by an investors' broker or online trading platform. The ETMF is a new structure for the Fund with the FUM being managed through the quoted structure currently small and low levels of secondary market volume at present. We expect this to improve as the FUM grows and unitholder diversification improves.

## SWOT

### Strengths

- ◆ The investment team is stable with the co-portfolio managers being appointed in 2013 and both working as analysts in the global equity team prior to being appointed.
- ◆ The investment team has significant resources at its disposal with Loomis Sayles having 160 research analysts and a trading desk of 50+ across both fixed income and equities.
- ◆ The Global Equities Opportunities Strategy has a track record dating back to 2004. The Manager has met its primary objective of delivering performance in excess of the benchmark over the market cycle (3-5 years) on a consistent basis suggesting that the Manager has a disciplined, repeatable investment process.
- ◆ ETMFs are open-ended and are required to have a market maker to provide liquidity and trade around the NAV of the Fund. Therefore, the unit price should trade around the NAV of the Fund.
- ◆ The portfolio is largely exposed to large cap stocks (stocks with a market cap of more than US\$10b) and as such is expected to have high levels of liquidity, an important feature of an ETMF to be able to meet redemption requests in a timely manner without adversely impacting the value of the portfolio.
- ◆ The fee structure of the Fund is competitive compared to the peer group.
- ◆ ETMFs provide high levels of transparency through the iNAV, which is the intraday NAV. The iNAV is published on the website ([www.loomissayles.com.au](http://www.loomissayles.com.au)) and provides the value of the portfolio in real-time (with a slight delay). As such, investors have access to the value of the portfolio at any given time throughout the trading day.

### Weaknesses

- ◆ The ETMF structure is a trust and as such does not pay tax and therefore does not generate franking credits. As such, the Fund is likely to have little to no franking credits attached to distributions.
- ◆ Distributions will be dependent on the realised capital gains and income generated by the portfolio in any given year. As such distributions may be volatile and in positive years may have tax implications for investors.

### Opportunities

- ◆ The Fund provides investors access to a portfolio of the best ideas of the Manager with the Fund having a track record of consistently delivering alpha over the benchmark over the long-term.
- ◆ The Fund provides ASX-listed access to the Strategy, which has historically only been available through an unlisted unit trust in which investors buy and sell units at the NAV at the close of the trading day (minus the buy/sell spread). There is also no minimum investment amount outside of minimum amounts required by the broker or online trading platform.

### Threats

- ◆ While Loomis Sayles is well resourced, the investment team of the Fund is small. As with all small teams, the exit of any of the team members, particularly one of the co-portfolio manager's would be significant.
- ◆ The Fund has direct foreign currency exposure given the global equity mandate and will not hedge the currency exposure. Therefore movements in the relevant currencies will have an impact on the value of the portfolio in Australian dollars. Currency movements may have a positive or negative impact on the value of the portfolio.
- ◆ The ETMF is newly created and listed and as such has a small number of unitholders at present. Given the open ended structure of ETMFs, a diverse unitholder base is important to reduce the risk associated with a single unitholder or investment group redeeming their investment. We expect unitholder diversity to grow as the Fund grows.

## PRODUCT OVERVIEW

LSGE is a newly created ETMF that represents the quoted class of the Loomis Sayles Global Equity Fund. The Fund provides exposure to the Loomis Sayles Equity Global Opportunities Strategy (the "Strategy"), a concentrated portfolio of global equities with a focus on quality. The Strategy has a track record dating back to 2004. The Strategy can also be accessed through the unlisted Loomis Sayles Global Equity Fund that was launched in November 2018.

The Responsible Entity (RE) is Investors Mutual Limited who has appointed Loomis, Sayles & Company, L.P as the Investment Manager ("Loomis Sayles" or the "Manager") of the Fund. Loomis Sayles is a global asset manager that was established in 1926 and had over US\$350b AUM as at 30 June 2021 across fixed income and equity investment mandates.

The Fund has a long only investment strategy with a fundamental bottom-up investment approach with the portfolio representing the "best ideas" of the investment team. The Manager's investment philosophy is driven by the belief that investing in companies with the three identified Alpha Drivers (Quality, Intrinsic value and growth, and Valuation) can deliver long-term outperformance.

The Fund seeks to deliver a return (after fees and expenses but before taxes) in excess of the benchmark (MSCI All Country World Index) over a full market cycle, which is considered to be 3-5 years. The Manager has consistently delivered on this objective, outperforming the benchmark over rolling five year periods in 95.8% of the periods from inception in October 2004 to 31 July 2021 (see Performance Section for more details).

The Fund has an unconstrained mandate with no sector, style or geographic limitations. Stock selection is driven by the fundamental bottom up analysis undertaken by the investment team. The portfolio will be concentrated when considering the size of the investable universe with 35-65 stocks in the portfolio. The portfolio is typically weighted towards large cap stocks with ~75% of the portfolio allocated to companies with a market cap of more than US\$10b as at 31 July 2021.

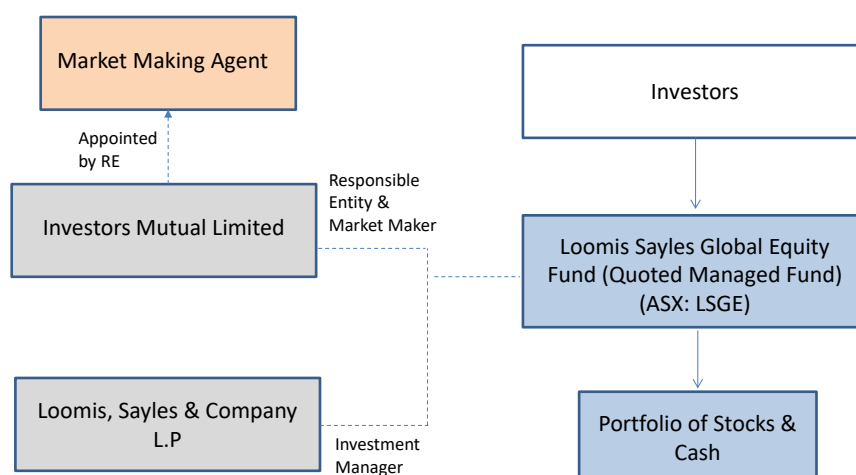
The portfolio has historically been weighted to the US which is to be expected given US listings make up a large part of the benchmark. At 31 July 2021, over 71% of the portfolio was allocated to stocks listed in the US. We expect that the US will continue to be the largest country exposure of the portfolio.

The Manager has a long-term investment horizon and as such typically has low levels of portfolio turnover. From 2016 to 2020, the portfolio had an average annual turnover rate of 28.8%. The portfolio is expected to be largely fully invested at all times, with the portfolio typically having a cash position of less than 5%.

The Fund has direct foreign currency exposure given the global equities mandate. The currency exposure will be unhedged and therefore the Australian dollar value of the portfolio will be impacted, both positively and negatively, by movements in the relevant foreign currencies.

The Manager is paid a management fee of 0.99%p.a (incl. GST) of the gross assets of the Fund. There is no performance fee.

### Investment Structure



## INVESTMENT MANAGER

Loomis, Sayles & Company L.P has been appointed as the Manager of the Fund. Loomis Sayles was established in 1926 and as at 30 June 2021 had over US\$350b AUM across fixed income and equity mandates. The Manager is well resourced with ~300 investment professionals at the firm including 160 research analysts and a trading desk of 50+.

Loomis Sayles is a wholly owned subsidiary of Natixis Investment Managers. L.P, a US based subsidiary of Natixis, a Paris based multinational financial services firm with more than 20 investment management affiliates across the Americas, Europe, Asia and MENA.

| Assets Under Management by Strategy (AUM) as at 31 March 2021 |                |                              |                |
|---|----------------|------------------------------|----------------|
| Fixed Income  |                | Equities                     |                |
| Alpha Strategies  | \$9.9          | Growth Strategies            | \$78.7         |
| Bank Loans  | \$4.4          | Global Emerging Markets      | \$61.2         |
| Disciplined Alpha   | \$16.2         | Global Equity Opportunities  | \$9.0          |
| Emerging Market Debt  | \$3.2          | Speciality Growth Strategies | \$7.4          |
| Full Discretion   | \$65.1         | Small Cap Value              | \$3.0          |
| Global  | \$36.7         |                              | <b>\$159.3</b> |
| Mortgage & Structured finance                                 | \$14.3         |                              |                |
| Municipal   | \$8.0          |                              |                |
| Relative Return   | \$104.6        |                              |                |
|   | <b>\$262.4</b> |                              |                |

### Investment Team

The investment team is small given the open mandate and while the ideas and stock selection are driven by the team, they have a wealth of resources at their finger tips through the broader Loomis Sayles team. Being small, the team has a collaborative approach with the co-portfolio manager's ultimately responsible for the portfolio construction.

The co-portfolio manager's have been with Loomis Sayles for a combined 36 years, with Eileen commencing her career with Loomis Sayles in 1998. The co-portfolio manager's both worked in the global equity investment team before being appointed to their current position. They have been managing the portfolio since 2013. The remainder of the team are relatively new to the Manager with the exception of Julian Wellesley who has been with the team for 7 years. Despite this, the team members have a healthy level of financial markets experience that they bring to the team.

| Investment Team  |                                   |                  |                        |
|------------------|-----------------------------------|------------------|------------------------|
| Name             | Position                          | Years Experience | Years with the Manager |
| Eillen Riley     | Vice President, Portfolio Manager | 23               | 23                     |
| Lee M. Rosenbaum | Vice President, Portfolio Manager | 19               | 13                     |
| Julian Wellesley | Senior Analyst                    | 25               | 7                      |
| Richard Shih     | Analyst                           | 15               | 3                      |
| Son Nguyen       | Analyst                           | 9                | 3                      |
| Leigh Pressman   | Analyst                           | 8                | 2                      |
| Gretchen Amidon  | Product Manager                   | 20               | 5                      |

## INVESTMENT PROCESS

### Investment Philosophy

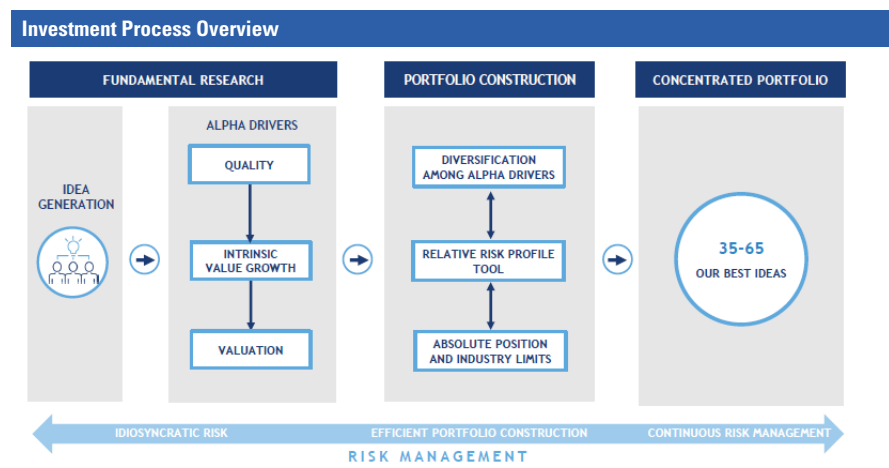
The Manager believes that investing in attractively valued, high quality companies with the ability to grow their intrinsic value allows them to capitalise on two market inefficiencies: (1) mispricing; and (2) duration effect, which refers to the ability to add value through the compounding of free cash flow. The Manager's investment process is driven by these concepts.

## Investment Objective

The objective of the Fund is to provide a rate of return (after fees and expenses and before taxes) which exceeds the return of the benchmark, the MSCI All Country World Index, over a full market cycle (3-5 years).

## Investment Process

The Manager has a fundamental bottom-up investment approach with the portfolio reflecting the “best ideas” of the investment team. The investment process can be broadly categorised into three stages, outlined in the below graphic.



## Fundamental Research

### Idea Generation

The investment team seek to find the most compelling opportunities that align with the Manager’s three alpha drivers (detailed below). The primary source of ideas is from fundamental research that is undertaken by the team. The fundamental research is supplemented with a proprietary quantitative screening tool, which incorporates the alpha drivers. While the screening tool is used, fundamental research and market knowledge is where most of the ideas are derived. As part of the ideas generation process the investment team creates tracking lists, with each analyst maintaining a list of between 50-70 stocks from which further research is undertaken and the portfolio created.

### Alpha Drivers

The Manager has three alpha drivers which stocks are required to satisfy in order to enter the portfolio. These alpha drivers are (1) Quality; (2) Intrinsic Value Growth; and (3) Valuation.

#### 1) Quality

The investment team analyse multiple sources of quality to establish a foundation for determining a prospective company’s ability to create shareholder value. Some of the key sources of value that are considered are listed below. Not all the below sources of value need to be present, however the business must demonstrate sufficient quality standards, as well as the ability to sustain that quality in future.

- ◆ Strong management;
- ◆ Capital allocation;
- ◆ Return on invested capital (ROIC);
- ◆ Business model;
- ◆ Market structure;
- ◆ Intangible assets; and
- ◆ Environmental, social and governance (ESG) factors.

#### 2) Intrinsic Value Growth

The Manager assesses five drivers of free cash flow (FCF) growth, with a focus on both the level and sustainability of growth. These factors are: (i) revenue growth; (ii) margin expansion; (iii) corporate restructuring; (iv) capital intensity, and (v) capital allocation.



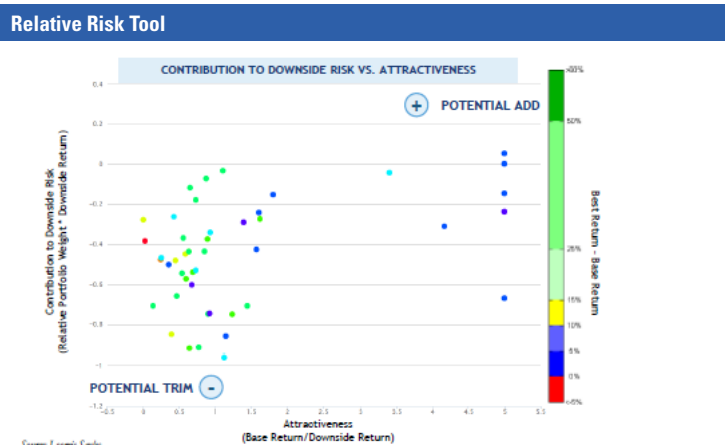
The goal is to identify businesses that leverage these metrics to produce FCF growth. After studying the historical financial metrics, the team then determines the duration of a company's competitive advantage period (CAP), which is defined as the number of years the team forecast a company will generate value from its quality characteristics.

### 3) Valuation

The Manager uses a discounted cash flow (DCF) method to model a company's FCF over its CAP. The Manager believes this is the most effective way to value high quality companies that can grow their intrinsic value. The Manager constructs three scenarios and associated price targets for all securities considered for the portfolio. These include a base case, a downside case and a best case scenario. The scenarios are created to assess the risk and opportunity with each company. The scenarios are an important when it comes to size positioning in the portfolio construction process.

### Portfolio Construction

The portfolio is constructed based on the scenario analysis framework with this framework driving buy and sell decisions and position sizing. The Manager also utilises its relative risk tool to evaluate position sizing. The relative risk tool charts a stock's contribution to downside risk relative to its attractiveness. The Manager has provided the below example of the tool.



The Manager seeks to construct a portfolio that is diversified among alpha drivers and whilst risk adjusted alpha opportunities will be the key driver of portfolio positioning, the Manager also takes into consideration diversification and the portfolio construction guidelines, which are tabled below. Both portfolio managers are responsible for all buy and sell decisions with investment decisions required to be unanimous between the two. Given the collaborative environment and the involvement of the portfolio manager's at all stages of the process, consensus is not difficult to achieve with concerns typically voiced early on in the process.

The Manager will exit a position in the event:

- ◆ The team no longer has confidence that the stock meets the alpha drivers;
- ◆ The team cannot quantify the downside risks; and/or
- ◆ The team has a higher degree of confidence in another opportunity.

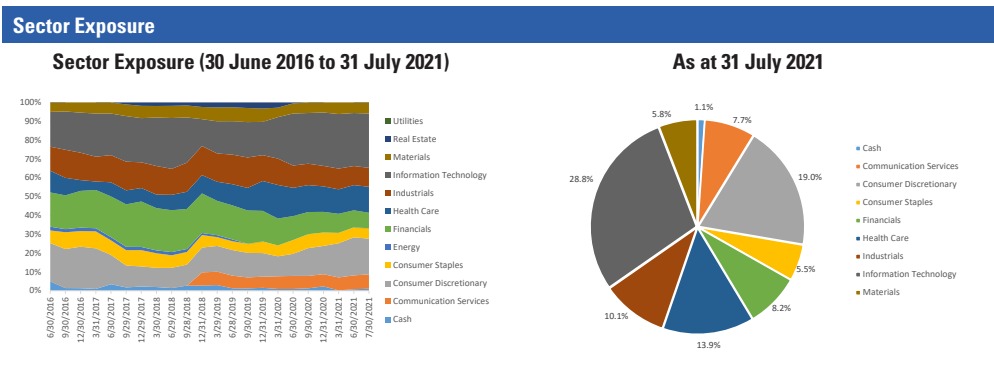
The Manager may add or trim a position as a result of short-term volatility in the market. The Manager may add to position if the stock has sold off and the Manager has a high degree of confidence in the company and their downside scenario. Alternatively the Manager may trim a position on the back of share price strength where the Manager still has high conviction in the stock by the market has overshot expectations.

| Portfolio Guidelines      |  |
|---------------------------|--|
| Number of stocks          | 35-65                                    |
| Maximum position size     | 5% at time of purchase. Typically 1%-2%. |
| Maximum industry exposure | 25%                                      |
| Annual portfolio turnover | Typically 30%-60%                        |
| Cash position             | Typically less than 5%                   |
| Currency Hedging          | No                                       |
| Country Limitations       | None                                     |
| Gearing                   | No                                       |
| Derivatives               | No                                       |

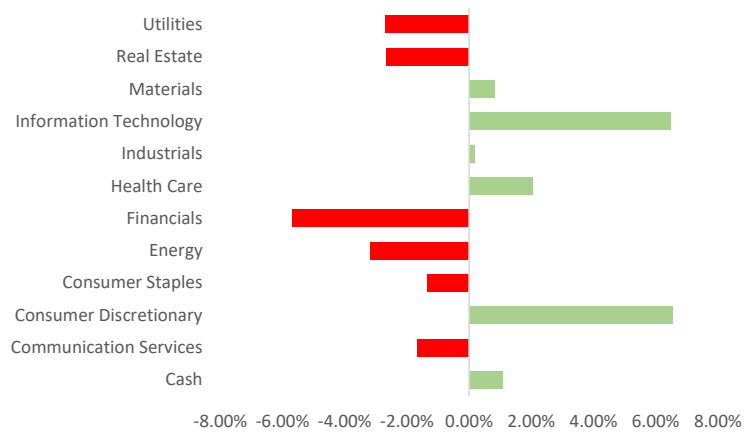
## PORTFOLIO POSITIONING

The Manager has an unconstrained mandate with no sector, style or geographic limitations. The portfolio is managed in a benchmark unaware, with the portfolio composition determined by the bottom-up fundamental analysis undertaken by the investment team.

As highlighted in the below charts, Consumer Discretionary, Financials and Information Technology has had the largest allocation in the portfolio, with these sectors being the largest from a benchmark perspective as well. Over the last two and a half years, the Manager has been increasing exposure to the Information Technology and Consumer Discretionary sectors. Information Technology was the largest sector allocation in the portfolio as at 31 July 2021 at 28.8%. Exposure to the Financials sector has been on the decline with the Manager being underweight Financials at 31 July 2021, as highlighted by the active sector exposure chart below.

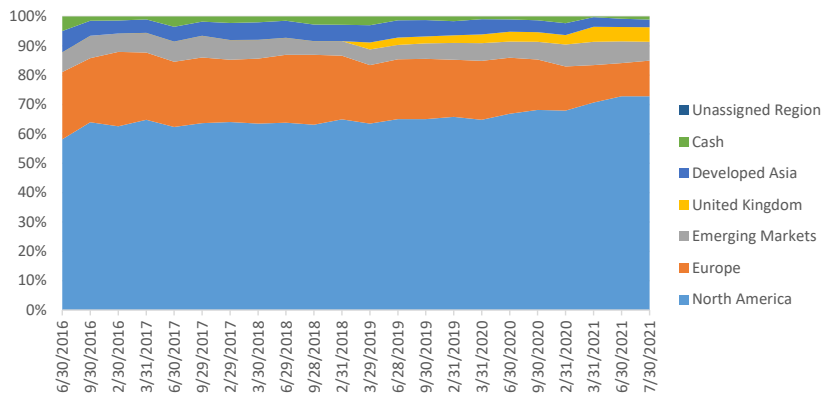


## Active Sector Allocation Compared to Benchmark as at 31 July 2021



With regards to geographic exposure, the portfolio has historically been weighted to North America (primarily the US). This has been increasing over the last five years, as shown in the below chart. At 31 July 2021, the portfolio had a 72.8% allocation to the North America (71% to the US). This compared to the benchmark weighting of 61.7%. Given the US makes up a large portion of the benchmark index we would expect the portfolio to continue to be weighted to the US in future.

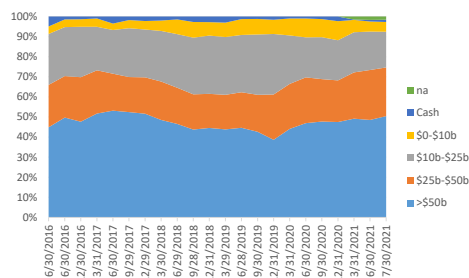
**Portfolio Weighting by Region (30 June 2016 to 31 July 2021)**



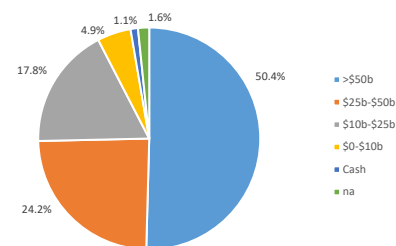
The portfolio is typically weighted to large cap companies (companies with a market cap of more than US\$10b). As at 31 July 2021, ~75% of the portfolio was allocated to large cap companies. On average, over the last five years the portfolio has had a 68% allocation to large cap stocks with 47.2% (on average) allocated to companies with a market cap in excess of US\$50b. Given this the portfolio is expected to have high levels of liquidity, an important feature of an ETMF to be able to meet redemption requests in a timely manner without adversely impacting the value of the portfolio.

**Market Cap Exposure**

**Market Cap Exposure (30 June 2016 to 31 July 2021)**

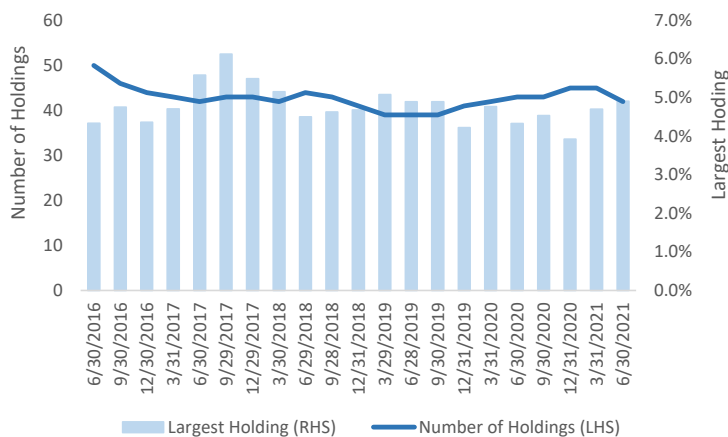


**As at 31 July 2021**



The portfolio will have 35-65 stocks in the portfolio at any given time. Positions will typically be no greater than 5% of the portfolio at the time of the investment. While there is no mandated limitations with respect to the maximum exposure to an individual stock, it would be unlikely for a stock to be more than 10% of the portfolio. As is shown in the below chart, the maximum weighting to a single position over the last five years has been 6.1%.

**Number of Stocks in the Portfolio & Largest Holding Weighting (30 June 2016 to 31 July 2021)**



The Manager has a long-term investment horizon resulting in low turnover of the portfolio. In the calendar years from 2016 to 2020, the portfolio had an average annual turnover rate of 28.8%.

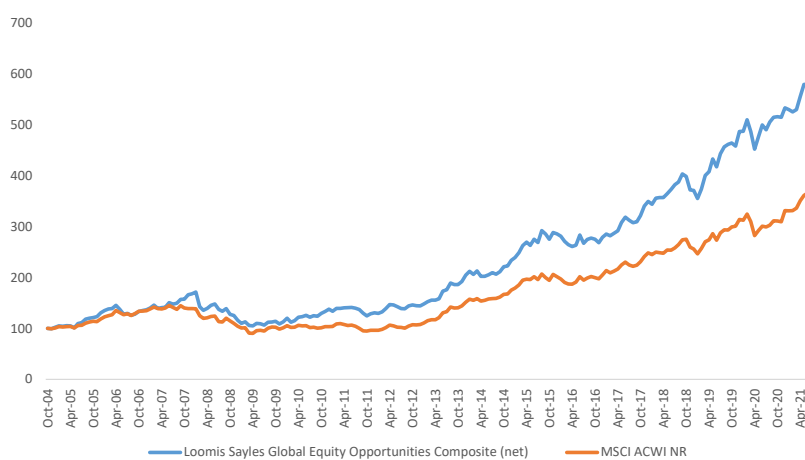
| Portfolio Turnover by Calendar Year |       |
|-------------------------------------|-------|
| 2016                                | 38.3% |
| 2017                                | 24.0% |
| 2018                                | 22.4% |
| 2019                                | 23.1% |
| 2020                                | 36.3% |

## PERFORMANCE ANALYTICS

While LSGE is a newly created ETMF, LSGE provides exposure to the Loomis Sayles Global Equities Opportunities Strategy ("Strategy") which has a track record dating back to October 2004. The RE has provided the net performance figures for the composite of the Global Equities Opportunities Strategy, the strategy in which the Fund will be exposed to. The Strategy is currently available to Australian investors through an unlisted managed fund vehicle. This vehicle charged a management fee of 1.23%p.a., which has been reduced to 0.99%p.a in line with the quoted class. The historical net returns of the strategy provided are the gross fees minus the management fee of 1.23%. These returns would be improved if the lower fee of 0.99%p.a was applied.

The Strategy has outperformed the benchmark (MSCI All Country World Index) since inception, as shown in the below chart and has consistently achieved its objective of outperforming the benchmark over a market cycle. Since inception in October 2004, the Strategy has generated a return of 11.7%p.a. to 31 July 2021, compared to the benchmark return of 8.5%p.a.

Cumulative Net Return of Loomis Sayles Global Equity Opportunities Composite vs the Benchmark



Performance Analytics (to 31 July 2021), AUD

|                            | Loomis Sayles Global Equity Composite (Net) | MSCI All Country World Index |
|----------------------------|---|------------------------------|
| <b>Returns:</b>            |   |                              |
| 1 year                     | 27.2%                                       | 29.9%                        |
| 3 year (p.a.)              | 18.4%                                       | 14.1%                        |
| 5 year (p.a.)              | 18.5%                                       | 14.6%                        |
| Since Inception (p.a.)     | 11.7%                                       | 8.5%                         |
| <b>Standard Deviation:</b> |   |                              |
| 1 year                     | 8.7%  | 8.0%                         |
| 3 year (p.a.)              | 13.1%                                       | 11.8%                        |
| 5 year (p.a.)              | 11.3%                                       | 10.1%                        |
| Since Inception (p.a.)     | 12.9%                                       | 10.9%                        |

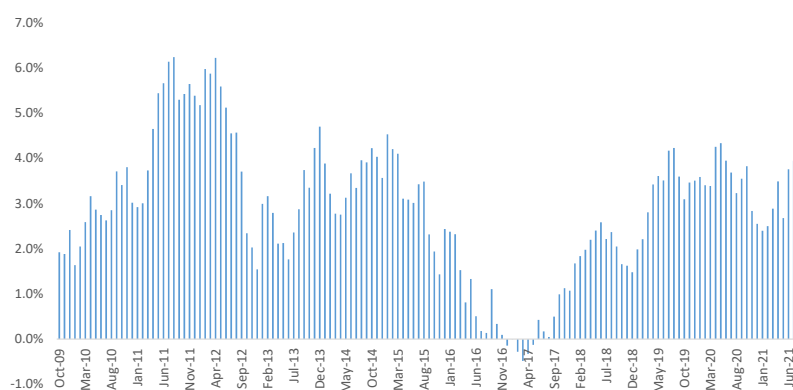
**Performance Analytics (to 31 July 2021), AUD****Sharpe Ratio:**

|                        |      |      |
|------------------------|------|------|
| 1 year                 | 2.99 | 3.62 |
| 3 year (p.a.)          | 1.31 | 1.10 |
| 5 year (p.a.)          | 1.54 | 1.32 |
| Since Inception (p.a.) | 0.81 | 0.67 |

**Tracking Error:**

|                        |      |   |
|------------------------|------|---|
| 1 year                 | 5.1% | - |
| 3 year (p.a.)          | 4.7% | - |
| 5 year (p.a.)          | 4.2% | - |
| Since Inception (p.a.) | 5.7% | - |

The Manager has consistently achieved its objective of outperforming the benchmark over a market cycle. The below chart shows the excess annualised performance of the portfolio (on a net basis) compared to the benchmark over rolling 5-year periods since October 2004 to 31 July 2021. The portfolio has outperformed the benchmark in 95.8% of the periods.

**Rolling 5 Year Excess Returns (annualised)**

From a market capture perspective, the portfolio has offered a positive market capture across the below periods except the 1 year period to 31 July 2021. Over the longer-term, the portfolio has provided a level of downside protection against negative markets, although not to the extent that you'd expect given the quality focus of the portfolio. This downside market capture reflects the increased volatility experienced by the portfolio compared to the market.

**Market Capture**

|                        | Up Market Capture | Down Market Capture | Market Capture |
|------------------------|-------------------|---------------------|----------------|
| 1 year                 | 0.92              | 1.08                | 0.85           |
| 3 year (p.a.)          | 1.06              | 0.86                | 1.23           |
| 5 year (p.a.)          | 1.10              | 0.86                | 1.28           |
| Since Inception (p.a.) | 1.14              | 0.97                | 1.17           |

**PEER COMPARISON**

We have compared the Fund to a select group of long only, global equity ETMF's that we view to be peers of the Fund. While LSGE was listed on 1 October 2021 and therefore has very limited performance history, LSGE will provide exposure to the Loomis Sayles Global Equity Opportunities Strategy, which has a substantial track record, which we use as a proxy for LSGE returns.

LSGE has a competitive fee structure with a management fee of 0.99% and no performance fee. The fee structure is at the lower end of the fee spectrum compared to the peer group.

| Peer Comparison   |             |                       |               |                       |                     |  |
|---|-------------|-----------------------|---------------|-----------------------|---------------------|--|
| ETMF Name   | Ticker      | Listing Date          | FUM (\$m)*    | Management Fee (%p.a) | Performance Fee (%) | Performance Fee Hurdle                 |
| Apostle Dundas Global Equity Fund (Managed Fund)              | ADEF        | Feb-2021              | 9.3           | 0.90%                 | na                  | na                                     |
| Antipodes Global Shares (Quoted Managed Fund)                 | AGX1        | Nov-2018              | 27.5          | 1.10%                 | 15%                 | MSCI All Country World Index, AUD      |
| Magellan Global Fund - Open Class Units (Managed Fund)        | MGOC        | Nov-2020              | 14,047.9      | 1.35%                 | 10%                 | MSCI World NTR Index                   |
| Magellan High Conviction Trust (Managed Fund)                 | MHHT        | Jul-2021 <sup>#</sup> | 887.4         | 1.50%                 | 10%                 | 10%p.a                                 |
| Montgomery Global Equities Fund (Managed Fund)                | MOGL        | Dec-2017              | 84.2          | 1.32%                 | 15.38%              | MSCI World Net Total Return Index, AUD |
| WCM Quality Global Growth Fund (Quoted Managed Fund)          | WCMQ        | Aug-2018              | 314.8         | 1.25%                 | 10%                 | MSCI All Country World Index, AUD      |
| <b>Loomis Sayles Global Equity Fund (Quotes Managed Fund)</b> | <b>LSGE</b> | <b>Oct-2021</b>       | <b>10.0**</b> | <b>0.99%</b>          | <b>na</b>           | <b>na</b>                              |

\*As at 30 September 2021.

\*\*As at listing date on 1 October 2021.

<sup>#</sup> Converted to an ETMF in July 2021 from a Listed Investment Trust. Originally listed in October 2019.

A number of the long only, global equity ETMFs have a limited performance history with the funds listing in recent years. We note that MHHT restructured from a Listed Investment Trust to an ETMF in June 2021 and ADEF listed in February 2021 but similar to LSGE is providing a quoted class of an existing strategy. The Loomis Sayles Global Equity Opportunities Strategy has been around the upper end of returns when compared to the peer group. The LSGE Strategy has been the top performer of those funds that have a three-year history.

| Peer Group NAV Performance as at 31 July 2021 |              |              |               |               |
|---|--------------|--------------|---------------|---------------|
|   | 3 month      | 1 year       | 2 year (p.a.) | 3 year (p.a.) |
| ADEF*   | 13.6%        | 30.1%        | 20.4%         | 18.3%         |
| AGX1  | 2.0%         | 27.2%        | 11.5%         | na            |
| MGOC  | 7.2%         | na           | na            | na            |
| MHHT**  | 7.5%         | 19.8%        | na            | na            |
| MOGL  | 9.1%         | 22.4%        | 8.1%          | 6.1%          |
| WCMQ  | 11.8%        | 28.0%        | 23.1%         | na            |
| <b>LSGE<sup>#</sup></b>                       | <b>11.0%</b> | <b>27.2%</b> | <b>18.6%</b>  | <b>18.4%</b>  |

\*ADEF was listed in February 2021. Returns are based on the Class C units which have the same fee structure and provide exposure to the same strategy and was established in 2015.

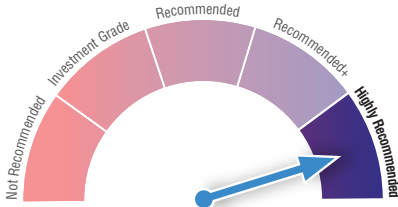
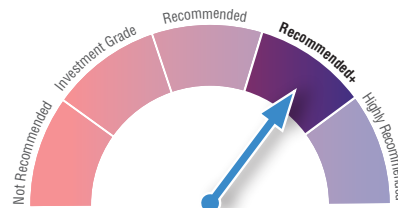
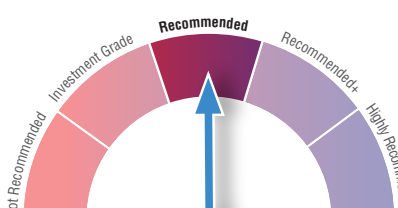
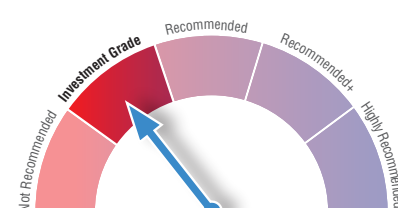
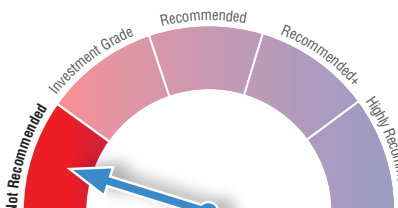
\*\*Converted to an ETMF in July 2021 from a Listed Investment Trust.

<sup>#</sup>Represented by the Loomis Sayles Global Equity Opportunities Strategy.

## APPENDIX A – RATINGS PROCESS

### INDEPENDENT INVESTMENT RESEARCH PTY LTD “IIR” RATING SYSTEM.

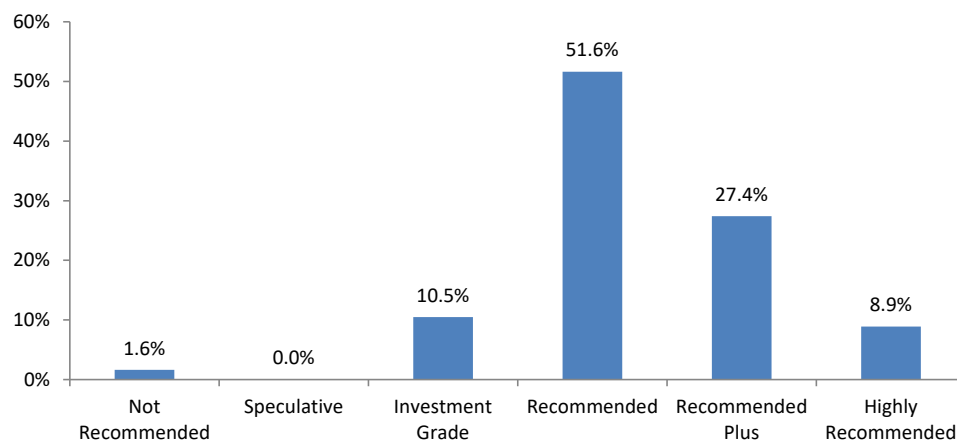
IIR has developed a framework for rating investment product offerings in Australia. Our review process gives consideration to a broad number of qualitative and quantitative factors. Essentially, the evaluation process includes the following key factors: product management and underlying portfolio construction; investment management, product structure, risk management, experience and performance; fees, risks and likely outcomes.

| LMI Ratings  | SCORE   |
|--|---|
| <p><b>Highly Recommended</b></p>  | <p><b>83 and above</b></p> <p>This is the highest rating provided by IIR, indicating this is a best of breed product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved exceptionally high scores in a number of categories. The product provides a highly attractive risk/return trade-off. The Fund is likely effectively to apply industry best practice to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors.</p>  |
| <p><b>Recommended +</b></p>      | <p><b>79–83</b></p> <p>This rating indicates that IIR believes this is a superior grade product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved high scores in a number of categories. In addition, the product rates highly on one or two attributes in our key criteria. It has an above-average risk/return trade-off and should be able consistently to generate above average risk-adjusted returns in line with stated investment objectives. The Fund should be in a position effectively to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors. This should result in returns that reflect the expected level of risk.</p> |
| <p><b>Recommended</b></p>       | <p><b>70–79</b></p> <p>This rating indicates that IIR believes this is an above-average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an above-average risk/return trade-off and should be able to consistently generate above-average risk adjusted returns in line with stated investment objectives.</p>   |
| <p><b>Investment Grade</b></p>  | <p><b>60-70</b></p> <p>This rating indicates that IIR believes this is an average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an average risk/return trade-off and should be able to consistently generate average risk adjusted returns in line with stated investment objectives.</p>   |
| <p><b>Not Recommended</b></p>   | <p><b>&lt;60</b></p> <p>This rating indicates that IIR believes that despite the product’s merits and attributes, it has failed to meet the minimum aggregate requirements of our review process across a number of key evaluation parameters. While this is a product below the minimum rating to be considered Investment Grade, this does not mean the product is without merit. Funds in this category are considered to be susceptible to high risks that are not reflected by the projected return. Performance volatility, particularly on the down-side, is likely.</p>   |

## APPENDIX B – MANAGED INVESTMENTS COVERAGE

The below graphic details the spread of ratings for managed investments rated by Independent Investment Research (IIR). The managed investments represented below include listed and unlisted managed funds, fund of funds, exchange traded funds and model portfolios.

### Spread of Managed Investment Ratings





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