



Product Review

IOOF MultiMix Australian Shares Trust

ISSUE DATE 15-04-2021

About this Review

ASSET CLASS REVIEWED	AUSTRALIAN EQUITIES
SECTOR REVIEWED	AUSTRALIAN LARGE CAP
SUB SECTOR REVIEWED	MULTI-MANAGER
TOTAL FUNDS RATED	14

About this Fund

ASIC RG240 CLASSIFIED	NO
FUND REVIEWED	IOOF MULTIMIX AUSTRALIAN SHARES TRUST
APIR CODE	IOF0092AU
PDS OBJECTIVE	TO PROVIDE CAPITAL GROWTH OVER THE LONG TERM BY INVESTING IN A DIVERSIFIED PORTFOLIO OF AUSTRALIAN SHARES, AND TO ACHIEVE A TOTAL RETURN AFTER FEES IN EXCESS OF THE BENCHMARK OVER A ROLLING SEVEN-YEAR PERIOD.
INTERNAL OBJECTIVE	OUTPERFORM THE S&P/ASX 300 ACCUMULATION INDEX BY 2.0% P.A. (GROSS) OVER A ROLLING FIVE YEARS PERIOD.
STATED RISK OBJECTIVE	TRACKING ERROR OF LESS THAN 3.0% P.A. OVER FIVE YEAR PERIODS.
DISTRIBUTION FREQUENCY	SEMI-ANNUAL
FUND SIZE	\$511M AS AT 31 DECEMBER 2020
FUND INCEPTION	29-04-2008
MANAGEMENT COSTS	1.11% P.A. (INCL. MANAGEMENT FEE 0.80% P.A AND PERFORMANCE RELATED FEES 0.31%)
PERFORMANCE FEE	MAY BE CHARGED ON SOME UNDERLYING STRATEGIES
RESPONSIBLE ENTITY	IOOF INVESTMENT SERVICES LTD

About the Fund Manager

FUND MANAGER	IOOF INVESTMENT SERVICES LTD
OWNERSHIP	100% OWNED BY IOOF HOLDINGS LTD, AN ASX LISTED COMPANY (ASX CODE: IFL)
ASSETS MANAGED IN THIS SECTOR	\$8.2BN AS AT 31 DECEMBER 2020
YEARS MANAGING THIS ASSET CLASS	27

Investment Team

PORTFOLIO MANAGER	PAUL CRISCI
INVESTMENT TEAM SIZE	2
INVESTMENT TEAM TURNOVER	LOW
STRUCTURE / LOCATION	PM / MELBOURNE

Investment process

INVESTMENT STYLE	MULTI-MANAGER
TYPICAL NO. OF MANAGERS	10-15

Fund rating history

APRIL 2021	RECOMMENDED
APRIL 2020	RECOMMENDED
OCTOBER 2018	RECOMMENDED

What this Rating means

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.

Strengths

- IOOF implements a robust and consistently applied research process underpinning underlying manager selection and portfolio construction functions.
- The Manager demonstrates active management of the portfolio and a willingness to engage early-stage investment managers.
- The investment team and manager research process is further supported by external asset consultant, Mercer.

Weaknesses

- Upcoming MLC Wealth and IOOF merger may serve as a distraction to the investment team.

Fund Risk Characteristics

	LOW	MODERATE	HIGH
BUSINESS SUSTAINABILITY RISK		●	
CAPITAL VOLATILITY			●
SECURITY CONCENTRATION RISK		●	
SECURITY LIQUIDITY RISK		●	

Risk categories are based on Lonsec's qualitative opinion of the risks inherent in the financial product's asset class and the risks relative to other financial products in the relevant Lonsec sector universe.

BIometrics

Aggregated risks

	1	2	3	4	5	6	7
STD RISK MEASURE						●	

A Standard Risk Measure score of 6 equates to a Risk Label of 'High' and an estimated number of negative annual returns over any 20 year period of 4 to less than 6. This is a measure of expected frequency (not magnitude) of capital losses, calculated in accordance with ASFA/FSC guidelines.

	LOW	MODERATE	HIGH
RISK TO INCOME		●	

Features and benefits

	LOW	MODERATE	HIGH
COMPLEXITY		●	
ESG		●	

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Fee profile

	LOW	MODERATE	HIGH
FEES VS. UNIVERSE			●
FEES VS. ASSET CLASS			●
FEES VS. SUB-SECTOR			●

Fee BIometrics are a function of expected total fee as a percentage of expected total return.

What is this Fund?

- The IOOF MultiMix Australian Shares Trust ('the Trust') invests in a single asset class via a selection of Australian equity investment managers.
- The Trust is managed by IOOF Investment Services Ltd ('IOOF' or 'the Manager'). IOOF adopts a Multi-Manager investment style, taking an active approach. IOOF's investment philosophy is guided by a number of key principles which have foundations in academic research; active managers can outperform sector benchmarks over the long-term, in-depth research and analysis can provide superior insight and provide potential for outperformance, and investment style can have a significant impact on performance.
- The Manager seeks to generate returns through active manager selection and aims to blend a range of investment styles (value, growth, quality, momentum, income) while maintaining meaningful active stock and sector positioning. The Trust has a bias towards mid, small and micro-cap investment managers with a view that active management in niche segments outperform over the long term.
- IOOF also has a preference for high conviction boutique managers and those with relatively low but growth in funds under management (FUM). IOOF seeks to identify high quality managers early on in their lifecycle, with strong alignment of interests between investment staff and end investors.
- As per the PDS dated 30 November 2019 the ongoing annual fees and cost to investors in the Trust includes management fees and costs of 1.11% p.a. which comprise 0.80% p.a. management fee and a performance related fee of 0.31% p.a. Of note the Trust does not charge a performance fee at the headline level. Investors should note that the performance fee is an arrangement with some underlying managers, and is not charged by IOOF. The performance fee charged by underlying managers is passed through to investors. The net transaction costs for the Trust were 0.24% p.a. for the 12-month period ended 30 June 2020. Transaction costs include explicit (e.g. brokerage, stamp duty, clearing) and implicit (buy/sell spreads in multi-asset) costs of buying and selling underlying assets (like shares or fixed income) and the cost of hedging/protection strategies incurred in managing the Trust. These costs are not paid to the Manager. Some transaction costs may be incurred due to investor activity (e.g. buying securities when new application money flows into the Trust and selling securities to meet Trust redemptions) and these may be recouped via the Trust's buy/sell spreads (an investor activity fee). As at the time of this review, the Trust's buy/sell spreads were 0.14%/0.14% but as these can change frequently depending on market conditions, please refer to the Manager for the latest information.

Using this Fund

This is General Advice only and should be read in conjunction with the Disclaimer, Disclosure and Warning on the final page.

- Single Asset Class Multi-Manager Funds may be suitable for investors seeking exposure to a core, typically style neutral fund that offers a higher degree of diversification than that available from a single manager fund. Due to the diversified nature of these funds they typically achieve second or third quartile (as opposed to first quartile) performance with lower volatility than single manager funds.
- The Trust is a 100% growth based portfolio with no exposure to income assets. It has a strong emphasis on maximising capital growth over the long-term. Investors should expect high short-term fluctuations in values and a higher chance of capital loss. However, they are prepared to accept this as a trade off in achieving their long-term investment objective.

Suggested Lonsec risk profile suitability

SECURE	DEFENSIVE	CONSERVATIVE	BALANCED	GROWTH	HIGH GROWTH
	●	●	●	●	●

For guidance on appropriate asset allocations and risk profiles, refer to the latest Lonsec Strategic Asset Allocation Review and Risk Profile Definitions on our website.

Changes Since Previous Lonsec Review

- In August 2020, IOOF Holdings Ltd (ASX Code: IFL) announced it had entered into a transaction agreement with National Australia Bank (ASX Code: NAB) to acquire 100% of the MLC Wealth business for \$1.4bn. IOOF has received acceptance from the Australian Competition and Consumer Commission (ACCC) in December 2020, the acquisition is expected to be finalised before 30 June 2021, subject to approval by the Australian Prudential Regulation Authority (APRA).
- IOOF Holdings Ltd sold a portion of its equity stake in Australian Ethical Investment Limited (ASX Code: AEF) in August 2020.
- Lorna Stewart was appointed as Chief Risk Officer (CRO) in June 2020.
- The Investment Management Committee (IMC) was appointed by OnePath Funds Management Limited (OPFM) to provide oversight in terms of investment management including manager selection proposals for the OnePath and Optimix suite of multi manager products.
- Effective May 2020, Portfolio Manager of Smart Choice and Head of Alternatives Manish Utreja was appointed as a member of the IMC.
- Steve Merlicek has announced his retirement as a member of the IMC in March 2021.
- Following the completed integration of the OnePath P&I team into the IOOF Multimix team in October 2020, it has subsequently resulted in an expanded investment team including a number of senior additions namely:
 - Kerry Duce – Head of Asset Allocation;
 - Sidney Chong – Asset Allocation Manager;
 - Liam Wilson – Portfolio Manager Optimix & OnePath Trusts;

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- Manish Utreja – Portfolio Manager Smart Choice & Head of Alternatives;
- Sean Robertson – Alternatives Investment Manager and;
- Mark Nordio – Senior Manager Fixed Interest Assets & Strategy
- The investment team has also experienced some departures including:
 - Angus Knapman – Senior Property Manager departed the organisation in March 2020.
 - Peter Laity – Portfolio Manager Equities and ESG Integration departed the organisation in October 2020.
 - Emmanuel Gbe – Senior Risk Analyst departed the organisation in October 2020.
 - Jerry Hartono – Implementation Support Analyst departed the organisation in October 2020
 - Juanita Escobar – Portfolio Manager Internal Management Credit and Cash departed the organisation in October 2020; and;
 - Ray King is no longer Portfolio Manager Alternatives effective November 2020. King is presently a consultant to the investment team in the Alternatives sector.
- The Manager has commenced a comprehensive product range review with the aim to achieve alignment across OnePath, Optimix and IOOF MultiSeries strategies. The Manager will provide further guidance to Lonsec upon completion.
- Since Lonsec’s previous review, IOOF has made the following changes to the underlying investment manager line-up of the portfolio:
 - Appointments
 - Northcape Capital
 - Terminations
 - DNR Capital

Lonsec Opinion of this Fund

People and resources

- Effective October 2020, the OnePath P&I team was fully transitioned into IOOF. The team manages an expanded range of multi-manager products encompassing Optimix and OnePath funds on top of the existing suite of IOOF multi-manager funds. Lonsec considers the formation of the two investment teams offers complementary skill sets in key components of asset allocation, portfolio management and risk management. Nevertheless, as with any integration of two distinct investment teams, the potential for uncertainty increases markedly as roles and responsibilities are divided up. Whilst IOOF’s historical track record in successfully consolidating investment teams provides an element of comfort, Lonsec will continue to monitor team cohesion in future reviews.
- In August 2020, IOOF Holdings Ltd (ASX Code: IFL) announced it had entered into transaction agreement with National Australia Bank (ASX Code: NAB) to acquire 100% of the MLC wealth management business. Lonsec is cognisant of the significance of the deal between MLC and IOOF presents and highlights the scope for meaningful synergies due to the complementary segments both businesses operate in. Nevertheless, Lonsec will be closely monitoring the progress of the acquisition and its impact on the investment team.
 - The investment team is led by CIO Dan Farmer and further succession planning efforts also saw the appointment of Stanley Yeo as Deputy CIO and Head of Equities. Farmer previously managed the Australian equities portfolios at IOOF, and prior to joining the organisation, was Senior Executive Investments at Telstra Super. Farmer also serves on the IMC. Lonsec believes that Farmer possesses the appropriate experience and skills to lead the team and to navigate changes that may arise with the impending MLC/ IOOF merger.
 - IOOF appointed Crisci to replace Farmer as the Trust’s Portfolio Manager in August 2017. Lonsec notes that Crisci has settled in well to the Portfolio Management role and considers Crisci to be well-aligned with the Manager’s investment philosophy of including small and micro cap managers as a means to generate alpha. Nevertheless, Lonsec will be looking to build further conviction in Crisci’s in future reviews as he builds a meaningful performance track record on this Trust.
 - Crisci previously worked at Funds SA where he was a Portfolio Manager for over 10 years and was responsible for managing both the Australian and International equity portfolios. Prior to this, Crisci began at the same firm as an Investment Analyst for seven years. Crisci is also the back-up Portfolio Manager to the MultiMix International Shares Trust currently managed by Deputy CIO and Head of Equities Stanley Yeo.
 - Lonsec believes that the sector specialist approach should lead to increased accountability while enabling specialist skills to be allocated more efficiently. Given the team size, Lonsec is pleased with the Manager’s utilisation and interaction with external resources, including asset consultant, Mercer. Lonsec also believes the outsourcing of administrative functions allows the team to achieve greater emphasis on investment responsibilities.
 - Lonsec considers key person risk to be moderate given the significant experience of Crisci, and his level of involvement in the process. However, this risk is mitigated to some extent by Farmer and Yeo’s deep familiarity with the strategy and continued oversight they provide as CIO and Deputy CIO – Head of Equities, the team’s access to external resources as well as Rhodri Payne’s understanding and involvement in the strategy.
 - Lonsec believes that the investment team’s alignment of interests with investors was enhanced a few years ago with the introduction of a remuneration structure which is more overtly linked to the performance of the Trust. The criterion used for Portfolio Manager remuneration is based on two components – individual performance against respective benchmarks (70%) and a team component (30%). The magnitude of the bonus is up to 100% of base salary, with up to 70% (includes 20% for diversified trusts performance) against individual asset sector benchmarks and peer group comparisons based on rolling one-year. The other potential bonus of 30% is at the discretion of the CIO and

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the CEO and is based on the contribution to team performance.

Research and portfolio construction

- IOOF's research process integrates both quantitative and qualitative factors. The quantitative process is used to establish specific risk/return objectives at both the Fund and sector level and to assist in screening, modelling and identifying suitable investment managers. Overall, Lonsec considers IOOF's manager research process to be thorough and transparent.
- IOOF's research process aims to establish a narrow universe of funds that have been filtered by various criteria, including IOOF's house views on suitable styles of investment managers for given asset classes and managers rated highly by Mercer. Lonsec views positively the depth and breadth of Mercer's domestic and global manager coverage and believes it to be a valuable overlay to this process. Combined with the sector specialist model, this has allowed the Manager to undertake research on a broader suite of underlying investment managers and strategies.
- In constructing the portfolio, Lonsec believes IOOF takes appropriate levels of activeness to achieve the Trust's objective. In recent years, the Manager has significantly trimmed the number of managers in the Trust line-up and targeted higher expected returning strategies in an effort to increase the Trust's active share, from 30% in 2013 to 45% as of 31 December 2020. The Manager has a deliberate smaller market capitalisation bias and allocation to non-traditional or niche strategies which may result in performance that differs substantially from peers and benchmark over an investment cycle.
- IOOF's Australian Boutique Manager Portfolio is an attractive feature of the Trust. IOOF seeks to identify high quality managers early on in their development when fees are low and alpha potential is typically at its highest. The Manager has on a number of occasions been the first institutional manager to award mandates to these particular strategies. Approximately 15% of the Trust is currently invested in 'boutique' managers. Lonsec highlights these investments may have elevated risk profiles (business and investment) that should be compensated with higher expected returns. Lonsec believes IOOF has appropriate processes in place to effectively monitor these investment managers and act in a timely manner should any characteristics change.
- The Trust also invests in niche strategies such as the BioScience Managers Biomedical Translation Fund I. IOOF is experienced with these types of strategies, and Lonsec considers the size of the investments to be appropriate from a risk management perspective. That said, Lonsec remains mindful that such positions have the potential to encounter liquidity issues in times of market stress and cautions that consideration should be taken particularly in light of the current overweight position in micro and small caps.
- Most underlying investment managers are accessed via separately managed accounts enabling IOOF to tailor mandates to its requirements, e.g. maximum stock bet limits or maximum cash holdings. Lonsec considers this a positive structure as it can facilitate tighter portfolio construction, better product design

control, the opportunity for better pricing, improved tax efficiency for investors and the ability to manage implementation and transitions more effectively.

- IOOF has displayed strong discipline in removing underperforming or unsuitable strategies from the Trust as and when the need arises. Pleasingly, this discipline has been applied equally to both external and internal strategies.
- Lonsec is pleased to note a reserve bench of investment managers is maintained which undergoes the same level of in-depth manager monitoring as IOOF's incumbent investment managers. This ensures that there is always a well-researched back-up manager to allow IOOF to act quickly and decisively in the event there is a need to revisit the Trust's underlying manager configuration.

ESG Integration

- The Manager has articulated a commitment to the integration of ESG within their investment process with evidence of a policy framework and public positioning. The Manager has appropriate policies in place, however, they are not clearly accessible on the firm's website. Overall, Lonsec views the strength of this commitment to be in-line with peers.
- The level of disclosure with respect to the Manager's proxy voting policy and voting outcomes is in-line with peers with a limited policy framework. Reporting on voting decisions is publicly available and aligned with peers. The Manager does not provide any details on the engagement policy or engagement outcomes.
- There is clear evidence of ESG incorporation in the manager selection process. High-level monitoring of ESG characteristics at the underlying manager level is evident. The Manager has a structured approach to performing detailed look-through ESG analysis of underlying holdings with adequate reporting. On a peer relative basis, Lonsec considers the overall level of ESG integration within this Trust to be low to moderate.

Risk management

- In recent years, risk management has been strengthened with the introduction of a number of external risk and portfolio monitoring systems. The improved quantitative tools and associated increased sophistication allow the Manager to monitor risk on an ex-ante basis with reduced reliance on internally generated spreadsheets.
- IOOF closely monitors manager portfolios and weightings on a daily basis and investigates daily any excess return outliers exceeding the 99% confidence level. In Lonsec's opinion, ongoing mandate monitoring is important within the Multi-Manager structure, to ensure that each underlying investment manager is adhering to its stated investment process.

Funds under Management

- At the time of Lonsec's review, the Manager's Australian equity team had approximately \$8.2 billion in FUM as at 31 December 2020. Lonsec believes that at these levels, the Trust does not have an issue with capacity. That said, it believes that the Trust's capacity will be smaller relative to many peers, given its strategy includes significant exposure

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to early stage boutiques and managers with a smaller market capitalisation bias.

Performance

- The Trust aims to achieve returns (before fees and charges) that exceed the S&P/ASX 300 Accumulation Index (‘the Benchmark’) by 2.0% p.a. over rolling five years.
- Lonsec notes that the Trust has met its performance objective over the five-year period to 31 December 2020, outperforming the Benchmark by 2% p.a. on a gross of fees basis. On an after fees basis, the Trust returned 10.0% p.a., outperforming the Benchmark by 1.2% p.a. and the Multi-Manager peer group median by 2.4% p.a.
- The Trust’s shorter one-year performance has been relatively impressive, having generated 4.7% (after fees) to outperform the Benchmark and peer median by 3.0% and 3.2%, respectively. The Trust’s allocation to Quest and micro and small cap strategies particularly OC and Acorn contributed to relative performance.
- The Trust’s Tracking Error was higher than the peer group median over all time periods to 31 December 2020. Lonsec views this positively and believes it is a result of the ‘activeness’ of the Manager’s investment strategy relative to peers, and largely attributable to the focus on smaller market capitalisation and early stage managers.
- Furthermore, the Trust has delivered returns over the medium term at a lower volatility (as measured by standard deviation) than its peer median.

Overall

- Lonsec has maintained the Trust’s **‘Recommended’** rating following its most recent review. The rating reflects the high regard and conviction for the experience and calibre of the investment team underpinned by Lonsec’s positive view of the Trust’s robust and repeatable investment process. Lonsec believes the Trust encompasses a differentiated feature in its willingness to back boutique investment managers early in their lifecycle, and the usage of small, micro cap and more niche strategies such as health care funds.
- Nevertheless, Lonsec will be closely monitoring the progress of the MLC Wealth acquisition and its impact on the investment team and Trust performance.

People and Resources

Corporate overview

IOOF is a wealth management company offering products and services across; financial advice and distribution, portfolio and estate administration and investment management.

IOOF is listed on the Australian Securities Exchange (ASX Code: IFL). As of 31 December 2020, IOOF had \$202bn in Funds Under Management, Administration and Advice.

These services are operated through a suite of brands including; IOOF, Shadforth, Lonsdale, Bridges Financial Services, Consultum Financial Advisers, M3 Financial

Services, RI Advice, Financial Services Partners, Australian Executor Trustees.

Size and experience

NAME	POSITION	EXPERIENCE INDUSTRY / FIRM
DAN FARMER	CHIEF INVESTMENT OFFICER	25 / 11
STANLEY YEO	HEAD OF EQUITIES AND DEPUTY CIO	21 / 11
PAUL CRISCI	PORTFOLIO MANAGER, AUSTRALIAN EQUITIES	21 / 4
RHODRI PAYNE	HEAD OF INVESTMENT EXECUTION	13 / 13

In total, the IOOF investment team consists of 22 dedicated personnel including two investment governance specialists with over 20 years industry experience. The team is led by Chief Investment Officer, Dan Farmer and includes six Heads of Asset Classes and Implementation, six Portfolio Managers, three supporting analysts and two members dedicated to asset allocation. Paul Crisci is the Portfolio Manager for the Trust with oversight from Stanley Yeo Deputy CIO and Head of Equities and Rhodri Payne providing additional support. Crisci joined IOOF in 2017 from Funds SA where he was responsible for managing both the Australian and International equity portfolios. Crisci has 21 years of industry experience and is well versed in managing multi-manager style portfolios and engaging with external managers. Payne joined the investment team in 2013 having transitioned internally from the investment operations team. Payne is responsible for providing transition management and implementation solutions for the investment team. Payne provides investment support which includes research, analysis and manager monitoring to the other portfolio managers with an emphasis on the Australian Equity portfolio.

Team structure

The investment team is structured along specialist lines. The Portfolio Manager conducts qualitative and quantitative research and provides overall data support and recommendations to the Investment Management Committee (‘IMC’). The IMC ultimately considers and approves asset allocation decisions and manager appointments.

The IMC meets bi-monthly or more frequently if required, and comprises of Anthony Hodges (Chairman and Independent Member), Denise Allen (Independent Member), Mary-Anne Nunan (Independent Member), Daniel Farmer (CIO), Stanley Yeo (Deputy CIO) and Manish Utreja (Head of Alternatives). Osvaldo Acosta has been appointed as Secretary.

Back-office functions are performed by IOOF’s Investment Operations Team. Compliance monitoring, custody, unit pricing, registry and financial reporting functions are outsourced to various parties including IOOF and BNP Paribas; while transition management and implementation is performed by a panel of transition managers including Citi, UBS and Macquarie.

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Research Approach

Overview

RESEARCH PHILOSOPHY	BLENDED QUALITATIVE AND QUANTITATIVE RESEARCH
TARGET MANAGER	HIGH QUALITY BETA AND ALPHA MANAGERS, BOTH ESTABLISHED AND BOUTIQUE
NO. OF MANAGERS IN UNIVERSE	UNLIMITED
NO. OF MANAGERS ACTIVELY RESEARCHED	ALL MANAGERS RESEARCHED BY MERCER
RESEARCH INPUTS	VARIOUS - MANAGER MEETINGS, ASSET CONSULTANTS ETC.

IOOF's integrated quantitative and qualitative investment process aims to establish a narrow universe of funds that have been filtered by various criteria including IOOF's house views on suitable styles of managers for given asset classes and managers rated highly by Mercer. Qualitative research then focuses on the firm's background and history, the calibre of key people and resources, investment style and strategy, portfolio construction, and constraints.

Screening of Managers

IOOF places a strong emphasis on active risk budgeting when in the Portfolio Construction process, and therefore identifies the type of managers/mandates required to fulfil particular roles within the available tracking error budget. As such, managers who would be unlikely to fulfil a certain role within the portfolio will be screened out. This approach allows IOOF to minimize the universe of products to a manageable size rather than considering all available managers in the asset class. For example, IOOF's house view on Australian equities is that well-resourced active managers, with strong alignment of interest between investment staff and investors with relatively low funds under management are most likely to outperform, and so will dedicate the research effort to these types of managers as opposed to the entire Australian equity universe.

IOOF also has access to Mercer's Global Investment Manager Database (GIMD) to enhance the scope of their research capability and as an additional filtering tool to identify the most suitable funds. The GIMD is an online database that encapsulates information ranging from manager research notes, historical performance statistics, ideas emerging in other markets, and economic research on approximately 5,700 managers.

Typically, IOOF will focus its research on managers rated B+ or higher by Mercer. However, the discovery of managers may originate through any source including Mercer, directly by IOOF, through existing networks and contacts with other industry participants, such as managers, consultants or superannuation plan operators. The IOOF investment team are encouraged to have a wide opportunity set for fresh investment ideas.

Research focus

The list of potential managers identified as research priorities by the screening process will then be subject to additional research by the IOOF team before they can be included in a portfolio. This 'double' layer of manager research typically ensures that final funds in the portfolios have undergone a rigorous review process.

IOOF undertakes a mix of both qualitative and quantitative research. From a qualitative perspective,

IOOF considers factors such as the firm's background and history, the calibre of key decision makers and the depth of available resources, investment strategy and style, idea generation and portfolio construction processes and implementation constraints.

The types of quantitative analysis conducted will include various types of performance, return and style based analytics and various types of portfolio holdings based attribution, and risk factor analytics. The objective of this research and analysis is to gain a better understanding of the context (i.e. market environment) in which a manager's historical performance was generated, potential return characteristics under various market conditions.

Portfolio Construction

Overview

FUND BENCHMARK	S&P/ASX 300 ACCUMULATION INDEX
RETURN OBJECTIVE (INTERNAL)	TO OUTPERFORM THE BENCHMARK BY 2.0% (GROSS) OVER ROLLING FIVE-YEAR PERIODS.
RISK OBJECTIVE (INTERNAL)	TRACKING ERROR < 3% P.A
INVESTMENT STYLE	MULTI-MANAGER
PORTFOLIO DECISIONS	APPROVED BY IMC
MARKET CAPITALISATION BIAS	SMALL TO MID CAP
OBSERVED ACTIVE SHARE	45%

Manager / Fund selection

IOOF adopts a fully active process, aiming to target the most attractive market segments and strategies over time. The Manager aims to blend a range of investment styles (value, growth, quality, momentum, low volatility) while maintaining meaningful active stock and sector positions. IOOF also has a preference for boutique investment managers and those with low but growth in FUM.

Manager weightings are determined via an assessment of contribution to total active risk to ensure no one manager has a disproportionate expected contribution. However, a manager's contribution to total active risk is not considered in isolation but with reference to the correlation of its excess returns with other managers and the objective of the product.

Manager blending is conducted following both qualitative and quantitative assessments. Qualitative analysis includes comparison analysis of each investment manager and the diversification benefits they offer. Quantitative analysis includes factors such as; correlation, historical returns, style biases, capitalisation analysis, regression analysis and various risk analytics. Prior to submitting a manager recommendation to the IMC, the recommendation is peer-reviewed by the Investment Manager Peer Review Group. This group consists of senior investment professionals (Chief Investment Officer and Portfolio Managers) that are ultimately responsible for the review of manager proposals before being formally considered by the IMC. This ensures any manager proposal to the IMC has been rigorously peer-reviewed as a means of quality control and to minimise individual bias and subjectivity. It is also a means to consider the manager proposal in a total portfolio context.

Manager lineup

The following summarises the underlying investment managers within the Trust as at 31 December 2020. The

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Manager is currently overweight to niche segments of the market (mid/small/micro-cap stocks) and more exposed to growth and momentum.

Broad cap

- Legg Mason Martin Currie Dynamic Value
- Vinva Alpha Extension
- Alliance Bernstein Concentrated Equity
- Alliance Bernstein Managed Volatility
- Invesco Aust Equity Efficient Income
- Quest Asset Partners
- Northcape Capital

Small and micro cap

- OC Micro and Small Cap
- Acorn Micro Cap

Boutique managers

- Selector Mid Cap
- OPBM Asia Pacific Micro Healthcare
- BioScience Managers Biomedical Translation Fund

Other

- IOOF Cash Management Trust

Implementation

Portfolio allocations are monitored daily and re-balanced as necessary (subject to an operational rebalancing range of +/-3%). Cashflows are actively used to rebalance the portfolio on an ongoing basis, so the tolerance bands are rarely breached. Cashflows are allocated using a proprietary cashflow management system which allows for straight through processing to underlying investment managers.

External transition managers are appointed from a panel at 'arms length' to ensure that objectivity is maintained. Custody, unit pricing, registry and financial reporting functions are outsourced to various parties including IOOF and BNP Paribas.

Risk Management

Risk limits

SEPARATE RISK MONITORING TEAM	YES
STOCK	NONE
SECTOR	NONE
CASH	NONE

Risk within the Trust are controlled through the research and manager selection process and complemented by the portfolio construction process. The portfolio construction process is designed to implement diversification across managers with complementary investment styles.

All managers are subject to constraints as specified in an investment management agreement. Most underlying investment managers are accessed via separately managed accounts. This enables IOOF to tailor mandates to its requirements, for example, maximum stock bet limits or maximum cash holdings.

Risk monitoring

The IOOF investment manager monitoring process consists of a number of prescribed stages. This includes the review of monthly investment reports, review of quarterly manager questionnaires, formal quarterly manager interviews, quarterly manager review notes, ongoing quantitative performance analytics, and ongoing review of external research. Quarterly Manager Questionnaires cover not only risk and performance but also any changes or developments in people or process. Formal manager interviews (and site visits where practical) are also conducted on an ad-hoc basis where required. The risk tools employed by IOOF include Bloomberg and FactSet.

Risks

An investment in the Trust carries a number of standard investment risks associated with investment markets. These include performance, liquidity, counterparty, market and tax risks. These and other risks are outlined in the PDS and should be read in full and understood by potential investors. Lonsec considers the following to be the major risks:

Equity market

Investments in equity markets are subject to numerous factors which may have an impact on the performance of an investment (both positive and negative). Unexpected changes in economic, technological, structural, regulatory or political conditions can have an impact on the returns of all investments within a particular market.

Derivatives

The manager has scope, via their PDS, to implement various derivative strategies with the objective of mitigating equity market risks. Lonsec does not expect this to be a widely adopted strategy.

The value of a derivative will generally move according to movements in the underlying asset, and therefore carries the risks associated with that asset. There is also the risk of potentially magnifying gains or losses through the use of derivatives. In addition to this there is potential illiquidity of the derivative. The Trust's derivative positions are constantly governed by a strict internal risk management process to monitor any exposures derived from the implementation of derivatives.

Therefore, given the risks inherent with a trust of this nature, Lonsec strongly recommends that potential investors read the PDS.

ANALYST: ROBBIE LEW | APPROVED BY: DARRELL CLARK

IOOF MultiMix Australian Shares Trust

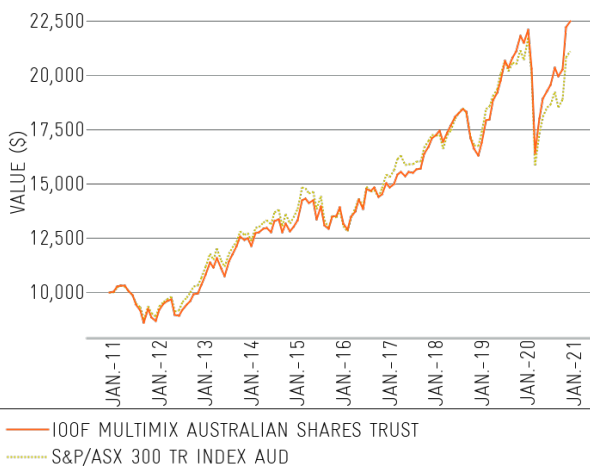
Quantitative Performance Analysis - annualised after-fee % returns (at 31-12-2020)

Performance metrics

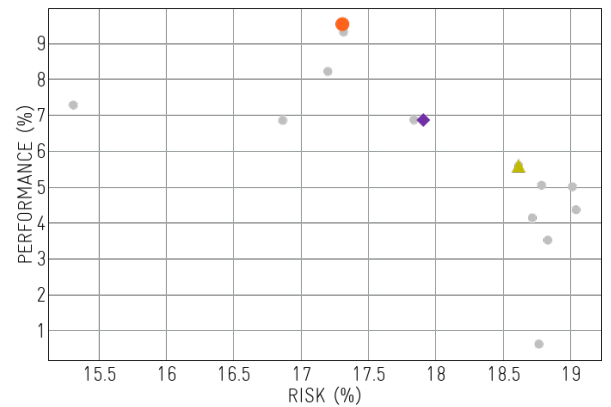
	1 YR		3 YR		5 YR		10 YR	
	FUND	PEER MEDIAN	FUND	PEER MEDIAN	FUND	PEER MEDIAN	FUND	PEER MEDIAN
PERFORMANCE (% PA)	4.70	1.51	9.54	5.60	10.04	7.69	8.45	7.35
STANDARD DEVIATION (% PA)	27.27	29.24	17.31	18.61	14.61	15.65	13.37	13.91
EXCESS RETURN (% PA)	2.97	-0.23	2.67	-1.27	1.20	-1.40	0.70	-0.19
OUTPERFORMANCE RATIO (% PA)	50.00	50.00	55.56	47.22	51.67	43.33	51.67	47.50
WORST DRAWDOWN (%)	-25.73	-27.30	-25.73	-27.30	-25.73	-27.87	-25.73	-27.59
TIME TO RECOVERY (MTHS)	8	NR	8	NR	8	NR	8	NR
SHARPE RATIO	0.16	0.04	0.48	0.23	0.58	0.39	0.45	0.36
INFORMATION RATIO	0.82	-0.03	0.79	-0.35	0.37	-0.64	0.26	-0.12
TRACKING ERROR (% PA)	3.63	2.95	3.40	2.08	3.22	1.92	2.73	2.10

PRODUCT: IOOF MULTIMIX AUSTRALIAN SHARES TRUST
 LONSEC PEER GROUP: AUSTRALIAN EQUITIES - AUSTRALIAN LARGE CAP - MULTI-MANAGER
 PRODUCT BENCHMARK: S&P/ASX 300 TR INDEX AUD
 CASH BENCHMARK: BLOOMBERG AUSBOND BANK BILL INDEX AUD
 TIME TO RECOVERY: NR - NOT RECOVERED, DASH - NO DRAWDOWN DURING PERIOD

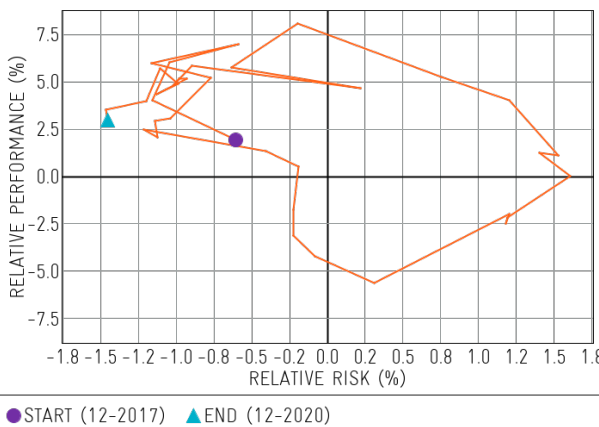
Growth of \$10,000 over 10 years



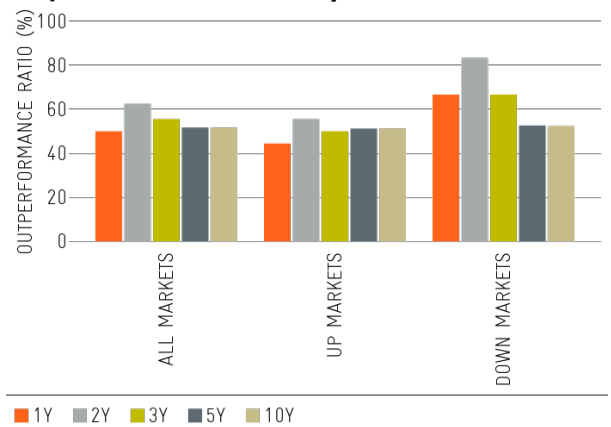
Risk-return chart over three years



Snail trail



Outperformance consistency



IOOF MultiMix Australian Shares Trust

Glossary

Total return ‘Top line’ actual return, after fees
Excess return Return in excess of the benchmark return
Standard deviation Volatility of monthly Absolute Returns
Tracking error Volatility of monthly Excess Returns against the benchmark (the Standard Deviation of monthly Excess Returns)
Sharpe ratio Absolute reward for absolute risk taken (outperformance of the risk free return (Bank Bills) / Standard Deviation)
Information ratio Relative reward for relative risk taken (Excess Returns / Tracking Error)
Worst drawdown The worst cumulative loss (‘peak to trough’) experienced over the period assessed
Time to recovery The number of months taken to recover the Worst Drawdown
Snail Trail A trailing 12-month relative performance and relative risk measurement over the benchmark. The trail is generated using a 12-month rolling window over the specified period

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