



# Product Review

## Specialist Property Fund

ISSUE DATE 15-04-2021

### About this Review

ASSET CLASS REVIEWED	PROPERTY AND INFRASTRUCTURE
SECTOR REVIEWED	GLOBAL LISTED PROPERTY
SUB SECTOR REVIEWED	MULTI-MANAGER
TOTAL FUNDS RATED	3

### About this Fund

ASIC RG240 CLASSIFIED	NO
FUND REVIEWED	SPECIALIST PROPERTY FUND
APIR CODE	WPC0012AU
PDS OBJECTIVE	TO PROVIDE A LEVEL OF INVESTMENT THAT IS REASONABLE WHEN COMPARED TO BOTH THE LONG TERM INVESTMENT HORIZON OF THE FUND AT THE HIGH LEVEL OF INVESTMENT RISK.
INTERNAL OBJECTIVE	THE FUND'S INTERNAL OBJECTIVE IS TO OUTPERFORM THE FTSE/EPRA DEVELOPED REAL ESTATE INDEX AUD HEDGED BY 2% P.A. GROSS OF FEES OVER ROLLING FIVE YEAR PERIODS.
STATED RISK OBJECTIVE	TARGETED TRACKING ERROR OF LESS THAN 5% P.A. OVER FIVE YEARS.
DISTRIBUTION FREQUENCY	QUARTERLY
FUND SIZE	\$41M AS AT 31 DECEMBER 2020
FUND INCEPTION	18-11-2005
MANAGEMENT COSTS	0.97% P.A.
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	\$2.2BN AS AT 31 DECEMBER 2020
YEARS MANAGING THIS ASSET CLASS	15

### Investment Team

PORTFOLIO MANAGER	SIMON GROSS
INVESTMENT TEAM SIZE	2
INVESTMENT TEAM TURNOVER	LOW
STRUCTURE / LOCATION	PM / SYDNEY AND MELBOURNE

### Investment process

INVESTMENT STYLE	MULTI-MANAGER
MARKET CAPITALISATION BIAS	LARGE CAP
BENCHMARK	FTSE/EPRA DEVELOPED REAL ESTATE INDEX AUD HEDGED

### Fund rating history

APRIL 2021	RECOMMENDED
APRIL 2020	RECOMMENDED
AUGUST 2019	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

- Experienced investment team with strong property credentials.
- IOOF implements a robust and consistently applied research process underpinning underlying manager selection and portfolio construction functions.
- Increased emphasis on qualitative assessment in portfolio decision-making than multi-manager peers in the sector.

### 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			●
FOREIGN CURRENCY EXPOSURE		●	
SECURITY LIQUIDITY RISK	●		
SECURITY CONCENTRATION 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 7 equates to a Risk Label of 'Very High' and an estimated number of negative annual returns over any 20 year period of 6 or greater. 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

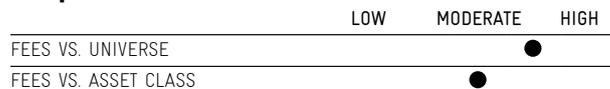
	LOW	MODERATE	HIGH
COMPLEXITY		●	
ESG		●	

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## Fee profile



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

## What is this Fund?

- The Specialist Property Fund ('the Fund') invests in a single asset class via a selection of specialist Global listed property investment managers. The Fund has an internal investment objective to deliver a return that exceeds the FTSE EPRA/NAREIT Developed Real Estate Index – Hedged AUD ('the Benchmark') by 2% p.a. over five-year periods (before fees).
- The Fund is managed by IOOF Investment Services Ltd ('IOOF' or 'the Manager'). IOOF adopts a Multi-Manager investment style, taking an active approach. The Manager believes a well researched and carefully constructed portfolio of global property investment managers will reduce volatility and provide superior risk-adjusted returns over the long term. This is achieved by minimising the effect of style bias (i.e. being style neutral) and maximising manager diversification.
- As at 31 December 2020, the Fund comprised of three underlying investment managers; Resolution Capital (54%), Cohen and Steers (28%) and Pental/AEW (17%). The Manager has the discretion to appoint and remove underlying managers and adjust the asset allocations between each manager.
- Over the year to 31 December 2020 the portfolio was weighted on average 55% to North America, 15% to Asia, 20% to Europe and 9% to Australia. These weightings are broadly in line with the Benchmark.
- The portfolio has a bias towards large capitalisation property securities (classified as having a market capitalisation of greater than US\$10bn), with 59% of the portfolio being classified as large capitalisation as at 31 December 2020. In comparison, only 5% of the portfolio was in small capitalisation securities (i.e. less than US\$2bn). In general, securities with larger market capitalisations have lower volatility.
- As per the PDS dated 30 November 2019 the ongoing annual fees and cost to investors in the Fund includes management fees and costs of 0.97% p.a. which comprise 0.97% p.a. management fee. Of note the Fund does not charge a performance fee at the headline level. The net transaction costs for the Fund were 0.43% 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 Fund. 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 Fund and selling securities to meet Fund redemptions) and these may be recouped via the Fund's buy/sell spreads (an investor activity fee). As at the time of this review, the Fund's buy/sell spreads were 0.06%/0.02% but as these can change frequently depending

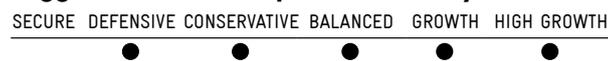
on market conditions, please refer to the Manager for the latest information.

## Using this Fund

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

- The Fund is a global property securities product and as such will generally sit within the 'growth' component of a diversified portfolio.
- The Fund is permitted to invest in A-REITs, which constitutes approximately 4% of the Benchmark.
- Single Asset Class Multi-Manager funds may be suitable for investors seeking exposure to a 'core', typically style neutral product, that can offer a higher degree of diversification than that available from a single manager fund.
- While the Fund seeks to invest in listed property securities that deliver reliable long-term cash flows, its returns are also subject to equity market risk. This means that movements (both positive and negative) in the prices of the portfolio's underlying securities will impact returns. Investors should therefore be aware that there is risk of capital loss being incurred.
- The Fund is partially hedged to reduce the impact of currency movements on returns. As at 31 December 2020, approximately 45% of the Fund's net assets were hedged. Investors should be aware that the Manager has considerable discretion in varying this hedge ratio.
- If net assets in the Fund are hedged, Australian accounting rules require that gains or losses from settled hedging contracts be recognised within a fund's distributable income. When there is high volatility in currency markets hedging may impact the Fund's ability to pay distributions.

## Suggested Lonsec risk profile suitability



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

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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.
  - 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.

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### 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 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.
- The Fund is managed by Head of Property Simon Gross. He is primarily responsible for appointing and terminating managers and determining manager allocations in the portfolio. Gross is an experienced property professional with 40 years' industry experience in direct/unlisted property and has managed a number of institutional property portfolios. In addition to being PM for this Fund, Gross also manages an Australian direct property portfolio for IOOF. Lonsec's impressions are that he is an experienced and capable property investor and that his breadth and depth of experience in direct real estate is an advantage over other multi-managers in the sector.
- Gross is supported by Mark D'Arcy Bean who have 35 years of industry experience. Whilst, the team's high level of property experience, compared to other relevant experience like listed equities or risk analytics, is viewed positively, Lonsec is mindful of the recent departure of Angus Knapman in March 2020 placing further pressure on the relatively small property team.
- The remuneration structure is considered average compared to peers. For Gross, 70% of the bonus is based on outperformance and 30% on qualitative

## Specialist Property Fund

factors. Staff can elect to take any bonus as shares in IOOF Holdings Ltd (IFL) or in cash annually although there is some long term incentive in that 25% of the bonus is paid based on rolling three-year returns.

### Research and portfolio construction

- IOOF's research process integrates both quantitative and qualitative factors. The quantitative process is used to assist in screening, modelling and identifying managers that in composite have the attributes to construct a portfolio of managers to meet a specific return and risk target. Overall, Lonsec considers IOOF's manager research process to be detailed and transparent.
- The Fund currently has three investment managers, Resolution Capital (54%), Cohen and Steers (28%) and Pental/AEW (17%). Lonsec has ratings on Pental/AEW and Resolution but less familiar with Cohen and Steer's global listed property capability.
- The Manager manages the portfolio in accordance with a Risk Budget in which a limited amount of active risk is allocated between the underlying investment managers. The Manager attempts to minimise style bias and create a diversified portfolio by blending investment managers with different styles and processes. The entire portfolio construction process is overseen by the Investment Management Committee (IMC). This process is in line with other multi-managers in the sector.
- Like most multi-managers the Manager uses a blend of quantitative factors and qualitative assessment to make portfolio management decisions. However the Manager places a increased emphasis on qualitative factors compared to other multi-manager peers in the sector.
- IOOF has a well-developed list of designated back-up managers in the event of an adverse scenario eventuating (e.g. key portfolio manager departure). Lonsec looks favourably on multi-manager strategies that have well-formulated contingency plans, believing it to be best practice.

### 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 inline 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 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 Fund to be low to moderate.

### Risk management

- Other than a hard cash limit of 10% all risk limits for the Fund are set at the underlying risk manager level. The Fund's primary risk management tool is selecting managers with sufficiently diversified processes and styles, then blending them appropriately.
- Risk management tools employed by IOOF include Bloomberg and Factset. Third-party risk analysis is also conducted by Mercer, IOOF's asset consultant. In recent years, the Manager's 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.
- 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 very important within the multi-manager structure, as it is just as critical for underlying managers to be adhering to their investment process as it is that the process is of high quality.

### Funds Under Management

- Total capacity differs from manager to manager due to variances in investment styles, biases and trading strategies. Lonsec's general view is that greater FUM makes it more difficult to trade in and out of stock positions without material market impact (particularly in smaller stocks). However, there are some inherent advantages in having a large fund including: greater access to management; priority access to deal flow; and bigger dedicated team sizes. Thus, Lonsec carefully weighs up a fund's investment style and objectives when considering the issue of capacity.
- As at 31 December 2020, assets under management for this Fund is \$41m. Total listed property securities managed by IOOF is \$1.7bn. However, as a multi-manager, the capacity of the underlying investment manager is of greater importance. At the time of review, Lonsec is satisfied with the underlying global property strategies capacity of Pental/AEW, Resolution and Cohen and Steers.

### Performance

- The Fund's internal investment objective is to outperform the FTSE/EPRA Developed Real Estate Index AUD Hedged by 2% p.a. gross of fees over rolling five year periods. On a gross of fees basis for the five years to 31 December 2020, the Fund returned approximately 5.9% p.a. outperforming the return objective by 1.0% p.a.
- All figures below are to 31 December 2020 and are net of fees. Over the past year, the Fund returned -11.2% and outperformed the Benchmark by 2.5%. Similarly, over the past three years, the Fund returned 3.9% p.a. and outperformed the Benchmark by 3.7% p.a.
- Performance attribution of the three underlying managers (Pental/AEW, Cohen and Steers and Resolution) over the three years to 31 December 2020,

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shows that the majority of the Fund’s alpha came from security selection as opposed to allocations to different property sectors.

- Over the past five years the Fund returned 4.9% p.a. The Fund outperformed the Benchmark by 2.0% p.a. The Fund has consistently outperformed the peer group median over one, three and five year periods.
- The portfolio has shown strong defensive characteristics with the Fund performing well in down markets. The outperformance ratio of almost 80% across all time periods shows that in months where the stock market has fallen, the Fund has outperformed the Benchmark almost 80% of the time.

### Overall

- Lonsec has maintained the Fund’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 Fund’s robust and repeatable investment process.
- Nevertheless, Lonsec will be closely monitoring the progress of the MLC Wealth acquisition and its impact on the investment team and Fund 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 and Australian Executor Trustees.

#### Size and experience

NAME	POSITION	EXPERIENCE
		INDUSTRY / FIRM
DANIEL FARMER	CHIEF INVESTMENT OFFICER	25 / 11
SIMON GROSS	HEAD OF PROPERTY	41 / 17
MARK D'ARCY-BEAN	ASSET MANAGER	35 / 3

Simon Gross is a qualified property valuer having been at IOOF for 17 years. In addition to being the Portfolio Manager for this Fund, Gross also manages IOOF’s Australian direct property portfolios. Gross has 41 years of industry experience and has managed a number of large institutional Australian property portfolios over this period. Gross is supported by Mark D’Arcy Bean. D’Arcy Bean is a qualified valuer and has held senior positions at Knight Frank and Colliers International. 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.

### Research Approach

#### Overview

RESEARCH PHILOSOPHY	BLENDED QUALITATIVE AND QUANTITATIVE RESEARCH, STYLE NEUTRAL
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#### Overview

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, and managers rated highly by Mercer. Qualitative research then focuses on the firm’s background and history, the key people, resources, investment style and strategy, portfolio construction, and constraints.

#### Screening of Managers

IOOF places a strong emphasis on active risk budgeting within the portfolio construction process, and therefore identifies the type of managers and mandates required to fulfill particular roles within the available tracking error budget. As such, managers who would be unlikely to fulfill 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.

IOOF also has access to Mercer’s Global Investment Manager Database (GIMD). 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 5,300 managers and 26,000 funds.

Typically, IOOF will focus its research on managers rated B+ or above by Mercer. However, idea generation of new managers may be from any source including Mercer, directly within IOOF and through existing networks and contacts with other industry participants, such as managers, consultants or superannuation plan operators. The IOOF investment team is encouraged to have a wide opportunity set for new investment ideas.

#### Research focus

The list of potential managers identified as research priorities by the screening process will then be subject to additional independent research by the IOOF team before they can be included in a portfolio. This ‘double’ layer of manager research typically ensures that final

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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, financial position, 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.

## Portfolio Construction

### Overview

FUND BENCHMARK	FTSE EPRA NAREIT DEVELOPED REAL ESTATE INDEX AUD HEDGED
RETURN OBJECTIVE (INTERNAL)	BENCHMARK PLUS 2% P.A (GROSS OF FEES) OVER FIVE YEARS
RISK OBJECTIVE (INTERNAL)	TRACKING ERROR OF LESS THAN 5% P.A OVER FIVE YEARS
INVESTMENT STYLE	MULTI MANAGER
PORTFOLIO DECISIONS	APPROVED BY IMC
MARKET CAPITALISATION BIAS	LARGE CAP

IOOF's primary objective with respect to the determination of manager weightings is to achieve a style neutral portfolio, free from any undesired systematic style, capitalisation or other factor biases relative to the relevant benchmark. Manager weightings are also 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 a comparison analysis of each 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 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 Fund as at 31 December 2020. Consistent with IOOF's aim of broad style neutrality, there is a selection of managers with varying investment styles.

- Resolution Capital
- Cohen & Steers

- Pental / AEW

## Risk Management

### Risk limits

SEPARATE RISK MONITORING TEAM	YES
CASH LIMIT	MAXIMUM 10%
OTHER	SET AT MANAGER LEVEL

Risk within the Fund 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 underlying investment managers are subject to constraints as specified in an investment management agreement. Most underlying 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 Fund carries a number of standard investment risks associated with investment markets. These include economic, market, political, legal, tax and regulatory risks. Investors should read the PDS before making a decision to invest or not invest. Lonsec considers the major risks to be:**

### Equity Market risk

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.

### Currency risk

Investments in global markets or securities which are denominated in foreign currencies give rise to foreign currency exposure. This means that the value of these investments will vary depending on changes in the exchange rate.

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

### Performance metrics

	1 YR		3 YR		5 YR		10 YR	
	FUND	PEER MEDIAN						
PERFORMANCE (% PA)	-11.24	-11.24	3.87	2.99	4.87	4.13	8.05	8.05
STANDARD DEVIATION (% PA)	18.47	23.82	13.30	16.41	11.77	13.95	10.11	13.28
EXCESS RETURN (% PA)	2.50	2.50	3.74	2.52	2.02	1.30	0.80	0.47
OUTPERFORMANCE RATIO (% PA)	50.00	58.33	55.56	55.56	53.33	53.33	51.67	53.33
WORST DRAWDOWN (%)	-20.01	-24.52	-20.01	-24.52	-20.01	-24.52	-20.01	-24.52
TIME TO RECOVERY (MTHS)	NR	NR	NR	NR	NR	NR	NR	NR
SHARPE RATIO	-0.63	-0.52	0.20	0.11	0.28	0.19	0.55	0.44
INFORMATION RATIO	0.18	0.18	0.45	0.45	0.31	0.31	0.11	0.11
TRACKING ERROR (% PA)	13.56	7.20	8.33	4.35	6.59	4.37	7.09	4.70

PRODUCT: SPECIALIST PROPERTY FUND

LONSEC PEER GROUP: PROPERTY AND INFRASTRUCTURE - GLOBAL LISTED PROPERTY - MULTI-MANAGER

PRODUCT BENCHMARK: FTSE EPRA/NAREIT DEVELOPED NR INDEX (AUD HEDGED)

CASH BENCHMARK: BLOOMBERG AUSBOND BANK BILL INDEX AUD

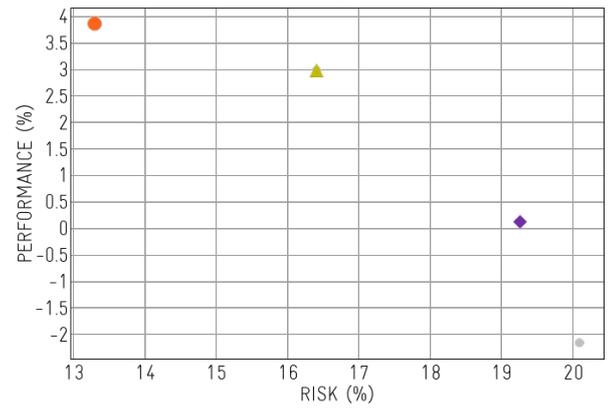
TIME TO RECOVERY: NR - NOT RECOVERED, DASH - NO DRAWDOWN DURING PERIOD

### Growth of \$10,000 over 10 years



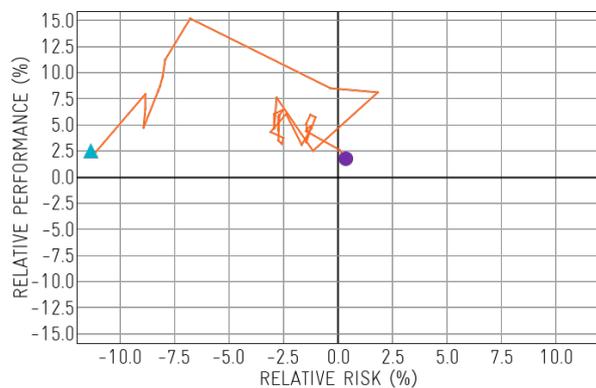
— SPECIALIST PROPERTY FUND  
 ..... FTSE EPRA/NAREIT DEVELOPED NR INDEX (AUD HEDGED)

### Risk-return chart over three years



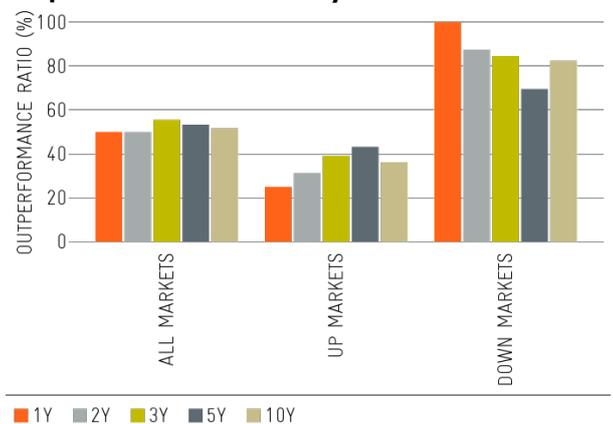
● SPECIALIST PROPERTY FUND  
 ◆ FTSE EPRA/NAREIT DEVELOPED NR INDEX (AUD HEDGED)  
 ▲ PEER MEDIAN  
 ● PEERS

### Snail trail



● START (12-2017) ▲ END (12-2020)

### Outperformance consistency



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## Specialist Property Fund

### 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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