



Product Review

IOOF MultiMix Cash Enhanced Trust

ISSUE DATE 14-04-2021

About this Review

ASSET CLASS REVIEWED	FIXED INTEREST
SECTOR REVIEWED	SHORT TERM INCOME
TOTAL FUNDS RATED	11

About this Fund

ASIC RG240 CLASSIFIED	NO
FUND REVIEWED	IOOF MULTIMIX CASH ENHANCED TRUST
APIR CODE	IOF0091AU
PDS OBJECTIVE	TO PROVIDE STABLE RETURNS WITH LOW RISK OVER THE SHORT-TERM BY INVESTING IN A RANGE OF CASH AND SHORT-TERM SECURITIES, AND TO ACHIEVE A TOTAL RETURN AFTER FEES IN EXCESS OF THE BENCHMARK OVER A ROLLING ONE-YEAR PERIOD.
INTERNAL OBJECTIVE	OUTPERFORM THE BLOOMBERG AUSBOND BANK BILL INDEX BY 0.45% P.A. (BEFORE FEES) OVER THREE YEARS.
STATED RISK OBJECTIVE	<1% P.A. TRACKING ERROR OVER THREE YEARS.
DISTRIBUTION FREQUENCY	QUARTERLY
FUND SIZE	\$197M (DECEMBER 2020)
FUND INCEPTION	29-04-2008
MANAGEMENT COSTS	0.36% 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 (ASX CODE: IFL)
ASSETS MANAGED IN THIS SECTOR	\$3.8BN (DECEMBER 2020)
YEARS MANAGING THIS ASSET CLASS	27

Investment Team

PORTFOLIO MANAGER	OSVALDO ACOSTA
INVESTMENT TEAM SIZE	2
INVESTMENT TEAM TURNOVER	LOW - MOD
STRUCTURE / LOCATION	PM / MELBOURNE & SYDNEY

Investment process

INVESTMENT STYLE	MULTI-MANAGER
BENCHMARK	BLOOMBERG AUSBOND BANK BILL INDEX
DURATION RISK LIMIT	-/+ 0.50 YEARS (BENCHMARK RELATIVE)
MAX. SUB-INVESTMENT GRADE	NOT PERMITTED
MIN. CREDIT QUALITY AT PURCHASE	A3/BBB-
TYPICAL SECURITY NUMBERS	100-200
CURRENCY EXPOSURE	FULLY HEDGED
GEARING / ECONOMIC LEVERAGE	NOT PERMITTED
MAX. ALLOCATION TO TERM DEPOSITS AND NOTICE ACCOUNTS	50%

Fund rating history

APRIL 2021	RECOMMENDED
APRIL 2020	RECOMMENDED
JUNE 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

- IOOF implements a robust and consistently applied research process underpinning underlying manager selection and portfolio construction functions.
- The Trust has exceeded its investment objectives over all time periods assessed.

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 RISK		●	
CREDIT RISK		●	
FOREIGN CURRENCY EXPOSURE		●	
INTEREST RATE RISK		●	
LEVERAGE RISK	●		
REDEMPTION RISK		●	
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 2 equates to a Risk Label of 'Low' and an estimated number of negative annual returns over any 20 year period of 0.5 to less than 1. 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		●	

We strongly recommend that potential investors read the product disclosure statement Lonsec Research Pty Ltd ABN 11 151 658 561 • AFSL No. 421 445 • This information must be read in conjunction with the warning, disclaimer, and disclosure at the end of this document. This report supersedes all prior reports.

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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 Cash Enhanced Trust ('the Trust') is a multi-manager style strategy that provides exposure to a diversified portfolio of investments that are liquid, offer a high degree of income stability and are of relatively high credit quality. The Trust aims to outperform the Bloomberg AusBond Bank Bill Index by 0.45% p.a. (before fees) over rolling three year periods.
- The Trust's portfolio is divided between three underlying strategies:
 - The **IOOF Cash Management Trust** that predominantly invests in high quality short-term money market and bank based securities issued or guaranteed by the Commonwealth Government or Rated A-1+, A-1 or A-2 by Standard & Poor's.
 - The **Janus Henderson Conservative Fixed Interest Fund** that primarily invests in a combination of floating rate notes (up to 70%), Australian residential mortgage-backed securities (up to 30%), as well as cash and short term instruments (e.g. certificate of deposits) (minimum 20% in highly liquid securities)
 - The **Pendal Cash Enhanced Fund** that invests in corporate debt securities and asset backed securities (both up to 80% but up to 30% in asset backed securities), as well as cash and short term instruments (minimum 20% in highly liquid securities being money market or government & semi government securities)
- 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 0.36% p.a. which comprise 0.36% p.a. management fee. The net transaction costs for the Trust which were 0.00% 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 0.02%/0.03% but as these can change frequently depending on market conditions, please refer to the Manager for the latest information.

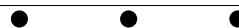
Using this Fund

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

- Enhanced Cash and Deposit sector products are typically managed with the aim of generating returns that exceed cash (or a cash proxy such as the Bloomberg AusBond Bank Bill Index). Product risk expectations (Standard Deviation, credit risk and interest rate risk) are generally positioned as 'low', barring periods of exceptional market circumstances.
- Lonsec suggests that the Trust should only be considered for those clients that are seeking yields greater than those available from cash or cash-like instruments (e.g. bank bills) and, more importantly, those prepared to accept low to moderate volatility in the unit price.
- Enhanced Cash and Deposit products are generally able to be liquidated in normal market conditions, although exposure to term deposits and notice accounts may result in delays processing withdrawals in stressed conditions or if the withdrawal requests exceed the level of securities able to be liquidated overnight.
- Lonsec highlights that the IOOF Cash Management Trust, can hold up to 50% in term deposits and notice accounts in ordinary conditions (23.6% as at 31 December 2020). While this may heighten liquidity risk of the Trust, Lonsec takes some comfort that other IOOF managed trusts are typically the largest investors in the trust (c.90%). This affords the Portfolio Manager increased visibility to better forecast and manage the cash flow needs of the trust.

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.

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- 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.
- Since Lonsec's previous review, IOOF has made the following change to the underlying investment manager line-up of the portfolio:
- Appointment
 - Pental (Enhanced Cash)

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. 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 Trust is managed by Head of Fixed Interest Assets Osvaldo Acosta post recent departure of the previous Portfolio Manager Juanita Escobar. In addition to the Trust, Acosta also has responsibilities for fixed interest strategies, including the IOOF Diversified Fixed Interest Trust. Lonsec considers Acosta to be suitably qualified and adept at managing the Trust, exhibiting a high degree of awareness concerning liquidity constraints and seeking out opportunities that offer additional alpha without compromising on quality.
- Acosta is well supported by several members of the Investment Team. This includes his primary back-up Senior Manager (Fixed Interest Assets & Strategy) Mark Nordio who possesses 25 years of experience.
- Lonsec views key person risk associated with Acosta as low to moderate given the support and back-up structure implemented.
- The alignment of interests between the Portfolio Manager and investors is adequate over the short and medium term. Half of the Portfolio Manager's variable remuneration is linked to the performance of the Trust relative to the sector benchmark and versus peers over rolling one and three-year returns.

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Research and portfolio construction

- The manager research process is viewed as pragmatic and disciplined. The investment universe is typically narrowed based on IOOF's house views on suitable styles of managers for a given asset class, and managers that are rated at least B+ by Mercer. Internal research efforts are supplemented by subscribing to Mercer's Global Investment Manager Database, which provides insights on a broad coverage of domestic and global managers. Short listed managers are then assessed across a range of quantitative and qualitative factors on a stand-alone basis and in combination with incumbent investment managers, to determine the 'blend' that will best achieve the Trust's risk and return objective. Further, Lonsec is pleased that on-site manager visits are a critical part of the process.
- The portfolio weights assigned to each underlying strategy is largely driven by the Portfolio Manager's view on short-term interest rates. Lonsec observes the allocation between the three strategies to be dynamic and reflective of the Portfolio Manager's understanding into their risk and return characteristics.

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 Trust to be low to moderate.

Risk management

- Risk management has strengthened over recent years with the introduction of a number of external risk and portfolio monitoring systems. The improved quantitative tools, and associated increased sophistication allow risk to be monitored on an ex-ante basis with reduced reliance on internally generated spreadsheets. Risk management is viewed with respect to asset quality, asset diversity and liquidity.
- In addition to using Bloomberg and FactSet to manage the Trust's holdings, these systems are also employed for risk management and attribution. The Trust's two underlying portfolios can now be loaded on to Bloomberg PORT and FactSet for risk factor and scenario analysis, enabling an improved

understanding of their risk characteristics at the look-through level.

- The Janus Henderson Cash Enhanced Fund and Pandal Cash Enhanced can invest in unrated securities, provided that they are rated BBB- (i.e. investment grade) according to the underlying manager's internal credit rating system.

Performance

- The Trust's internal return objective is to outperform the Bloomberg AusBond Bank Bill Index by 0.45% p.a. (before fees) over rolling three-year periods. Pleasingly, the Trust has outperformed by 0.6% p.a. (net fees) over the three years to 31 December 2020. The Trust has also delivered net returns in-line or above peer median over all time periods assessed to 31 December 2020.
- The Trust's risk (as measured by Standard Deviation) has been in-line with the peer median over all time periods to 31 December 2020. Lonsec notes that backward-looking risk measures, such as Standard Deviation, do not capture all the inherent risks associated with strategies such as this, including credit risk and market liquidity risk.

Overall

- Lonsec has maintained the Trust's 'Recommended' rating at the latest review. Lonsec believes that the Trust provides access to a well researched line-up of underlying managers and is supported by a robust and repeatable investment process. Lonsec believes that Acosta is of suitable experience to be managing the Trust. Lonsec is of the view that the combination of the three underlying strategies places the Trust in a good position to meet its investment objectives.
- 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 and Australian Executor Trustees.

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Size and experience

NAME	POSITION	EXPERIENCE INDUSTRY / FIRM
DAN FARMER	CIO	25 / 11
OSVALDO ACOSTA	HEAD OF FIXED INTEREST ASSETS	20 / 4
MARK NORDIO#	SENIOR MANAGER - FIXED INTEREST AND STRATEGY	25 / 1

Primary back-up

The Investment Team is structured along specialist lines. Osvaldo Acosta assumed management of the Trust in October 2020. Acosta possesses 20 years of experience within fixed income and capital markets across a number of roles. Most recently he worked at Western Asset Management where he was part of the team responsible for portfolio management, trading and implementation of interest rate strategies across a variety of fixed income portfolios. Prior to that he oversaw multi-manager style portfolios at Australian Unity Investments and was a Treasury Manager at Westfield Group.

The Portfolio Manager conducts qualitative and quantitative research, and provides overall data support and recommendations to the six-member Investment Management Committee (IMC). The IMC considers and ultimately approves asset allocation decisions and manager changes.

The IMC meets bi-monthly or more frequently if required, and comprises of Anthony Hodges (Chairman and Independent Member), Denise Allen and Mary Anne Nunan (Independent Members), 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 are performed by a panel of transition managers including Citi, Macquarie and UBS.

Remuneration

The investment team is rewarded with a combination of fixed salary and variable bonus. 70% (including 20% related to diversified trust performance) of the bonus is assessed on fund performance relative to the relevant peer group over one and three year periods, with the other 30% awarded on qualitative factors such as team contribution and client servicing. The magnitude of the bonus can be up to 100% of the fixed salary.

Research Approach

Overview

A structured investment process is employed:

- Macroeconomic research and yield curve analysis to determine the likelihood of short term activity from the RBA.
- Developing the investment strategy in terms of both duration and security selection.
- Portfolio construction in the context of the Trust's risk and return objective.

- Monitoring to ensure compliance with the investment parameters.

Screening of Manager

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. 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

INVESTMENT PHILOSOPHY	INVESTORS ARE ABLE TO ACHIEVE MODEST RETURNS WHILST ASSUMING MINIMAL RISK BY ADOPTING A DEFENSIVE INVESTMENT STRATEGY
RETURN OBJECTIVE (INTERNAL)	TO OUTPERFORM THE BENCHMARK BY 0.45% P.A. (BEFORE FEES) OVER THREE YEARS.
FUND BENCHMARK	BLOOMBERG AUSBOND BANK BILL INDEX
SUB-INVESTMENT GRADE	NOT PERMITTED
TYPICAL NUMBER OF ISSUERS	90-110

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IOOF believes passive investing in fixed income has drawbacks, and so adopts a fully active investment approach. The number and style of managers employed are dictated by IOOF's house view.

Manager weights are determined by considering the risk/return characteristics, contribution to active risk, the correlation of excess returns and the diversification benefits of each strategy. Various manager weights are stress tested and the optimal blend that can best achieve the Trust's risk and return objectives is then submitted to the IMC for approval.

The Trust is currently a blend of three allocations:

- The **IOOF Cash Management Trust** aims to outperform the returns of the Bloomberg AusBond Bank Bill Index by 0.30% p.a. (before fees) over a rolling one-year period. It predominantly invests in high-quality short-term money market and bank based securities issued or guaranteed by the Commonwealth Government or Rated A-1+, A-1 or A-2 by Standard & Poor's. Typical securities held include floating rate notes (FRNs), negotiable certificates of deposits (NCDs), commercial paper (CPs), term deposits, notice accounts and overnight cash.
- The allocation to **Janus Henderson Conservative Fixed Interest** aims to outperform the Bloomberg AusBond Bank Bill Index by 0.50% p.a. (before fees) over rolling three year periods. It will primarily be exposed to a combination of floating rate notes (up to 70%) with an explicit limit on asset-backed floating rate notes of 30%, Australian residential mortgage-backed securities, Australian government bonds, as well as cash and short term instruments (e.g. certificate of deposits). A minimum of 20% is to be invested in highly liquid securities, those being money market or government & semi-government securities. The mandate has an explicit duration limit of +/- 0.5 years relative to the Bloomberg AusBond Bank Bill Index as well as a restriction on investing in hybrid securities.
- The **Pendal Cash Enhanced** allocation invests in corporate debt securities and Asset backed securities (both up to 80% but up to 30% in asset backed securities), as well as cash and short term instruments (minimum 20% in highly liquid securities being money market or government & semi government securities)

Risk Management

Risk limits

MIN. CREDIT QUALITY AT PURCHASE	A3/BBB-
MAX. PORTFOLIO WEIGHT TO ANY ONE ISSUER	DEPENDENT ON CREDIT RATING
DURATION RISK LIMIT	-/+ 0.50 YEARS (BENCHMARK RELATIVE)
TRACKING ERROR TARGET	< 1.0% OVER THREE YEARS
CURRENCY EXPOSURE	FULLY HEDGED

All underlying investment 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. The risk tools employed by IOOF include Bloomberg and FactSet. Risk analysis is also completed by Mercer, whenever a change to the portfolio is proposed.

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.

IOOF's Compliance Team, in consultation with the Investment Division and Investment Operations team, reviews and assess the operational capabilities of all new manager appointments.

This team also monitors, reviews and assesses the operational risks associated with employed Investment Managers on an annual basis. Operational due diligence includes a review of the systems, policies, processes and resources that managers have in place to monitor and manage operational risk exposures. Reviews typically focus on the below areas:

- Professional indemnity insurance
- Auditing Practices (with reference to GS007 requirements)
- Organisational structures
- Business Continuity Management
- Policy Summaries
- Risk Management Approaches
- Investment Compliance
- Breaches & Incidents

Implementation

Portfolio allocations are monitored daily and rebalanced as necessary (subject to a tolerance range of +/-5% at the manager level). 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 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.

Currency management

The Trust aims to be fully currency hedged. Underlying investment managers are responsible for managing the currency exposures within their respective strategies.

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:

Interest rate risk

The Trust is exposed to movements in short term interest rates.

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Credit risk

The risk that an issuer of debt securities fails to meet its obligations. This creates exposure to underlying borrowers and the financial condition of issuers of these securities. The Trust is not permitted to hold sub investment grade debt.

Derivatives risk

Derivatives in the Trust may be used for more efficient and cost effective implementation of investment strategies. IOOF does not intend to leverage the Trust.

Liquidity risk

If a security cannot be bought or sold quickly enough to reduce or minimise a potential loss, the Trust may experience difficulty satisfying commitments associated with financial instruments.

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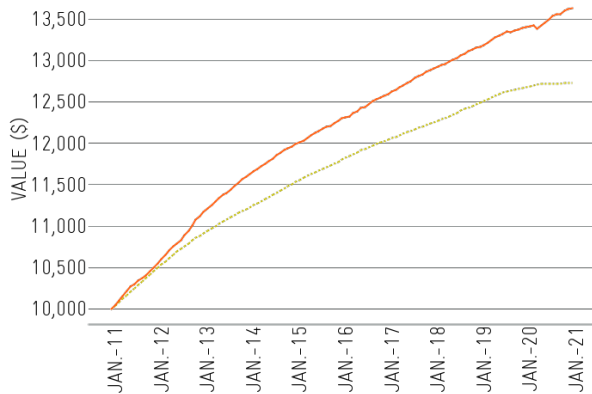
Quantitative Performance Analysis - annualised after-fee % returns (at 31-12-2020)

Performance metrics

	1 YR		3 YR		5 YR		10 YR	
	FUND	PEER MEDIAN	FUND	PEER MEDIAN	FUND	PEER MEDIAN	FUND	PEER MEDIAN
PERFORMANCE (% PA)	1.70	1.31	1.85	1.85	2.08	2.08	3.15	3.13
STANDARD DEVIATION (% PA)	0.64	0.64	0.42	0.42	0.36	0.37	0.50	0.51
EXCESS RETURN (% PA)	1.34	0.94	0.59	0.59	0.56	0.56	0.71	0.69
OUTPERFORMANCE RATIO (% PA)	75.00	83.33	72.22	77.78	75.00	81.67	76.67	73.75
WORST DRAWDOWN (%)	-0.32	-0.42	-0.32	-0.42	-0.32	-0.42	-0.32	-0.42
TIME TO RECOVERY (MTHS)	2	2	2	2	2	2	2	2
SHARPE RATIO	2.07	1.11	1.41	1.00	1.57	1.27	1.40	1.10
INFORMATION RATIO	1.84	1.12	1.26	1.26	1.47	1.47	1.97	1.27
TRACKING ERROR (% PA)	0.73	0.73	0.47	0.47	0.38	0.38	0.36	0.37

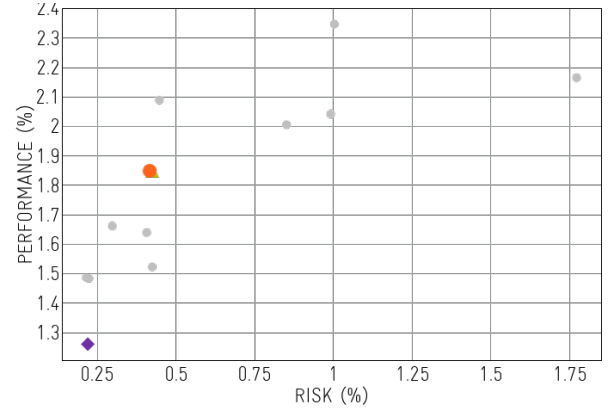
PRODUCT: IOOF MULTIMIX CASH ENHANCED TRUST
 LONSEC PEER GROUP: FIXED INTEREST - SHORT TERM INCOME
 PRODUCT BENCHMARK: BLOOMBERG AUSBOND BANK BILL INDEX AUD
 TIME TO RECOVERY: NR - NOT RECOVERED, DASH - NO DRAWDOWN DURING PERIOD

Growth of \$10,000 over 10 years



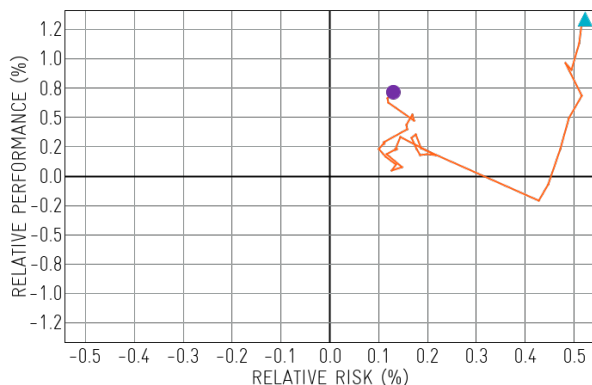
— IOOF MULTIMIX CASH ENHANCED TRUST
 - - - BLOOMBERG AUSBOND BANK BILL INDEX AUD

Risk-return chart over three years



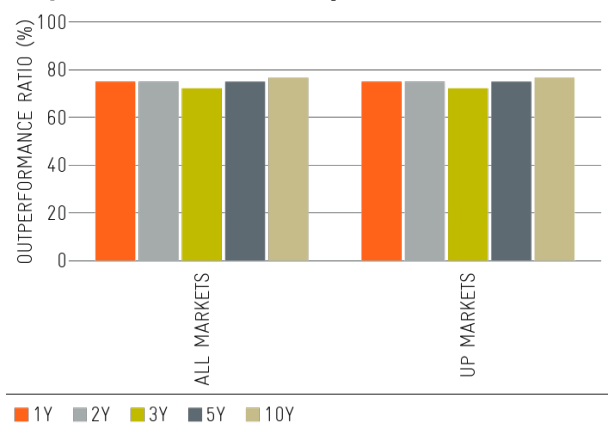
● IOOF MULTIMIX CASH ENHANCED TRUST
 ◆ BLOOMBERG AUSBOND BANK BILL INDEX AUD
 ▲ PEER MEDIAN
 ● PEERS

Snail trail



● START (12-2017) ▲ END (12-2020)

Outperformance consistency



IOOF MultiMix Cash Enhanced Trust

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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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