



Product Review

IOOF MultiMix International Shares Trust

ISSUE DATE 15-04-2021

About this Review

ASSET CLASS REVIEWED	GLOBAL EQUITIES
SECTOR REVIEWED	GLOBAL LARGE CAP
SUB SECTOR REVIEWED	MULTI-MANAGER
TOTAL FUNDS RATED	7

About this Fund

ASIC RG240 CLASSIFIED	NO
FUND REVIEWED	IOOF MULTIMIX INTERNATIONAL SHARES TRUST
APIR CODE	IOF0098AU
PDS OBJECTIVE	TO PROVIDE CAPITAL GROWTH OVER THE LONG-TERM BY INVESTING IN A DIVERSIFIED PORTFOLIO OF INTERNATIONAL SHARES, AND TO ACHIEVE A TOTAL RETURN AFTER FEES IN EXCESS OF THE MSCI ALL COUNTRY WORLD EX AUSTRALIA INDEX (SA) OVER A ROLLING SEVEN-YEAR PERIOD.
INTERNAL OBJECTIVE	BENCHMARK PLUS 2% P.A. (BEFORE FEES) OVER ROLLING FIVE-YEAR PERIODS.
STATED RISK OBJECTIVE	TRACKING ERROR LESS THAN 4% P.A.
DISTRIBUTION FREQUENCY	SEMI-ANNUAL
FUND SIZE	\$275M AS AT 31 DECEMBER 2020
FUND INCEPTION	29-04-2008
MANAGEMENT COSTS	0.9% 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	\$6.6BN AS AT 31 DECEMBER 2020
YEARS MANAGING THIS ASSET CLASS	27

Investment Team

PORTFOLIO MANAGER	STANLEY YEO
INVESTMENT TEAM SIZE	2
INVESTMENT TEAM TURNOVER	LOW
STRUCTURE / LOCATION	PM / MELBOURNE & SYDNEY

Investment process

BENCHMARK	MSCI ALL COUNTRY WORLD EX AUSTRALIA INDEX (SA)
ASSET CONSULTANT	MERCER
NUMBER OF STRATEGIES	9
NUMBER OF STOCKS	700 (APPROX.)
EMERGING MARKETS EXPOSURE	PERMITTED
CURRENCY EXPOSURE	UNHEDGED

Fund rating history

APRIL 2021	RECOMMENDED
APRIL 2020	RECOMMENDED
MARCH 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 Manager demonstrates active management of the portfolio and a willingness to engage early-stage investment managers.
- The manager research process is further supported by external asset consultant, Mercer.

Weaknesses

- The Portfolio Manager has additional responsibilities and is not fully dedicated to managing this strategy.
- 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 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

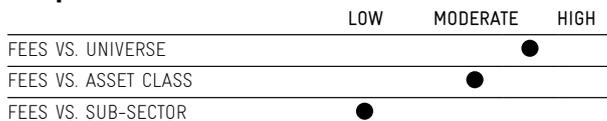
	LOW	MODERATE	HIGH
COMPLEXITY		●	
ESG		●	

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Fee profile



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

What is this Fund?

- The IOOF MultiMix International Shares Trust ('the Trust') is a multi-manager strategy that provides exposure to a selection of global equity investment managers. IOOF adopts an active approach to portfolio construction, where the underlying investment managers have been chosen for their different, yet complementary investment styles. An active strategy is employed with strategic tilts towards emerging markets and global small caps.
- 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 Trust is constructed to be style neutral, although may have style tilts when deemed appropriate. The Trust currently exhibits strategic tilts towards emerging market and small caps. It is also highly diversified – at the time of review, the Trust was invested in seven underlying investment managers. The underlying fund manager allocations as at 31 December 2020 were: TT Concentrated 15%; EAM 7%; Northern Trust 15%; Antipodes Asia 3%; Antipodes Global 14%; Wellington 15%; THB International 6%; Alphinity 15%; and TT Emerging 10%. The balance was in cash.
- The Manager seeks to generate returns through active fund manager selection, aiming to blend a range of investment styles (value, growth, quality) while maintaining meaningful active stock and sector positions, including emerging markets managers. IOOF also has a preference for boutique investment managers, and those with low but growth in funds under management (FUM).
- The Trust aims to deliver returns of 2% p.a. (before fees) above the MSCI All Country World ex Australia Index (\$A) over rolling seven-year periods. Tracking error has historically been less than 4% p.a.
- 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 0.90% p.a. which comprise 0.90% p.a. management fee. Of note the Trust does not charge a performance fee at the headline level. The net transaction costs for the Trust were 0.38% 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

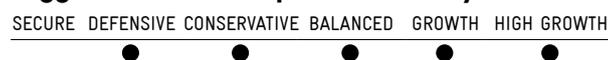
managing the Trust. These costs are not paid to the Manager. Some transaction costs may be incurred due to investor activity (e.g. buying securities when new application money flows into the Trust and selling securities to meet Trust redemptions) and these may be recouped via the Trust's buy/sell spreads (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.

- The Trust provides investors unhedged exposure to global equity stock markets and accordingly may experience both positive and negative, and at times, sharp movements in the value of capital invested. Lonsec recommends that equity investments, given their volatility, are best suited to investors with an investment time horizon of at least five years.
- 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.
- 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.

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

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(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.
 - 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.

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.
- Yeo was promoted to the role of Deputy CIO in April 2017. Yeo joined IOOF in September 2010 and was appointed Portfolio Manager in December 2013. In addition to managing the Trust, Yeo is responsible for the strategy and asset allocation of the diversified products of IOOF's multi-manager funds. He has also inherited part responsibility for the Mosaic funds as a result of an acquisition, although day-to-day management is the responsibility of Rhodri Payne. Lonsec believes Yeo has a good blend of skills and appropriate experience to manage the Trust; however, Lonsec notes the breadth of his responsibilities which may at times dilute his attention to this Trust. That said, Lonsec highlights Yeo's track record in managing the Trust and considers him to be a capable investor.
- Lonsec considers key person risk to be moderate in relation to Yeo given his level of involvement in the Trust. Alleviating this risk somewhat includes his promotion to Deputy CIO and that the Trust's Back-up Portfolio Manager, Paul Crisci, has 21 years of industry experience and is well versed in managing multi-manager style international equities portfolios. Lonsec considers Crisci to be qualified and well-positioned in supporting Yeo.

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- Given the relatively small team size and breadth of responsibilities, Lonsec finds the Manager's utilisation and interaction with external resources to be pragmatic. This includes research provider Mercer. Lonsec also believes the outsourcing of administrative functions to other areas within IOOF allows the team to achieve greater focus on investment responsibilities.
- Lonsec believes that the investment team's alignment of interests with investors is reasonable given that the remuneration structure is directly linked to the performance of the Fund. This bonus structure is linked to rolling one, three and five-year performance periods. Lonsec considers this to represent a good alignment with short and medium-term performance, however less so with the longer-term objectives in high risk profile funds managed by the team.

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 the fund level and also to assist in screening, modelling and identifying underlying fund managers that in composite, have the attributes to construct a portfolio that meets a specific return and risk target. Overall, Lonsec considers IOOF's fund manager research process to be thorough and transparent.
- IOOF's research process aims to establish a narrow universe of fund managers that have been filtered by various criteria including IOOF's house views on suitable styles of managers for the asset class and fund managers rated highly by Mercer. Lonsec views positively the depth and breadth of Mercer's global manager coverage. Combined with the sector specialist model, this has allowed the Manager to undertake research on a broader suite of underlying managers and strategies.
- In constructing the portfolio, Lonsec believes IOOF has demonstrated appropriate levels of activeness to achieve the Trust's objective. In recent years, the Manager has targeted more active strategies with higher expected returns in an effort to increase the Trust's active share (from 30% in 2013 to 66% at the end of 2020).
- IOOF allocates to a relatively large number of underlying fund managers compared to some peers. Lonsec acknowledges that although each investment manager may have a distinct style, the aggregate portfolio may have a higher risk of producing broad market type returns over the long term. Pleasingly, this has not been the case where the Manager has utilised thematic tilts to create a truly active portfolio through underlying manager selection.
- The Manager has a deliberate smaller market capitalisation bias and uses non-traditional or more narrowly focused strategies, which may result in performance that differs substantially from peers and the benchmark.
- Lonsec highlights IOOF actively seeks to add value by identifying managers ahead of asset consultants and other competitor funds. IOOF will review investment managers not rated by Mercer (i.e. strategy is relatively new), provided the Portfolio Manager has a high opinion on the

investment managers' capabilities. Lonsec agrees there are advantages to being an 'early mover' on new strategies/managers (e.g. negotiate lower management fees), although is cognisant of the additional due diligence required by Yeo. To this end, Lonsec takes some comfort that Mercer are available for consultation even if they do not rate these investment managers.

- Lonsec is pleased to note a reserve bench of fund managers is maintained, which undergoes the same level of in-depth monitoring as the Trust's incumbent investment managers. This ensures that there is always a well researched back-up list of investment managers, allowing the Portfolio Manager to act quickly and decisively in the event there is a need to revisit the Trust's underlying manager configuration.
- IOOF will employ style (e.g. value, growth) and/or sub-sector tilts (e.g. emerging markets, global small caps) at times. This will only occur when particular styles or markets are at valuation extremes, and that prevailing conditions are supporting a reversion to the mean. The current structure of the Trust is inclusive of sector tilts to emerging market and global small caps. Yeo's decision to implement these tilts is determined during broader asset allocation discussions. These positions were implemented by changing fund manager weights and allocation to strategies, although the potential exists for ETFs or derivatives to be employed going forward.

Capacity

- At the time of Lonsec's review, the Manager's global equity team had approximately \$6.6bn in FUM as at 31 December 2020. Lonsec believes that at these levels, the Trust does not have an issue with capacity. That said, the Trust's capacity may be smaller relative to many peers, given its strategy includes significant exposure to early-stage boutiques and managers with a smaller market capitalisation bias.

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.

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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 IOOF to monitor risk on an ex-ante basis with reduced reliance on internally generated spreadsheets.
- Most underlying investment managers are accessed via separately managed accounts enabling IOOF to tailor mandates to its requirements (e.g. maximum stock bet limits, maximum cash holdings). Lonsec views this structure positively 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 efficiently.
- IOOF closely monitors manager portfolios and weightings on a daily basis and investigates any excess return outliers exceeding the 99% confidence level. In Lonsec's opinion, on-going mandate monitoring is critical within the multi-manager structure to ensure underlying investment managers are adhering to their investment process and mandate guidelines.

Performance

- The Trust aims to outperform the MSCI All Country World ex Australia Index (\$A) by 2% p.a. (before fees) over rolling seven-year periods. The Trust has not achieved its internal return objective over all time periods assessed (all figures net of fees to 31 December 2020).
- The Trust delivered a return of 10.9% p.a. over the last five years, which was 0.1% p.a. below the index. Over 10 years the Trust's return was 12.1% p.a., which was 0.3% p.a. below the index.
- The Trust outperformed its benchmark by 2.5% over the one-year period, with an absolute return of 8.5% (after fees). The Trust also outperformed the Lonsec peer median return by 3.9%.
- Volatility of the returns, as measured by Standard Deviation has been below that of the Lonsec peer median over the long term. Further, the Trust's Tracking Error (relative to its Benchmark) has also remained well below the stated 4% p.a. target, at 2.4% p.a. over five years. (The tracking error has, however, been above that of the multi-manager peer median over the five-year period.)

Overall

- Lonsec has maintained the Trust's 'Recommended' rating following its most recent review. The rating reflects the high regard for the experience and calibre of the Portfolio Manager 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.
- 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: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
DAN FARMER	CHIEF INVESTMENT OFFICER	25 / 11
STANLEY YEO	DEPUTY CIO & PORTFOLIO MANAGER - INTERNATIONAL EQUITIES	21 / 11
PAUL CRISCI*	PORTFOLIO MANAGER (AUSTRALIAN EQUITIES)	21 / 4

* - Primary back-up

In total, the IOOF investment team consists of 22 personnel including two investment governance specialists with an average of over 20 years of industry experience. The team is led by CIO, Dan Farmer and includes six Heads of Asset Classes and Implementation, six Portfolio Managers, three supporting analysts and two members dedicated to asset allocation.

Team structure

Yeo joined IOOF in 2010 and was previously a senior asset consultant at Russell for almost seven years, where he advised on strategic asset allocation, construction of multi-manager portfolios and manager research, specialising in global bonds and equities. Additionally, Yeo previously managed fixed interest and cash portfolios at IOOF for three years.

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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Remuneration

The investment team is rewarded with a combination of fixed salary and variable bonus. 70% (includes 20% for diversified funds performance) of the bonus is assessed on fund performance relative to the relevant peer group over one, three and five-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

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 Global 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 Global 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	MSCI ALL COUNTRY WORLD EX AUSTRALIA INDEX (SA)
EMERGING MARKETS PERMITTED	YES
RETURN OBJECTIVE (INTERNAL)	BENCHMARK + 2% P.A. (BEFORE FEES) OVER ROLLING FIVE-YEAR PERIODS
RISK OBJECTIVE (INTERNAL)	<4% P.A. (TRACKING ERROR)
INVESTMENT STYLE	MULTI-MANAGER
PORTFOLIO DECISIONS	APPROVED BY IMC
TYPICAL NO. OF MANAGERS	8-10
OBSERVED ACTIVE SHARE	66% (31 DECEMBER 2020)

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, long/short) while maintaining meaningful active stock, sector and country allocations. 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

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(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. There is a selection of manager with varying investment styles, the Trust is currently overweight to niche segments of the market (emerging markets and small caps).

- Alphinity (Core)
- TT International (Emerging Markets and Global Equities)
- Wellington (Growth)
- Antipodes (Asia and Global Long / Short)
- EAM Investors (Emerging Markets Small Caps)
- THB (Global Micro-Caps)
- Northern Trust (Value)

Risk Management

Risk limits

SEPARATE RISK MONITORING TEAM	YES
MANAGER LIMITS	MAXIMUM 20% OF ACTIVE RISK (SOFT LIMIT)
SECTOR/REGION LIMITS	NOT STATED
EMERGING MARKETS LIMITS	NOT STATED
CASH LIMIT	MAXIMUM 10%

The Manager seeks to control risk predominantly through its research and manager selection process, and by diversifying the portfolio across managers with complementary investment styles. Explicit risk constraints are therefore minimal.

For managers accessed via separately managed accounts, each one adheres to an investment management agreement (IMA) which specifies applicable investment constraints (e.g. authorised investments, exposure limits). Given the majority of managers are accessed via separately managed accounts, the Manager is able to tailor each IMA to its requirements (e.g. maximum stock bet limits, maximum cash holding).

Risk monitoring

The 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 not only cover risk and performance but also any changes or developments in people or process. Formal manager interviews (and on-site visits at least once a year) are also conducted.

IOOF employs FactSet and Bloomberg's Portfolio and Risk Analytics system for the management of the Trust.

Implementation

Manager weightings are monitored daily and are re-balanced on an on-going basis using cash flows (subject to a tolerance range of $\pm 5\%$). Using cash flows for re-balancing helps minimise portfolio turnover, transaction costs and taxation implications. Cash flows are allocated using a proprietary cash flow management system which enables straight through processing to underlying managers.

An external panel of transition managers is employed to facilitate mandate replacements. Transition managers will seek to minimise the amount of portfolio turnover and use derivatives to ensure the Trust remains fully invested at all times.

Risks

An investment in the Trust carries a number of standard investment risks associated with domestic and international investment markets. These include economic, political, legal, tax and regulatory risks. These and other risks are outlined in the PDS and should be read in full and understood by investors. Lonsec considers major risks to be:

Currency risk

The Trust predominantly invests in assets that are denominated in non-A\$ currencies. A rise in the relative value of the A\$ vis-à-vis the currencies in which the assets are denominated will negatively impact the market value of the assets (and vice versa) from an Australian investor's perspective.

Emerging market risk

Emerging market companies generally have greater market risk (i.e. beta). Accordingly, investors should be mindful of the potential for sharper movements in market price of these investments.

Liquidity risk

In some cases, global equities may present low liquidity in particular regions relative to 'deep' markets like the U.S. Emerging markets and small-cap stocks may display low liquidity due to low volume and fewer market participants compared to the major bourses of developed markets.

ANALYST: ROBBIE LEW | APPROVED BY: DARRELL CLARK

IOOF MultiMix International Shares Trust

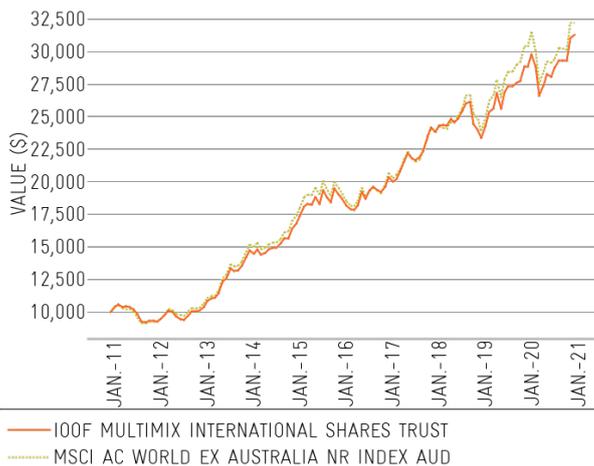
Quantitative Performance Analysis - annualised after-fee % returns (at 31-12-2020)

Performance metrics

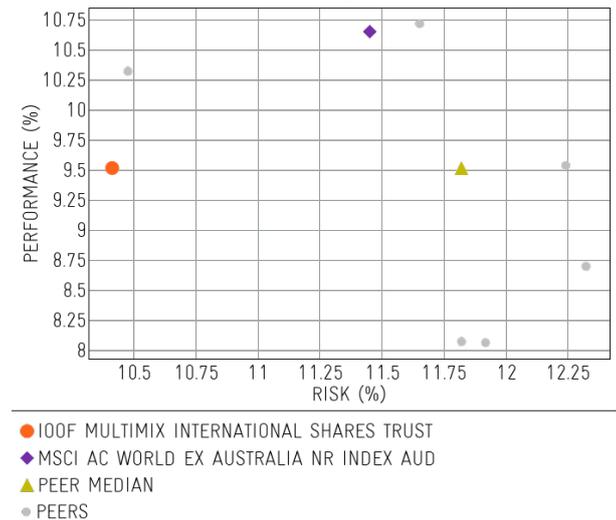
	1 YR		3 YR		5 YR		10 YR	
	FUND	PEER MEDIAN						
PERFORMANCE (% PA)	8.52	4.60	9.52	9.52	10.89	9.96	12.09	11.69
STANDARD DEVIATION (% PA)	12.33	15.28	10.41	11.82	9.64	11.13	9.72	10.73
EXCESS RETURN (% PA)	2.48	-1.82	-1.13	-1.60	-0.11	-1.17	-0.31	-0.87
OUTPERFORMANCE RATIO (% PA)	66.67	41.67	44.44	41.67	51.67	45.00	50.83	45.83
WORST DRAWDOWN (%)	-10.68	-13.66	-10.68	-13.66	-10.68	-13.66	-13.19	-14.94
TIME TO RECOVERY (MTHS)	8	NR	8	NR	8	NR	16	8
SHARPE RATIO	0.66	0.27	0.79	0.68	0.97	0.76	0.99	0.88
INFORMATION RATIO	0.87	-0.56	-0.48	-0.48	-0.05	-0.56	-0.14	-0.35
TRACKING ERROR (% PA)	2.86	2.86	2.37	2.34	2.35	2.09	2.27	2.27

PRODUCT: IOOF MULTIMIX INTERNATIONAL SHARES TRUST
 LONSEC PEER GROUP: GLOBAL EQUITIES - GLOBAL LARGE CAP - MULTI-MANAGER
 PRODUCT BENCHMARK: MSCI AC WORLD EX AUSTRALIA NR INDEX AUD
 CASH BENCHMARK: BLOOMBERG AUSBOND BANK BILL INDEX AUD
 TIME TO RECOVERY: NR - NOT RECOVERED, DASH - NO DRAWDOWN DURING PERIOD

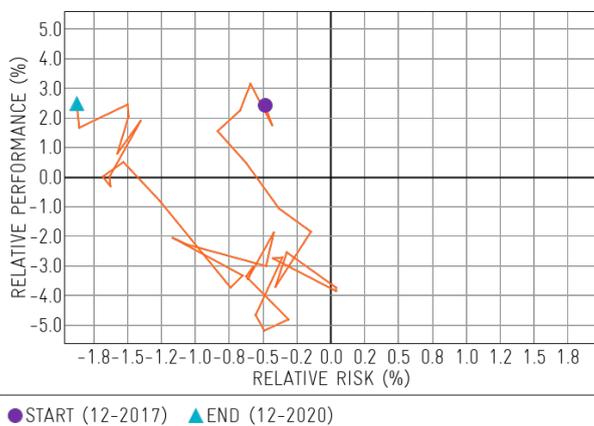
Growth of \$10,000 over 10 years



Risk-return chart over three years



Snail trail



Outperformance consistency



IOOF MultiMix International 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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