Zenith Investment Partners

Highly Recommended
Recommended
Approved
Not Rated
Redeem

Product Assessment

Rating issued on 08 May 2018

Robeco Global DM Multi-Factor Equities Alpha Fund (AUD Hedged)

VIEWPOINT & RATING

The Fund offers investors an exposure to global equities that is driven by a combination of three return factors - Value, Momentum and Quality. The team responsible for this Fund is Robeco's Factor Investing team who employ a quantitative investment approach, utilising a number of proprietary models based on its own academic findings. Zenith believes the Fund's systematic investment process to be highly robust.

Robeco is a global asset management firm that manages investment strategies across multiple asset classes including equities, fixed income, private equity and managed futures. Robeco has been operating in the asset management industry since 1929. As at 31 December 2017, Robeco had approximately $A 247 billion in funds under management.

The Fund is managed by portfolio managers, Joop Huij, Simon Lansdorp, Rob van Bommel and Mark Voermans. The four portfolio managers, based in Rotterdam, function as each other's backup and are primarily responsible for Robeco's factor investing equity strategies. Huij, Lansdorp, and van Bommel have managed factor investing equity strategies since inception in 2014, while Voermans joined Robeco in 2016. Further portfolio management support is provided by 10 portfolio managers from within Robeco's Conservative Equities and Core Quant Equities teams.

The portfolio managers are supported by a eight person research team specialising in quantitative equities. The quantitative equities research team's primary responsibility is the development and enhancement of the firm's quantitative models and tools. Whilst the quantitative equities research team is relatively small in size versus its quantitative peers, Zenith believes that the team is well qualified and experienced, and that the size and structure of the team has historically been conducive to implementing model and process enhancements in a timely manner.

Robeco seeks to systematically and efficiently capture three factors - Value, Momentum and Quality. Based on Robeco's own research, these stocks tend to generate higher risk-adjusted returns. The Fund's stock selection model captures the factors by incorporating three equal weighted factor sleeves within the portfolio, one per factor. Within each sleeve, 80% of the model's focus is on enhancing the factor in question, whilst the remaining 20% is focussed on maintaining all targeted factors at the overall portfolio level. Zenith believes an optimised approach to combining the three factors would result in a more efficient outcome compared to the use of equal-weighted sleeves.

A proprietary portfolio construction algorithm is used to maximise the Fund's exposure to the top ranked stocks of each factor sleeve, typically the top 5% of the universe, while reducing portfolio turnover by selling stocks when they fall to the bottom 50% of the rankings during each rebalance period. The portfolio construction algorithm is run on a monthly basis, or more frequently if necessary, and is subject to a number of stock, sector and country constraints in order to ensure sufficient diversification within the Fund's portfolio. Zenith believes Robeco's portfolio construction model is logical and ensures a diversified and repeatable portfolio outcome.

FUND FACTS

- Typically holds approximately 450 stocks within the portfolio
- Expected portfolio turnover of approximately 50% p.a.
- Currency hedged

ABSOLUTE RISK (SECTOR)

- VERY HIGH
- ▶ HIGH
- MODERATE
- LOW
- VERY LOW

RELATIVE RISK (FUND WITHIN SECTOR)

- Geared
- Active - Benchmark Unaware
- ▶ Active - Benchmark Aware
- Index - Enhanced/Fundamental
- Index

INCOME DISTRIBUTIONS PER

MONTH | QUARTER | **6 MONTH** | ANNUM

INVESTMENT TIMEFRAME

1-2 YRS | 3-4 YRS | 5-6 YRS | **7+ YRS**

APIR Code
ETL6318AU

Asset / Sub-Asset Class
International Shares
Global (Hedged)

Investment Style
Neutral

Investment Objective
To outperform the MSCI World Index, net dividends reinvested, in AUD Hedged by 2% to 3% p.a. over a full business cycle.

Zenith Assigned Benchmark
MSCI World ex Aust $A (Hgd)

Fees (% p.a., Incl. GST)
Management Cost: 0.65%

APPLICATIONS OF INVESTMENT

SECTOR CHARACTERISTICS

International equities offer Australian investors the ability to access a broader opportunity set, with the potential to invest in sectors not represented or not well represented in the Australian market. Given international markets are not perfectly correlated with the Australian market, International equities also affords portfolio diversification benefits.

The Zenith “International Shares – Global (Hedged)” sector consists of long-only funds that invest in global equity markets. The sector incorporates both benchmark aware and benchmark unaware strategies that focus predominantly on larger capitalisation stocks. The sector is one of the most competitive fields in the investment landscape, based on the number of managers and strategies available to investors. Although global equities have disappointed over the past decade in terms of absolute performance, Zenith believes active management, particularly those less benchmark unaware managers, have the ability to add significant alpha above a passive index over the longer-term.

Zenith benchmarks all funds in this sector against the MSCI World Index ex-Australia (Hedged), which corresponds with the benchmark employed by the majority of funds in this space. The index is market-capitalisation weighted, resulting in those companies with the largest market capitalisations receiving the heaviest weightings. The index consists of approximately 1,500 securities listed in 22 developed markets (Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States) with the United States currently representing approximately 60% of the index; Japan and the United Kingdom being the next largest constituents, with approximately 9% and 7% respectively. The index excludes emerging and frontier markets but many managers retain the mandate flexibility to invest in emerging markets.

The global share market, as represented by the MSCI World Index ex-Australia (Hedged), is far more diverse, in terms of sector exposures, than the Australian market. Although the Financials sector represents the largest sector index weight, many sectors not well represented in the Australian market, such as Information Technology and Healthcare, are well represented in the global index, each with approximately a 15% and 12% weighting respectively. Despite the market capitalisation weighting methodology, the top 10 index stocks represent only approximately 11% of the weighting of the index, reflecting the larger universe and less top heavy nature of the universe.

The Hedged classification indicates that funds in this universe are currency hedged, resulting in their returns being unaffected by fluctuations in the Australian Dollar (AUD) versus other global currencies.

PORTFOLIO APPLICATIONS

In general, compared to most other asset classes, equities offer investors the opportunity for higher capital growth over the longer-term with some income. However, this higher growth is also often associated with higher volatility. International equities provide investors with a broad exposure to industries and countries. With such a broad universe, it is expected that managers can deliver superior returns to Australian equities and more conservative asset classes. However, the expectation of greater returns comes with increased volatility, especially when currency is factored in. Therefore, it is recommended that investors adopt a longer time frame when investing in international equities. It is also recommended that investments in international equities be blended with domestic equities and other non-correlated asset classes such as fixed income to diversify the impact of a downturn in the global economy.

Given the quantitative, style neutral nature of the Fund, Zenith believes the Fund may be used as a standalone exposure to the international equities sector. However, the Fund is expected to blend well with fundamental managers utilising a range of investment approaches, including those with value and growth style investment methodologies.

The Fund’s portfolio turnover is expected to be approximately 50% p.a., in normal market conditions. Zenith considers this to be moderate. Investors should therefore be aware that the Fund's returns are likely to be delivered via a combination of capital appreciation and income (short-term realised gains). This approach will therefore more likely suit high marginal tax rate payers.

RISKS OF THE INVESTMENT

SECTOR RISKS

The broad risks of investing in global equities include:

MARKET DOWNTURN: The biggest risk for all global equities based products is a significant downturn across global equities markets, which could lead to periods of negative performance. This risk can be significantly reduced by investors adopting a medium to long-term (7+ years) investment time frame.

REGULATORY / SOVEREIGN RISK: Given the diversity of the global equity investment universe from both a country and sector/industry point of view, the Fund is exposed to regulatory, political and sovereign risk.

AUSTRALIAN DOLLAR (AUD) CURRENCY RISK: The AUD has historically experienced declines during weaker market environments, and appreciation in market upturns. For funds that maintain an unhedged currency exposure, an appreciating AUD is likely to have a negative impact on a fund’s total return. Conversely, an unhedged fund is likely to benefit relative to hedged global equities funds in periods where the AUD depreciates. Zenith believes that over the long-term, the currency impact on performance will be minimal and therefore does not advocate retail investors making active currency decisions based on near-term currency predictions. For investors who are concerned about the short-term risks associated with taking fully unhedged or hedged currency positions, Zenith suggests blending hedged and unhedged global equity exposures to reduce short-term volatility.

FUND RISKS

Zenith has identified the following key risks of the Fund. Although Zenith believes the risks noted are all significant, we have listed them in order of importance. In addition, we have not intended to highlight all possible risks.

INVESTMENT MODEL RISK: Quantitative investment approaches typically perform better in "normal" market environments, where mean reversion and momentum factors tend to produce stronger results. The historical nature of some quantitative inputs results in an inability to react quickly to changing markets. Robeco continually explores, researches and tests new factors to enhance the investment process. Investors should be aware that, as with all funds, there may be periods in which the process experiences difficulties and consequently the Fund underperforms.

CAPACITY/LIQUIDITY RISK: Excessive levels of funds under management (FUM) can inhibit a manager's ability to trade portfolio positions effectively, limiting outperformance potential. Robeco has indicated a capacity limit of $A 75 billion for the strategy at this time. Robeco will continue to monitor the appropriate capacity level for the impact of changing market conditions. Given Robeco managed approximately $A 19.2 billion in its factor investing equity strategies (as at 31 December 2017), Zenith does not believe this is a significant risk. However, Zenith notes that there has been a large quantum of FUM deployed in Factor strategies over the last five years. While it is difficult to forecast the potential impact on the Fund, Zenith will continue to monitor for any decay in the risk premia, and ultimately the performance of the Fund.

LONGEVITY RISK: Managed funds which fail to grow FUM to a scalable level run the risk of being unviable to maintain over the longer-term and could be wound up. The risks associated around a fund wind up are principally that of timing, forcing a crystallisation of tax consequences to investors which may not be suitable (particularly if purchasing on margin). This Fund was seeded with $A 5 million on 8 May 2018.

KEY PERSON RISK: In Zenith's opinion, key person risk is not a major concern for Robeco in the short-term. Given the quantitatively-driven nature of the investment process, there is not an over-reliance on any particular individual on a day-to-day basis. However, given the integral roles Joop Huij and David Blitz (Head of Quantitative Equity Research) have played in the development of the Fund’s strategy, a loss of either of them has the potential to negatively impact future improvements and enhancements to the investment process.

BUSINESS RISK: Whilst Zenith is comfortable that Robeco’s parent group, ORIX Group has committed to permitting Robeco to operate on an autonomous basis, therefore preserving its culture, operation processes and personnel, there is a risk this could change over time. Should this occur, it would warrant an immediate review of Zenith’s rating on the Fund.

QUALITATIVE DUE DILIGENCE

ORGANISATION

Robeco is a global asset management firm that manages investment strategies across multiple asset classes including equities, fixed income, private equity and managed futures. Management of Robeco's investment strategies are the responsibility of its underlying funds management businesses, specifically:

- Robeco Institutional Asset Management
- Robeco SAM
- Harbor Capital Advisors
- Robeco Boston Partners
- Transtrend
- Canara Robeco

Robeco has been operating in the asset management industry since 1929, when a group of seven leading Rotterdam businessmen launched a business club named Rotterdamsche Beleggings Consortium. The consortium became a separate legal entity and launched its first global equity mutual fund in 1933. A global fixed income fund was launched in 1974.

In 1991, Robeco and the Rabobank Group began a strategic alliance which led to Rabobank becoming the sole owner of Robeco in February 2001.

In July 2013, ORIX, an integrated financial services group based in Tokyo, acquired 90% of the equity in Robeco from Rabobank with the aim of building up its global asset management business. ORIX is committed to providing Robeco with the ability to operate independently, with no proposed changes to its existing processes or staff. In 2016, ORIX acquired the remaining shares of Robeco.

In October 2016, Robeco was restructured from an operating company to a financial holding company. The result of this is that each underlying funds management business within Robeco will be responsible for their respective day-to-day management, whilst directly reporting to ORIX. Whilst Zenith believes the change should not impact any existing investment processes or staff, we will continue to monitor the situation closely.

As at 31 December 2017, Robeco had approximately $A 247 billion in funds under management.

As at the same date, Robeco managed approximately $A 19.2 billion within its Multi-Factor Equities strategies. This Fund was seeded with $A 5 million on 8 May 2018.

INVESTMENT PERSONNEL

Name	Title	Tenure
Joop Huij	Portfolio Manager	11 Yr(s)
Simon Lansdorp	Portfolio Manager	9 Yr(s)
Rob van Bommel	Portfolio Manager	28 Yr(s)
Mark Voermans	Portfolio Manager	2 Yr(s)
David Blitz	Head of Quantitative Equity Research	23 Yr(s)

The Fund is managed by portfolio managers, Joop Huij, Simon Lansdorp, Rob van Bommel and Mark Voermans. The four portfolio managers function as each other’s backup and are primarily responsible for Robeco’s factor investing equity strategies. At present there are six broad strategies within Robeco’s suite of factor investing equity strategies which include Value, Momentum, Quality, Multi-Factor Equity, Factor Indexes and Bespoke Factor Solutions.

Huij started his career as a researcher in 2007 and is currently both the Head of Factor Investing Equities and Head of Factor Indexing Research. He has extensive experience in quantitative research, has authored and published various academic research works and is also a part-time Associate Professor of Finance at Rotterdam School of Management. Lansdorp joined Robeco as a Researcher in 2009 and has researched and built factor based strategies throughout his career. Van Bommel joined Robeco in 1990 as a quantitative analyst and has been a portfolio manager across a number of different strategies at Robeco. Voermans joined Robeco in 2016 and has previously worked for several Dutch asset management companies as both a portfolio manager and researcher.

The portfolio managers' key responsibilities are:

- Implementation of the firm's proprietary portfolio construction model
- Monitoring portfolio positions
- Managing the Fund's risk exposure and conducting research to improve the Fund's processes

Huij, Lansdorp and van Bommel have managed the Fund's strategy since its inception in 2015. Zenith notes that they have been intimately involved in the development of Robeco's factor investing strategies.

Zenith gains significant confidence in Robeco's successful long-term track record managing quantitative strategies.

Further portfolio management support is provided by 10 portfolio managers from within Robeco's Conservative Equities and Core Quant Equities teams. The portfolio managers are supported by a eight person research team specialising in quantitative equities, five researchers in the Robeco Research Talent Pool and a further 10 Research Interns.The research team is led by David Blitz who is highly experienced in quantitative equities research and started his career at Robeco in 1995. Blitz has also authored and published various academic research work and is a guest lecturer at several universities. The average industry experience of the team spans 13 years.

The quantitative equities research team's primary responsibility is the development and enhancement of the firm's quantitative models and tools. The team is also responsible for assisting the portfolio managers in the stock ranking phase of the investment process.

Whilst the quantitative equities research team is relatively small in size versus its quantitative peers, Zenith believes that the team is well qualified and experienced, and that the size and structure of the team has historically been conducive to implementing model and process enhancements in a timely manner.

Both the portfolio managers and quantitative equities research team are supported by inputs from Robeco's team of fundamental analysts where required. Examples of pertinent events could be exogenous shocks to the market or corporate actions where the fundamental team's specialist knowledge can add value to the Fund.

Both the portfolio management and quantitative equities research teams have been relatively stable through time.

Investment team members' compensation consists of a competitive salary and discretionary bonus that reflects performance. The bonus is dependent upon individual and team contribution to the long-term outperformance of their respective managed portfolios, in addition to the profitability of Robeco. A limited group of individuals are also entitled to participate in Robeco Cash Appreciation Rights (CARs), which are equity-like instruments that are linked to the profitability of the firm. The payout of these instruments occurs in two equal increments after three and five years, subject to the individual's ongoing employment with Robeco. Whilst Zenith believes the CARs program serves to assist in mitigating key person risk, we would prefer greater transparency with regards to staff eligibility.

Overall, Zenith believes the portfolio managers are well supported by an experienced and dedicated, albeit small, quantitative research team. Furthermore, Zenith believes Robeco's culture of encouraging academic pursuits outside of work is a key factor in its ability to attract and retain talent.

INVESTMENT OBJECTIVE AND PHILOSOPHY

The objective of the Fund is to outperform the MSCI World Index, net dividends reinvested, in AUD hedged by 2% to 3% p.a. over a full business cycle, with a similar level of risk to its benchmark, as measured by Standard Deviation.

Robeco's overall philosophy is based on the belief that markets are inefficient, which can be exploited through prudent active management.

The Fund seeks to achieve its objective by harnessing three factors:

- Value
- Momentum
- Quality

Historically, stocks exhibiting these factors have over the long-term generated higher risk-adjusted returns compared to Growth, negative Momentum and low Quality stocks. The identification of these anomalies is built upon research conducted by Robeco and renowned academics such as Black, Jensen, Scholes and Fama. Robeco believes all three factors have an equal chance of producing excess returns over the long-term and that the factors are likely to persist due to the collective behavioural biases of market participants.

The team responsible for this Fund is Robeco's Factor Investing team who employ a quantitative approach to managing the Fund, utilising a number of proprietary quantitative models. Robeco aim to avoid taking unrewarded risks when capturing factor premiums. For example, Robeco have developed distress risk techniques to enhance their value factor and reversal risk techniques to enhance their momentum factor.

Zenith believes this approach allows the Fund to diversify its return drivers (factors) and ensures there is no reliance on one particular factor to drive excess returns.

SECURITY SELECTION

The investable universe for the Fund is comprised of all constituents of the S&P Broad Market Index and MSCI Broad Market Indices. A liquidity screen is applied where stocks must have at least $A 3 million of average daily volume and a minimum market capitalisation of $A 750 million.

The Fund may also invest in stocks that are not part of the MSCI Broad Market Indices in order to increase the breadth of opportunities. These off-benchmark positions are limited to 20% of the Fund and are subject to minimum liquidity requirements. This results in a total investable universe of approximately 4,000 stocks.

The Fund’s stock selection model captures the targeted factors by incorporating three equal weighted sleeves within the portfolio, one per factor. Within each sleeve, 80% of the model’s focus is on enhancing the factor in question, whilst the remaining 20% is focussed on maintaining all targeted factors at the overall portfolio level. Zenith believes an optimised approach to combining the three factors would result in a more efficient outcome compared to the use of equal-weighted sleeves which has been adopted.

The three factors are:

- *Value*: Lower priced "value" stocks have higher expected returns than higher priced "growth" stocks
- *Momentum*: Recent winner stocks will continue to outperform, while recent loser stocks will continue to perform poorly
- *Quality*: High-quality stocks to outperform low-quality stocks and the market as a whole.

Robeco recognises four factors, however the Low Volatility factor has not been incorporated within this strategy due to the return focused nature of the fund. Zenith notes exposure to Robeco's Low Volatility factor can be acheived via its Conservative Equities strategies.

The underlying factors considered by the model are monitored regularly by the investment team to ensure their relevance. Additional factors which have the potential to enhance the effectiveness of the model are also constantly researched.

The stock selection model, within each factor sleeve, ranks each stock from top to bottom based on the scoring outcome. The ranking process is conducted across regions, countries and sectors. Zenith believes Robeco's investment approach is logical and implemented in a consistent and robust manner.

PORTFOLIO CONSTRUCTION

The portfolio construction process draws strongly from the stock selection output, in particular the stock rankings list. A new stock rankings list is generated daily (for all three factor sleeves) and is subject to sanity checks, both by the quantitative equities research team and the portfolio managers, particularly with regard to stocks that exhibit a large ranking change.

In addition, the current portfolio and investment universe are screened for stocks that are affected by other factors. Examples include stocks which are subject to corporate actions, or a situation of major litigation or regulatory risk.

A proprietary portfolio construction algorithm is used to maximise the Fund’s exposure to the top ranked stocks for each factor sleeve, typically the top 5% of the universe. This results in the Fund typically holding approximately 200 stocks per sleeve and due to overlap approximately 450 stocks at the overall portfolio level. The portfolio construction algorithm to rebalance is run on a monthly basis. However, the portfolio managers may decide to take action intra-month if they deem it necessary (for example, due to significant cash inflows or outflows, or to reduce unintended risks).

Robeco has the scope to sell stocks that fall to the bottom 50% of the rankings during each rebalance period where sufficiently attractive stocks are identified at the top of the rankings. After a stock has been sold, the sale proceeds are used to purchase top-ranked stocks, subject to the portfolio constraints. Whilst this may result in slightly increased portfolio turnover, it is expected to improve the portfolio's risk return profile. Zenith views this flexibility to be a positive for the Fund.

The rebalancing process results in the following benefits to the Fund:

- Fewer transactions and therefore lower trading costs
- The Fund’s portfolio is optimised based on the latest set of rankings from fund flows. For example, when fund inflows are received, they are used to purchase top ranked stocks, whilst lower ranked stocks are sold in the event of outflows. In both instances, the portfolio is optimised and fewer changes are required for the next rebalance cycle.

The algorithm is run on a monthly basis and is subject to a number of stock, sector and country constraints in order to ensure sufficient diversification within the Fund’s portfolio.

Robeco integrates environmental, social and governance (ESG) factors into the Fund. The Fund is required to have equal or superior ESG scores, as measured by RobecoSAM, to the benchmark and is rebalanced with this in mind. Whilst Zenith believes this initiative is positive over the longer-term, there is currently insufficient evidence to conclude that ESG factors add value to the Fund from a performance perspective.

Within each factor sleeve, a stock is allocated a target weight of 0.6% plus its market capitalisation weight in the index (depending on the stock liquidity), subject to a maximum absolute weight of 2%.

Due to Robeco's preference to use cashflows to rebalance the portfolio, Zenith notes that a group of smaller portfolio positions may arise. While Zenith believes Robeco's transaction approach minimises transaction costs, we believe holding a group of smaller positions may not be optimal for some investors. Portfolio turnover, whilst not targeted, is expected to be approximately 50% p.a.

Robeco implements a quarterly factor allocation check, allowing the weights of each factor sleeve to drift between a range of 30.0% and 36.7%, from their starting points of 33.33%. This range allows the portfolio to benefit from factor momentum and also limits portfolio turnover.

The suggested portfolio is checked by the portfolio managers, with all proposed transactions needing to be verified by two portfolio managers. After a pre-trade compliance check in the trading system on client guidelines and restrictions, trades are executed by Robeco’s Trading Desk.

Although Robeco's investment process is systematic, the portfolio managers reserve the right to exercise judgement upon execution of the strategy. The portfolio managers may deviate from the systematic buy/sell discipline if there is reason to believe that the output is not suitable for current market conditions. Although Zenith typically views qualitative overriding of systematic strategies unfavourably, our reservations are somewhat mitigated by the fact that Robeco draws upon the insights of fundamental analysts and economists from the broader Robeco investment team. In addition, Robeco will only override the system in an attempt to reduce risk rather than to generate additional returns, for example a takeover offer made for a stock, or political risk in relation to a stock.

The Fund's overall currency exposure is hedged back to Australian Dollars.

Zenith believes Robeco's portfolio construction model is logical and ensures a diversified and repeatable portfolio outcome.

RISK MANAGEMENT

Portfolio Constraints	Description
Individual Stock Weight (%)	max: 2%
Weight - Market Capitalisation Bands rel. Index (%)	-35% to 35%
Weight - Regions Rel. Index (%)	-10% to 10%
Weight - Country Rel. Index (%)	-10% to 10%
Weight - Sub-sector rel. Index (%)	-10% to 10%
Weight - Non-Index stocks (%)	max: 20%
Expected Portfolio Turnover (% p.a.)	50% p.a.

The Fund has explicit portfolio constraints around the maximum stock weights and the maximum allocations permitted by country and sector (see table above).

Risk management is an integral part of the Fund's investment process and is addressed in a number of ways. Due to the quantitative nature of the investment process, risk management is logically incorporated into both the security selection and portfolio construction phases.

RiskMetrics and other external risk management systems are used to monitor portfolio risk and stock, sector and country weightings are measured and monitored to ensure consistency with the model's desired exposures and that there are no unintended biases.

Robeco also utilises Charles River as a compliance tool, monitoring pre and post trading to actual trade execution to ensure compliance with mandate requirements.

The portfolio is hedged with reference to portfolio weights by Robeco's Operational Portfolio Management team. Robeco reviews the hedging position of the portfolio on a daily basis, attempting to remain close to fully hedged. Decisions to trade are based on the deviation of the current position from the theoretical fully hedged position as well as the size of the trade. Robeco will aim to hedge all currencies with sufficient liquidity.

Zenith believes that Robeco's approach to risk management is sound and is complemented by a comprehensive suite of risk monitoring systems.

INVESTMENT FEES

The sector average management cost (in the table below) is based on the average management cost of all flagship International Equities funds surveyed by Zenith.

A management cost of 0.65% p.a. applies to this Fund, with no associated performance fee. Overall, Zenith believes the Fund's fee structure is attractive relative to peers, given its stated objectives. However, there is insufficient performance data to conduct meaningful analysis on whether the fees paid are justified.

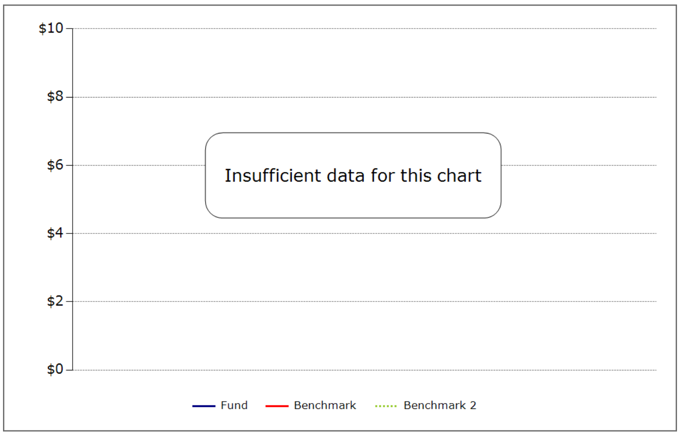
There is also a 0.15%/0.13% buy/sell spread applicable to all applications and redemptions.

(The fees mentioned above are reflective of the flagship version only and may differ when the product is accessed through an alternate investment vehicle such as a platform.)

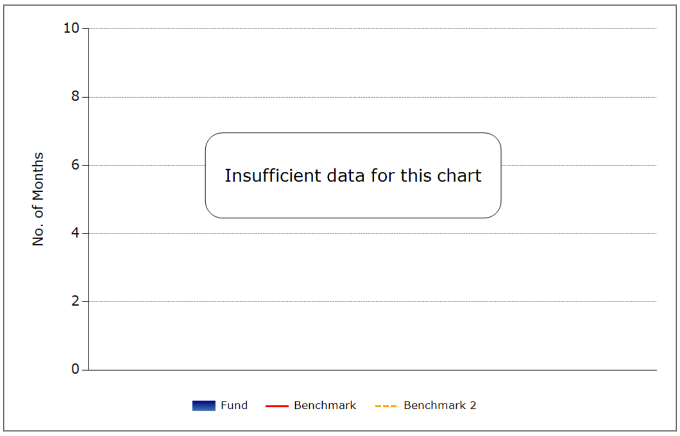
Fees Type	Fund	Sector Average (Wholesale Funds)
Management Cost	0.65% p.a.	0.96% p.a.
	Buy Spread	Sell Spread
Buy / Sell Spread	0.13%	0.10%

PERFORMANCE ANALYSIS

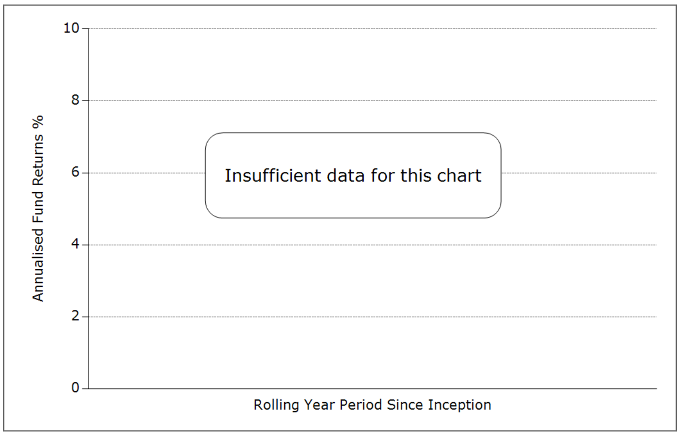
Monthly Performance History (%, net of fees)
Growth of $10,000



Monthly Histogram



Minimum and Maximum Returns (% p.a.)



ABSOLUTE PERFORMANCE ANALYSIS

All commentary below is as at 31 March 2018.

The fund's objective is to outperform the MSCI World Standard Index NR AUD by 2% to 3% p.a. over a full business cycle and is expected to exhibit a similar level of risk to its benchmark.

Given the inception date of the Fund, history of performance is too short to make any meaningful conclusions.

RELATIVE PERFORMANCE ANALYSIS

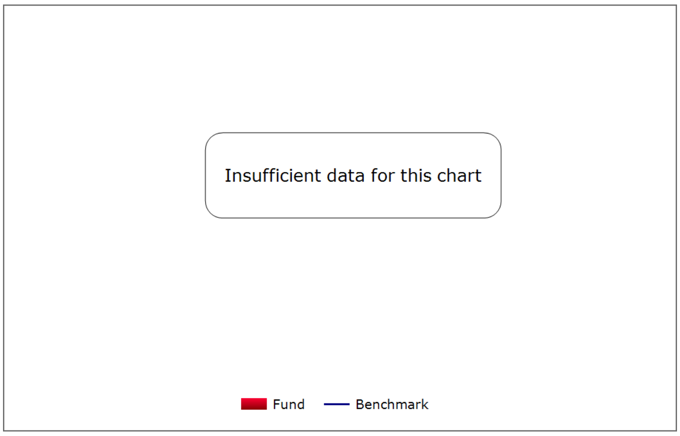
All commentary below is as at 31 March 2018.

Zenith seeks to identify funds that can outperform in over 50% of months in all market conditions, as we believe this represents consistency of manager skill.

Given the inception date of the Fund, history of performance is too short to make any meaningful conclusions.

DRAWDOWN ANALYSIS

Drawdown analysis assesses the relative riskiness of a Fund versus the benchmark, in reference to capital preservation. The maximum Drawdown is recorded as the percentage decline in the value of a portfolio from peak to trough (before a new peak is achieved). All Drawdown analysis is calculated commencing from the inception date of the Fund in question, and Drawdown analysis for the Fund and benchmark(s) are calculated independently. That is, the largest drawdown for the Fund and benchmark(s) will not always refer to the same time period.



All commentary below is as at 31 March 2018.

Given the inception date of the Fund, history of performance is too short to make any meaningful conclusions.

INCOME/GROWTH ANALYSIS

The Fund does not target specific income levels.

Where applicable, the Fund will distribute income semi-annually.

The Fund's portfolio turnover is expected to be approximately 50% p.a., in normal market conditions. Zenith considers this to be moderate. Investors should therefore be aware that the Fund's returns are likely to be delivered via a combination of capital appreciation and income (short-term realised gains). This approach will therefore more likely suit high marginal tax rate payers.

REPORT CERTIFICATION

Date of issue: 8 May 2018

Role	Analyst	Title
Author	Stephen Colwell	Investment Analyst
Sector Lead	Quan Nguyen	Head of Equities
Authoriser	Bronwen Moncrieff	Head of Research

ASSOCIATIONS & RELATIONSHIPS

ASIC Regulatory Guide RG79.164 requires Research Houses to disclose certain associations or relationships that they may have with a product issuer. As at the date this report was issued, an associated entity of the Investment Manager relevant to this report is; or has been, a subscriber to Zenith's investment research services within the past 12 months. Conflict management arrangements are in place where Zenith provides research services to financial advisory businesses who provide financial planning services to investors and are also associated entities of product issuers. This is in accordance with Zenith's Conflict of Interests Policy.

As at the date this report was issued, a related party of which provides financial planning services is, or has been, a subscriber to Zenith's research services within the last 12 months.

RATING HISTORY

As At	Rating
8 May 2018	Recommended
2 Feb 2018	Not Rated - Screened Out

Last 5 years only displayed. Longer histories available on request.

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