



SQM
RESEARCH

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

This report has been prepared for financial advisers only



Superior

April 2020

INTRODUCTION

Key Principles

SQM Research considers (but is not restricted to) the following key review elements within its assessment:

1. Business profile - product strategies and future direction
2. Marketing strategies and capabilities, market access
3. Executive Management / Oversight of the investment management firm
4. Corporate Governance / fund compliance / risk management
5. Investment team and investment process
6. Fund performance, investment style, market conditions, investment market outlook
7. Recent material portfolio changes
8. Investment liquidity
9. Investment risks
10. Fund/Trust fees and expenses

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Report Date: 2 April 2020

Star Rating *	Description	Definition	Investment Grading
4½ stars and above	Outstanding	Highly suitable for inclusion on APLs <i>SQM Research believes the Fund has considerable potential to outperform over the medium-to-long term. Past returns have typically been quite strong. Product disclosure statement (PDS) compliance processes are of a high-calibre. There are no corporate governance concerns. Management is extremely experienced, highly skilled and has access to significant resources.</i>	High Investment grade
4¼ stars	Superior	Suitable for inclusion on most APLs <i>SQM Research considers the Fund has substantial potential to outperform over the medium-to-long term. Past returns have tended to be strong. PDS compliance processes are high-quality. There are no material corporate governance concerns. Management is of a very high calibre.</i>	High Investment grade
4 stars	Superior	Suitable for inclusion on most APLs <i>In SQM Research's view, the Fund has an appreciable potential to outperform over the medium-to-long term. Historical performance has tended to be meaningful. PDS compliance processes are strong. There are very little to no corporate governance concerns. Management is of a high calibre.</i>	High Investment grade
3¾ stars	Favourable	Consider for APL inclusion <i>SQM Research concludes the Fund has a moderate potential to outperform over the medium-to-long term. Past performance has tended to be reasonable. Management is experienced and displays investment-grade quality. There are no corporate governance concerns, or they are of a minor nature.</i>	Approved
3½ stars	Acceptable	Consider for APL inclusion <i>In SQM Research's view, the potential for future outperformance in the medium-to-long term is somewhat uncertain. Historical performance has tended to be modest or patchy. Management is generally experienced and capable. SQM Research has identified weaknesses which need addressing in order to improve confidence in the Manager.</i>	Low Investment grade
3¼ stars	Caution Required	Not suitable for most APLs <i>In SQM Research's opinion, the potential for future outperformance in the medium-to-long term is very uncertain. Historical returns have tended to be disappointing or materially below expectations. PDS compliance processes are potential substandard. There are possible corporate governance concerns. Management quality is not of investment-grade standard.</i>	Unapproved
3 stars	Strong Caution Required	Not suitable for most APLs <i>In SQM Research's opinion, the potential for future outperformance in the medium-to-long term is unlikely. Historical performance has tended to be unacceptable. There may be some material corporate governance concerns. SQM Research has a number of concerns regarding management.</i>	Unapproved
Below 3 stars	Avoid or redeem	Not suitable for most APL inclusion	Unapproved
Event-driven Rating		Definition	
Hold		<i>Rating is suspended until SQM Research receives further information. A rating is typically put on hold for a period of two days to four weeks.</i>	
Withdrawn		<i>Rating no longer applies. Significant issues have arisen since the last report date. Investors should consider avoiding or redeeming units in the fund.</i>	

* The definitions in the table above are not all encompassing and not all individual items mentioned will necessarily be relevant to the rated Fund. Users should read the current rating report for a comprehensive assessment.

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SQM Rating 
Superior. Suitable for inclusion on most APLs.

Fund Description	
APIR: ETL6318AU	Robeco Global DM Multi-Factor Equities Alpha Fund (AUD Hedged)
APIR: ETL7610AU	Robeco Global DM Multi-Factor Equities Alpha Fund (AUD)
Asset Class	Equities
Management and Service Providers	
Fund Manager	Robeco Hong Kong Limited
Responsible Entity	Equity Trustees Limited
Custodian	JP Morgan Australia
Fund Information	
Fund Inception Date	8-May-18
Fund Size	\$0
Return Objective (as per PDS)	Deliver higher risk-adjusted returns than the MSCI World Index, net dividends reinvested, in AUD Hedged over a full business cycle
Internal Return Objective	See above
Risk Level (per PDS)	High
Internal Risk Objective	See above
Benchmark	Reference index: MSCI World Index/Hedged
Number of stocks/positions	406
Fund Leverage	No
Turnover	Expected to average around 25% p.a.
Top 10 Holdings Weight	7.62
Investment Information	
Minimum Application	AUD 10,000
Redemption Policy	Daily
Distribution Frequency	Semi-Annual
Investment Horizon (per PDS)	5-7 years
Currency Hedging Policy	AUD Hedge is managed within a 95% - 105% bandwidth on total portfolio level. For Unhedged units the currency exposure investment decision is separated from the stock selection decision. Currency hedging is implemented via FX-Forwards.
Management Fee	Maximum Management fee 0.65%
ICR – latest	0.65%
Buy Spread	0.13%
Sell Spread	0.09%
Performance Fee Rate	Nil

Fund Summary

NOTE: The Fund has two variants – hedged and unhedged. This report refers to the hedged variant by name, but applies also to the unhedged version.

Description

The **Robeco Global DM Multi-Factor Equities Alpha Fund - AUD Hedged, (the Fund)** is an open-ended unlisted registered managed investment scheme that is primarily invested in equities of companies that only operate in mature economies (developed markets) around the world. The fund employs a fully quantitative equity strategy that focuses on exploiting three key factors: value, momentum and quality, using enhanced factor definitions to avoid unrewarded risk and unwanted factor tilts. This strategy is managed according to a disciplined investment process which combines the stock ranking from a stock selection model with a proprietary portfolio construction algorithm and a set of risk controls. The fund's portfolio aims to achieve higher risk-adjusted returns than both the broad market and generic factor indices over a full business cycle.

Fund Rating

The two Fund variants have achieved the following ratings:

ETL6318AU: Robeco Global DM Multi-Factor Equities Alpha Fund (AUD Hedged)			
Star Rating	Description	Definition	Investment Grading
4.00 stars	Superior	Suitable for inclusion on most APLs	High Investment Grade

ETL7610AU: Robeco Global DM Multi-Factor Equities Alpha Fund (AUD)			
Star Rating	Description	Definition	Investment Grading
4.00 stars	Superior	Suitable for inclusion on most APLs	High Investment Grade

SQM Research's Review & Key Observations

1. People and Resources

About the Manager

The day to day investment management of the fund is handled by a related corporate body of Robeco Hong Kong Limited: Robeco Institutional Asset Management B.V. (aka Robeco). Robeco is a global asset manager, headquartered in Rotterdam, the Netherlands. Robeco offers a mix of investment solutions within a broad

range of strategies to institutional and private investors worldwide. As of June 2019, Robeco had AUD 298 billion in assets under management, 71% of which were institutional. Founded in the Netherlands in 1929, Robeco is a subsidiary of RGNV (Robeco Groep N.V.). RGNV is fully owned by ORIX Corporation. Robeco employs 890 people at 15 offices worldwide.

In 2016, RGNV separated its activities into a financial holding company and six independent asset managers: Robeco, Boston Partners, Harbor Capital Advisors, Transtrend, RobecoSAM and CanaraRobeco. This structure created a clear distinction between the activities of the holding company and its subsidiaries. In the same year, ORIX became 100% owner of RGNV by acquiring the 9.99% holding in RGNV from Rabobank.

Investment Team

Robeco's Multi-Factor strategies and the single factor strategies: Value, Momentum and Quality, are managed by an experienced team of investment professionals within an organisation which is fully committed to quantitative investing. The head of the Factor Investing Equities team and portfolio manager is Joop Huij, while Simon Lansdorp, Viorel Roscovan and Daniel Haesen are also portfolio managers of factor investing strategies.

The Quantitative Research Department is responsible for the stock selection models and portfolio construction algorithm that are the bedrock of the Fund. The quantitative researchers support the Portfolio Managers by designing, implementing and maintaining forecasting models, risk management tools, currency and derivatives strategies. Research staff run an ongoing program to develop further enhancements to these tools. A committee consisting of senior portfolio managers and researchers formally approves enhancements to the models and the research agenda. The Research Department provides regular updates on the stock selection model's quantitative rankings to the Quant Equity Portfolio Management team.

The portfolio managers are responsible for portfolio implementation and trading. The firm promotes active cooperation between researchers and portfolio managers, and they are held individually accountable for the success of the investment strategies.

While the process is quantitative and mechanical in nature, there is sensible human oversight provided by both the portfolio management team and the quantitative research team. This means that algorithms are scrutinised for reliability, consistency, practicality and logic. There is significant collaboration between

these teams in both theoretical research and practical implementation of algorithms.

SQM views **key person risk as low**.

2. Investment Process and Philosophy

Investable Universe

The investment universe is based on the S&P Broad Market Index and MSCI indices. It excludes dual listings and stocks with data issues and involves a liquidity screening based on a minimum average trading volume of EUR 2 mln and a minimum market cap of EUR 500 mln. This results in a total investable universe of 4,000 stocks for Global DM Multi-Factor Equities.

Process / Philosophy / Style

The Funds investment philosophy is based on the conviction that financial markets are not fully efficient and that they have the expertise and resources to identify and exploit certain aspects of the market for the benefit of their clients. The fund uses an active management strategy to take advantage of selected factor premiums and apply a disciplined investment process which leads to long-term risk-adjusted outperformance.

Robeco's quantitative investment strategies are based on the following beliefs:

- **Evidence-based research:** Robeco uses extensive empirical testing over longer periods and in different markets to research ideas that come from academic literature, internal discussions or client meetings.
- **Economic Rationale:** Robeco enhances generic quantitative factors to aim to understand the economic drivers behind factor premiums thoroughly.
- **Prudent Investing:** Robeco has developed a proprietary portfolio-construction algorithm to help them understand the reasons for each portfolio position and transaction. Environmental, social and governance (ESG) factors are integrated into the investment strategy as investors and society are increasingly beginning to consider these factors.

Risk Management

The risk management function relies on three independent sources of oversight:

1. **Portfolio Managers** and line management own and manage risks. They are responsible for maintaining

effective internal controls and for executing risk and control procedures on a day-to-day basis.

1. Risk Management and Compliance Departments.

Both functions support line management by building and monitoring controls. They focus on significant risks, i.e. risks that impede achieving business objectives, including those agreed with clients. Both Risk Management and Compliance have reporting lines to the Executive Committee that are independent of the Investments function.

1. **Internal Audit** provides assurance on the effectiveness of governance, risk management and internal control.

3. Portfolio Characteristics

Portfolio Turnover

The annual turnover of the strategy is expected to be around 50%. The fund takes a rules-based investment approach, resulting in more stable portfolio weights and hence lower turnover. In the long run, this feature further enhances returns.

Liquidity

Liquidity risk is mitigated by applying a liquidity screen in the determination of the investable universe and by comparing the positioning of portfolios to trading volumes and market capitalisation. It is assumed that 20% of the average daily trading volume can be liquidated daily without significant market impact.

Leverage

This Fund employs neither actual leverage (through borrowing by the Fund) or economic leverage (through the use of derivatives).

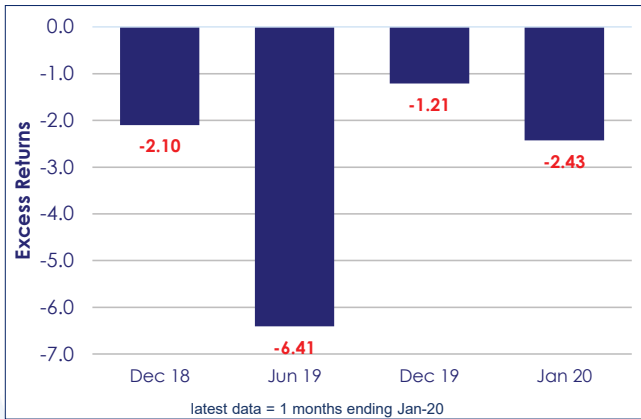
4. Performance & Risk

Return Objective & Performance

The return objective stated in the PDS is that the Fund aims to "deliver higher risk-adjusted returns than the MSCI World Index, net dividends reinvested, in AUD Hedged over a full business cycle."

The Fund's formal benchmark is the MSCI World TR Index (AUD Hedged).

Over the twelve months to Jan-2020, the Fund returned 6.92% (after fees) compared to 18.10% for the benchmark. This is an underperformance of -11.18%.

Fund Excess Returns %: Half-yearly (net of fees)**Length of Track Record**

The Fund has a short history of 1.7 years (or 20 months). Observations and analysis of returns will have modest statistical meaning. SQM Research notes that returns, volatility and other risk measures can be “noisy” and less reliable when quantified using a small sample size of observations.

Risk Objective

The Fund's PDS states that the risk level of the Fund is considered to be “High.”

The Fund's **volatility** (standard deviation of monthly returns) over the **year to Jan-2020** was 13.31% compared to a peer average of 10.21% and 10.70% for the benchmark.

Drawdown Experience

	Drawdown Size (peak-to-trough)		
	Fund	Bench	Peers
Average	-8.63%	-5.51%	-5.28%
Number	2	4	4

Drawdowns have on **average** been worse than the benchmark and worse than the peer average.

Definition: A drawdown tracks the path of the Fund's accumulated NAV (with dividends reinvested). It is measured over the period of a peak-to-trough decline and the subsequent recovery back to that previous peak level. The total return over that entire period is, of course, zero. The metric of interest, the drawdown itself, is quoted as the percentage change between the peak and the trough over that period. Funds typically have multiple drawdowns of varying size and length over their lifetime. The table above shows how many drawdowns have occurred and their average peak-to-trough size.

5. Other Features**Fees**

Fees and Costs	Fund	Peer Avg
Management Fee (% p.a.)	0.65%	1.07%
Expense Recovery (% p.a.)	Nil	-
Performance Fee (%)	Nil	10.00%
Buy Spread (%)	0.13%	0.17%
Sell Spread (%)	0.10%	0.17%

Management Fee

- Expressed as a percentage rate per annum of the Fund's Net Asset Value (“NAV”)
- Calculated daily and paid monthly
- Including GST and impact of RITC (Reduced Input Tax Credit)

Performance Fee

The Fund does not charge a performance fee.

Governance

The Board of Directors of the Responsible Entity, Equity Trustees (EQT) consists of **six independent directors (including the Chairman)** from a total of **seven** members. SQM Research prefers the inclusion of independent members on the Board of Directors – it is a meaningful way to enhance governance oversight. EQT's Compliance Committee Charter requires that the Committee shall comprise at least three members **all of whom (including the Chairman) are independent non-executive directors** of EQT, with a quorum of two members required to attend a meeting. SQM Research views independence in a RE oversight body such as the Compliance Committee as a strong and favourable factor in Fund governance.

SUMMARY

FUM (Funds Under Management) / Capacity

The Fund is approximately \$44.8 million in size at Jan-2020.

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

Fund Performance to 31 January 2020 (% p.a.)							
Total Return	1-Month	3-Month	6-Month	1-Year	3-Year	5-Year	Inception
Fund ¹	-2.83	2.64	3.97	6.92	n/a	n/a	1.53
Benchmark ²	-0.27	5.14	7.24	18.10	n/a	n/a	8.52
Peer Average	-1.09	4.15	5.31	15.96	n/a	n/a	9.18
Alpha	-2.56	-2.50	-3.27	-11.18	n/a	n/a	-6.99

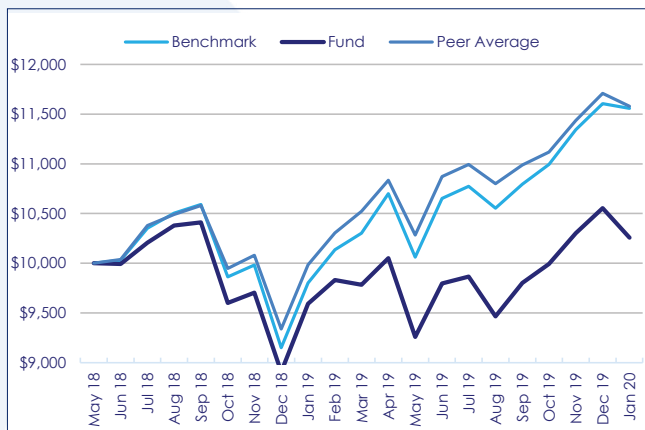
1. Assumes dividend reinvestment. Returns one year and longer are annualised. Return history starts Jun-2018
 2. Benchmark: MSCI World Hdg NR AUD

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

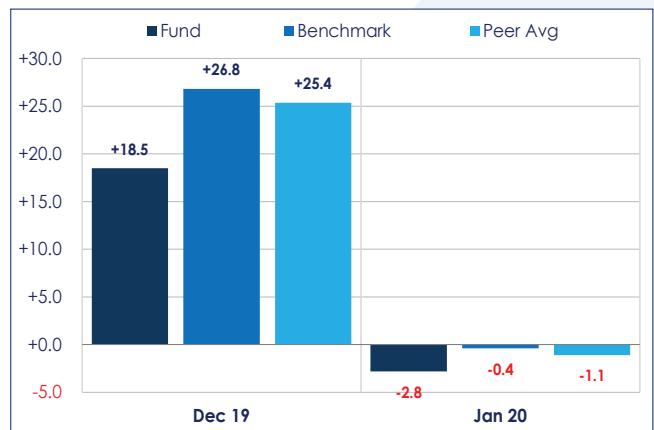
Fund Performance to 31 January 2020 (% p.a.)							
Total Return	1-Month	3-Month	6-Month	1-Year	3-Year	5-Year	Inception
Fund ¹	1.89	5.81	7.82	15.96	n/a	n/a	8.66
Benchmark ²	4.37	8.29	11.13	28.23	n/a	n/a	16.01
Peer Average	3.05	6.79	9.10	24.12	n/a	n/a	14.77
Alpha	-2.48	-2.48	-3.31	-12.27	n/a	n/a	-7.35

1. Assumes dividend reinvestment. Returns one year and longer are annualised. Return history starts Jun-2018
 2. Benchmark: MSCI World TR AUD

Growth of \$10,000



Annual Returns



Strengths of the Fund

- An extensive accumulation of experience and knowledge regarding quantitative factor investing as applied to the real world, backed by advanced academic research.
- Employs a deep and highly qualified team of portfolio managers and quantitative researchers focused solely on quantitative factor investing
- A wealth of global resources is applied to the process, given the firm's reach in terms of staff and IT infrastructure
- Strong risk management processes and explicit inclusion of ESG factors in stock selection.
- A very competitive fee structure
- Low key-person risk



- The Fund's strategy is designed to aim for positive excess returns in declining equity markets **over the long term**
- The style has low turnover, and close attention is paid to managing inflows/outflows, aiming to minimise transaction costs and slippage

Weaknesses of the Fund

- The short performance history of the Fund
- The multi-factor approach may produce negative alpha in bull markets.
- The value factor, which has an equal weight (i.e. 33%) has been a particularly heavy drag on performance, and more so in the last 12 months. It has overwhelmed the positive contributions for both momentum and quality combined.
- Recent performance has been very weak and much lower than expectations

Other Considerations

- Risk reporting and performance measurement tools are sophisticated and detailed
- Ongoing commitment to extensive research and development to monitor, maintain and enhance the quantitative algorithms underlying the process.

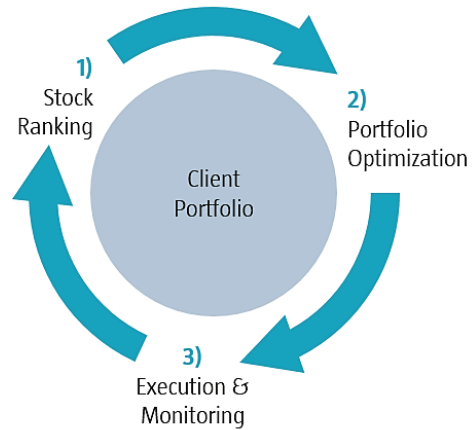
Key Changes since the Last Review

- No material changes to the investment process since the previous review.

Investment Process Diagram

Monthly rebalancing process to obtain highest possible model exposure

- 1) **Stock ranking**
 - > Proprietary quantitative stock selection model
 - > Qualitative review on stock rankings
- 2) **Portfolio optimization**
 - > Robeco portfolio construction algorithm
 - > Determine most efficient instruments
 - > Check proposed trades
- 3) **Execution and Monitoring**
 - > Order execution by global trading desks
 - > Continuous monitoring of portfolio
 - > Portfolio rebalancing aligned with cash flows



Process Description

Universe

Investable Universe The investment universe is based on the S&P Broad Market Index and MSCI indices. It excludes dual listings and stocks with data issues and involves a liquidity screening based on a minimum average trading volume of EUR 2 mln and a minimum market cap of EUR 500 mln. This results in a total investable universe of 4,000 stocks for Global DM Multi-Factor Equities.

Investment Process

Top-down or bottom-up The investment approach is a pure bottom-up quantitative approach.

Research and Portfolio Construction Process **Stock Selection**
 Investment ideas from the investable universe are generated by the stock-ranking model for each factor. The model has been developed jointly by quantitative researchers and portfolio managers.

The investment team first focuses on reducing risk by using a combination of Value, Momentum and Quality Factors to produce a portfolio that offers efficient exposure to multiple factor premiums and minimises turnover.

Within each factor, members of the Robeco team ensure that the securities they select do not harm the other factors. Thus, when selecting a security within the value factor, momentum and quality must be kept in mind. This method of avoiding negative or opposing factor exposure results in efficient and balanced exposure to these three factors.

Value	Momentum	Quality
Price to fundamentals with focus on book values, earnings, yield and cash-flows	Residual and raw price momentum Residual and raw analyst revisions	Profitability Earnings quality Investments
Aims to avoid value traps by integrating other factors	Aims to avoid over reaction by integrating other factors	Do not ignore price information by integrating other factors

Investment Process

**Research and
Portfolio
Construction
Process**
...continued

The default allocation to each factor is one-third of the portfolio.

Portfolio Construction

The portfolio-construction process is disciplined and transparent with continuous monitoring and control by the portfolio managers. It is based entirely on the ranking generated by the quantitative stock-ranking model. The aim is to preserve the model's unique risk-return characteristics as much as possible while limiting turnover and constraining risk.

The first phase of the portfolio construction process starts with a new quantitative stock ranking. The new ranking is subject to plausibility checks, both by Investment Research and the Portfolio Management team, in particular with stocks that exhibit a large ranking change. The current portfolio and investment universe are checked for stocks that are strongly driven by any factor other than the model themes. Examples include stocks for which a takeover bid has been announced or a situation of major litigation or regulatory risk. These stocks are excluded from the investment universe.

A proprietary portfolio construction algorithm then uses rankings from the stock selection model to create an "optimal" portfolio. The algorithm's objective is to skew the portfolio to the highest ranked stocks with low expected risk and attractive upside potential.

In the case of cash inflows, the Fund buys top-ranked stocks rather than investing proportionally over existing stocks in the portfolio. Wherever there are cash outflows, the Fund sells bottom-ranked stocks. This process means that cash flows are used efficiently to obtain better exposure to the quantitative ranking, which leads to lower turnover and can improve performance.

ESG factors are integrated into the portfolio construction by ensuring that the weighted sustainability score of the portfolio is at least as high as the index. If the portfolio generated by the stock selection model scores below average on sustainability, the portfolio construction tool will include stocks that improve the sustainability profile. Companies with a higher sustainability score have a higher chance of ending up in the portfolio. This provides a positive ESG screen for stocks.

The region, country, sector, industry group and single stock weights are all subject to strict concentration limits to ensure sufficient diversification. The tool ensures that at rebalancing date, portfolio weights are within these ex-ante concentration limits. At the same time, portfolio turnover is controlled by selling stocks that fall to the bottom 40% of the ranking. In the long run, this leads to lower transaction costs and higher return potential.

Sell Discipline

The portfolio manager buys stocks ranked highly in the model's quantitative ranking - in principle those in the top quintile. The initial target weight of a stock is its weight in the reference MSCI World Index plus 60 basis points. The maximum single stock weight is 2%. Each position is held until the stock drops to the bottom 40% of the quantitative ranking. The proceeds of these sells are subsequently used to buy top-ranked stocks.

Risk Management

The overall risk-management framework is supported by three teams:

Firstly, the entire investment process, including the model and the investment constraints, are monitored daily by the investment team. Each team member is assigned coverage of specific areas, including:

Investment Process

**Research and
Portfolio
Construction
Process**
...continued

Risk Management

- Position monitoring (daily)
- Corporate actions (daily)
- FX exposure (daily)
- The plausibility of large position changes (weekly)
- Checks on data quality (weekly)
- Feasibility of proposed trades (before trading)

Secondly, the Risk Management department performs an independent monitoring function, overseeing market and liquidity risks and applying stress tests.

Thirdly, the Compliance department is responsible for monitoring client restrictions and guidelines and for overseeing the market exposure and concentration limits.

Concentration Limits

Concentration and position limits have been specified to enforce a measure of diversification while preventing excessive constraints. This ensures that concentrations in regions, countries, sectors and industry groups are monitored:

- For regions, countries, sectors and industry groups 10% deviation from the MSCI market index weight is allowed.
- The maximum percentage that can be invested in a single stock is 2%.
- A maximum of 20% can be invested outside the MSCI market index.

Concentration limits are monitored by the portfolio management team and Compliance.

Value-at-Risk

Robeco's Risk Management department monitors the absolute risk of the portfolio compared to the reference index: 'Vol ratio'. The ratio limit for the Fund is set at 100% of the MSCI index.

Stress Tests

A regular market risk measure such as VaR fails to capture the tail risk of return distributions adequately. Stress tests are performed to analyse portfolio behaviour under extreme market events. The Risk Management team applies sensitivity scenarios using standardised shocks to risk factors (yield curve shifts, credit spread shifts, equity bust/boom, strong/weak Euro). The primary risk model used is RiskMetrics.

Liquidity Risk

The focus is on two types of liquidity risk: market liquidity risk and funding liquidity risk. Market liquidity risk is the risk that assets cannot be liquidated at a reasonable price. Funding liquidity risk is the risk that client redemptions cannot be fulfilled.

- For equity portfolios, Risk Management creates a daily report on market liquidity risk by comparing the positioning of the portfolios to trading volumes and market capitalisation.
- Funding liquidity risk is monitored by analysing client profiles and periodic reports on the client base.

Exception Reports

These reports are generated from the team's portfolio database to identify events that are outside of what is considered a normal range, for instance, because of market movements. Examples include active share and pending mergers and acquisitions. The portfolio managers discuss these reports within the team.

Investment Process**Research and
Portfolio
Construction
Process
...continued****Human Overview**

All trades and positions are monitored and checked by a member of the investment team and verified by another member of the team (four-eyes principle). The objective of this human overview is to reduce risk.

Trading/Implementation**Trade Execution
and Allocation**

Robeco's dedicated Global Equity Trading desk consists of 10 seasoned professionals, who average more than 15 years of industry experience. The traders are dedicated to equities.

The Equity Trading desk has local presence in the Asian, European and American time zones. Orders are segmented on region, liquidity and size.

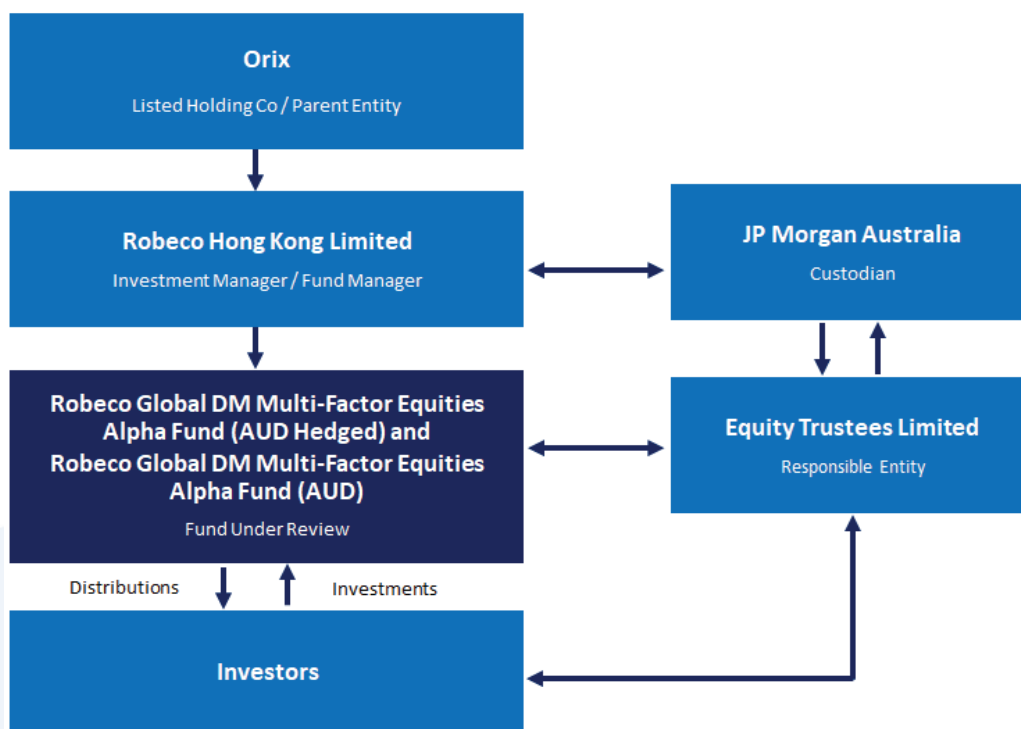
The Trading Desk provides best execution by obtaining the best net price given liquidity characteristics, market conditions and the portfolio manager's reasoning behind the investment decision. Pre- and post-trade analysis is part of Robeco's transparent and repetitive trading process.

Executions and partial executions (price and quantity) of trades are communicated by the broker-dealer through FIX, e-mail or telephone as soon as the trade has been executed (or at the end of the trading day at the latest). Then, the trader enters the executions in Charles River. This allows other traders and the portfolio manager to monitor the progress made by the trader with an order, whether the order has been filed, and at what time its execution was communicated. In case of partial executions, the trader confirms the outstanding balance of the order with the broker-dealer on the following day to prevent misunderstanding and/or to amend instructions.

**Hedging and
Derivatives**

Robeco Global DM Multi-Factor Equities Alpha Fund (AUD Hedged) is a hedged share class. In the applicable guidelines for a 100% hedge target, there is a deviation of (+/-) 5% on the base currency AUD. This means that AUD hedge is managed within a 95% - 105% bandwidth on a total portfolio level. For non-base currencies (i.e. all currencies except the AUD), the limit is set on 0.50% of the total NAV.

Key Counterparties



Parent Company

Robeco is a subsidiary of RGNV (Robeco Groep N.V.), which is the centre of asset management expertise for ORIX Corporation, Robeco Group's owner based in Tokyo, Japan. ORIX Corporation is a diversified financial services provider and Japan's largest leasing company. It is headquartered in Tokyo and provides diversified financial services on a global scale, including asset management, leasing, lending, rentals, real estate, life insurance, banking, environmental and energy businesses. ORIX Corporation is listed on the Tokyo Stock Exchange with a market capitalisation of approximately USD 21.57 billion and over 30,000 employees.

Robeco is a financially healthy and profitable company. Robeco is a subsidiary of RGNV (Robeco Groep N.V.). RGNV is fully owned by ORIX Corporation.

Investment Manager / Fund Manager

Robeco Institutional Asset Management B.V. is responsible for the day to day management of the DM Conservative Equities Fund and is a related corporate body of Robeco Hong Kong Limited. As Robeco's European asset management arm, RIAM offers a broad range of equity and fixed income investments to a wide range of clients. It also includes Robeco's competence centres for pension-related investments, structured products, asset allocation, economic research and

quantitative research. As of June 2019, Robeco had AUD 298 billion in assets under management, 71% of which were institutional. The firm has clients in 54 countries, a heritage of over 85 years, and over 890 people employed at 15 offices worldwide.

Responsible Entity

Equity Trustees (EQT) is a financial services company headquartered in Melbourne. Established in 1888 and listed on the Australian Securities Exchange (ASX) in 1985, EQT provides a range of products and services to a diverse client base including fund managers, managed funds, superannuation funds, and financial planning. Equity Trustees acts as Responsible Entity or Trustee for over 80 major Australian and international investment managers.

The Board of Directors of the Responsible Entity (RE) consists of **seven** directors, **six** of whom are independent, including the Chairman.

The Board's key responsibility regarding EQT's Responsible Entity activities is to ensure the company has adequate systems of internal controls and appropriate monitoring of compliance activities.

The Equity Trustees Board Charter (May-2018) mandates that the Board adhere to the following principles:

- The Board will comprise an appropriate number of directors of whom a majority are independent non-executive directors and ordinarily reside in Australia.
- The Board will be led by an independent chair who is not the same person as the Managing Director.
- Directors, collectively, are to have the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.
- The Board assesses at least annually whether its Directors are independent
- Board meetings are to take place at least quarterly.
- Two members of the Board form a quorum.

Management Risk

Funds management businesses rely on the operational capabilities of key counterparties. A critical element is the ability of the Responsible Entity to monitor operational performance and to meet the regulatory and statutory responsibilities required. For any investment fund, there is a risk that a weak financial position or management performance deterioration of key counterparties could temporarily or permanently compromise their performance and competency. This can adversely affect financial or regulatory outcomes for the Fund or associated entities.

Based on the materials reviewed, SQM Research believes that Robeco and associated key counterparties are highly qualified to carry out their assigned responsibilities. Management risk is rated as low.

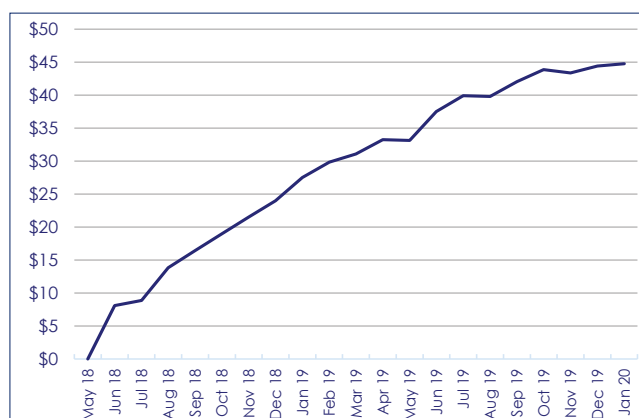
Funds under Management (FUM)

The Fund is approximately \$44.8 million in size at Jan-2020.

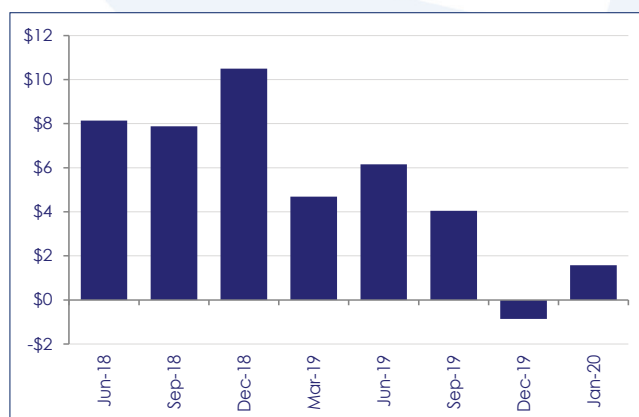
Date	FUM	Net Flows \$m *
Jun-18	\$8.1	\$8.14
Sep-18	\$16.4	\$7.88
Dec-18	\$24.0	\$10.49
Mar-19	\$31.1	\$4.68
Jun-19	\$37.5	\$6.15
Sep-19	\$42.1	\$4.04
Dec-19	\$44.4	-\$0.87
Jan-20	\$44.8	\$1.58

* estimated

FUM for Fund Under Review (\$mil)



Quarterly Net Flows (\$million)



Distributions

Distributions occur on a semi-annual basis, subject to the availability of distributable income. In a scenario where the Fund's realised losses and expenses exceed income in a distribution period, the Fund may elect not to make a distribution during that time.

Distribution Date	Distribution CPU	Unit Price \$	Distribution %
Jun-18	1.80	\$1.034	1.74

A General Note on Distributions for Managed Funds

The Responsible Entity of a Managed Fund will provide for a regular schedule of distributions, such as monthly/quarterly/semi-annual or annual. This is subject to the Fund having sufficient distributable income. The official total distributable income available to pay to investors is determined or the period of that Fund's financial year. By distributing the net taxable income of the Fund to investors each year, a Fund itself should not be liable for tax on its net earnings.

If a Fund makes distributions more frequently than once over the financial year, those distributions will be based on estimates of the distributable income for that distribution period. The final total amount of distributable income available for passing on to investors can only be calculated after the close of the financial year, based on the Funds taxable income for that year.

If the total distributions a Fund pays out exceeds total taxable income for that particular financial year, the excess amount may be treated as a return of capital rather than income. This will possibly have tax implications for the investor.

Due to the considerations outlined above, there may be periods in which no distributions are made or a Fund may make additional distributions.

A Fund's ability to distribute income is determined by the performance of the Fund and general market conditions. Accordingly, there is no guarantee a Fund will make a distribution in any distribution period.

Key Investment Staff				
Name	Responsibility/Position	Location	Years at Firm	Years in Industry
Pim van Vliet	Head of Conservative Equities & Portfolio Manager	Rotterdam	14.0	19.0
Arlette van Ditshuizen	Portfolio Manager Conservative Equities	Rotterdam	22.0	22.0
Maarten Polfliet	Portfolio Manager Conservative Equities	Rotterdam	14.0	20.0
Jan Sytze Mosselaar	Portfolio Manager Conservative Equities	Rotterdam	15.0	15.0
Arnoud Klep	Portfolio Manager Conservative Equities	Rotterdam	18.0	18.0
Yaowei Xu	Portfolio Manager Conservative Equities & Core Quant	Rotterdam	5.0	15.0
Wilma de Groot	Head of Core Quant Equities & Portfolio Manager	Rotterdam	18.0	18.0
Tim Dröge	Portfolio Manager Core Quant	Rotterdam	19.0	20.0
Machiel Zwanenburg	Portfolio Manager Core Quant	Rotterdam	20.0	20.0
Jan de Koning	Portfolio Manager Core Quant	Rotterdam	4.0	14.0
Han van der Boon	Portfolio Manager Core Quant	Rotterdam	21.9	21.9
Thijs van der Valk	Portfolio Manager Core Quant	Rotterdam	0.3	13.0
Joop Huij	Head of Factor Investing Equities & PM, Head of Factor Index Research	Rotterdam	12.0	17.0
Simon Lansdorp	Portfolio Manager Factor Investing Equities	Rotterdam	10.0	11.0
Daniel Haesen	Portfolio Manager Factor Investing Equities	Rotterdam	16.0	16.0
Viorel Roscovan	Portfolio Manager Factor Investing Equities	Rotterdam	4.0	15.0
Georgi Kyosev	Factor Index Equity Research	Rotterdam	6.0	8.0
Jean-Paul van Brakel	Factor Index Equity Research	Rotterdam	2.7	2.7
David Blitz	Head of Quant Research	Rotterdam	24.0	24.0
Weili Zhou	Selection Research	Rotterdam	13.0	17.0
Bart van der Grient	Selection Research	Rotterdam	12.0	12.0
Matthias Hanauer	Selection Research	Rotterdam	5.0	10.0
Laurens Swinkels	Selection Research	Rotterdam	3.0	20.0
Milan Vidojevic	Selection Research	Rotterdam	5.0	5.0
Iman Honarvar	Selection Research	Rotterdam	2.0	7.0
Kristina Ūsaitė	Selection Research	Rotterdam	2.6	8.0
Jornt Beetstra	Selection Research	Rotterdam	21.0	21.0
Rob van Bommel	Head of Client Portfolio Management Quantitative Equities team	Rotterdam	29.0	29.0
Frank Wirds	Asia-Pacific	Hong Kong	13.0	13.0
Bernhard Breloer	Germany/ Switzerland	Germany	5.0	10.0
Tom Naaijken	Asia-Pacific	Hong Kong	18.0	22.0
Rob Radelaar	North America	Rotterdam	3.0	27.0
Robbert Wijgerse	Co-Head of Portfolio Engineering & Trading Equity team	Rotterdam	18.0	18.0
Jacob Buitelaar	Co-Head of Portfolio Engineering & Trading Equity team	Rotterdam	2.0	13.0
Edwin Scheffers	Equity Trader	Rotterdam	10.0	22.0
Dennis Grashoff	Equity Trader	Rotterdam	29.0	29.0
Michel de Pater	Equity Trader	Rotterdam	38.0	38.0
Bastiaan Berendsen	Equity Trader	Rotterdam	13.0	13.0
Kendall Tse	Equity Trader	Hong Kong	10.0	14.0
Serene Tan	Equity Trader	Hong Kong	0.8	5.0
Tamara Botteldooren	Equity Trader	Boston	15.0	22.0
Jules Boletis	Equity Trader	Rotterdam	0.1	13.0
		Average	12.2	16.6
		Count	Years at Firm	Years in Industry
Portfolio Manager		15	13.9	17.3
Research		12	8.4	12.5
Trader		10	13.6	18.7

Investment Team

Robeco's Multi-Factor strategies and the single factor strategies Value, Momentum and Quality are managed by an experienced team of investment professionals within an organisation which is fully committed to quantitative investing. The head of the Factor Investing Equities team and portfolio manager is Joop Huij, while Simon Lansdorp, Viorel Roscovan and Daniel Haesen are also portfolio managers of factor investing strategies.

The portfolio managers adopt a team approach, where all the investment professionals work together to implement the model's ranking in the portfolio, and to monitor positions and risk exposure. In managing the factor investing strategies, the portfolio managers

benefit from the expertise of the Robeco quantitative researchers. They are responsible for the development and enhancement of quantitative models and applications, which form the heart of our quantitative equities product line. The quant group consists of more than 40 quantitative researchers and portfolio managers, of which 15 focus on quant equities portfolio management.

Finally, the Factor Investing Equities team cooperates with five client portfolio managers who conduct product presentations and reviews with clients and prospects. This enables the portfolio managers to focus on their investment responsibilities.

Meeting Schedule

The table below shows regular meetings that form an important part of the overall process.

Meeting	Agenda / Issues	Frequency	Participants
Monday morning team meeting	Managerial overview of resource allocation and priority setting	Weekly	Portfolio management team
Quant equities team meeting	Managerial, organisational updates, research and operations	Weekly	Quant equities PMs
Quant equities PM meeting	Investments, knowledge sharing on systems and investment and implementation process	Weekly	Representatives of quant equities
Portfolio analysis meeting	Investments, topical, in-depth portfolio analysis, review existing holdings against current market	Weekly	Portfolio management team
Human overview meeting	Investments, discuss and document stock-specific human override decisions, such as related to M&A	Weekly	Representatives of Quant Equities PMs & Equity Portfolio Implementation team
Research update	Researchers discuss their current projects, hypotheses and progress	Weekly	Quant researchers
Research seminar	Presentation of interim or final results of research projects by	Weekly	Quant researchers
Quant Equities PM & Research update meeting	Provide an update on the progress of research projects	Bi-weekly	Representatives of Quant equities PMs & researchers
Quant Equity Models & Strategies Committee	Approval and recommendation of all research projects	6 weeks	Head of Quant Research, Senior team of Quantitative Equities teams & Head of Investments
Monthly investment meeting	Investments, knowledge sharing and discussion on the outlook for the market and economic trends	Monthly	Equity and fixed income investment professionals
Risk Management Committee	Risk management, monitoring of statistical market risks and scenario stress tests, liquidity, counterparty risk	Quarterly	Representatives of equity teams

SQM Research believes the practice of constant communication and the broad-based inclusion of team members in decision-making is a vital ingredient to the success of the process. Interactive peer review and collaboration across a tightly knit group of experienced investors will likely make the best use of their combined intellectual property and shared history.

Staffing Changes

Departures			
Date	Name	Responsibility	Reason for Departure
Jan-2019	Michael Strating	Portfolio manager (Core Quant)	Left to pursue other job opportunities.
Jan-2019	Geogory Taieb	Client Portfolio Manager	Left to pursue other job opportunities.
July 2018	Joris Blonk	Quantitative Researcher	Internal transfer. Was generalist selection researcher; now fully focused on credits
July 2018	Mark Voermans	Portfolio manager (Factor Investing)	Left to pursue other job opportunities.
May 2017	Dennis Karstanje	Quantitative Researcher	External opportunity outside finance
Mar-2017	Willem Jellema	Portfolio Manager (Factor Investing)	Internal transfer to Portfolio Engineering and Trading team

Additions / Hires			
Date	Name	New Responsibility	Previous Position / Employer
Apr-2019	Viorel Roscovan	Portfolio Manager (factor investing)	Robeco, Internal transfer from factor index research
Apr-2019	Thijs van de Valk	Portfolio Manager (Core Quant Equities team)	Transtrend
Dec-2018	Han van de Boon	Portfolio Manager (Core Quant Equities team)	Robeco, Internal transfer from Portfolio Information Management
Nov-2018	Jean-Paul van Brakel	Researcher (Factor Index Research team)	None
Apr-2018	Jan de Koning	Portfolio Manager (Core Quant equities)	Robeco; Internal transfer from quantitative CPM
Apr-2018	Gregory Taieb	Client Portfolio Manager (France)	State Street Global Advisors
Apr-2018	Yaowei Xu	Portfolio Manager (Conservative Equities and Core Quant Equities)	Robeco; Internal Transfer from fundamental EM team.
Mar-2018	Daniel Haesen	Portfolio Manager (factor investing)	Robeco; Internal transfer from quant allocation research
Jan-2018	Rob Radelaar	Client Portfolio Manager	Robeco; Internal transfer from fundamental CPM
Nov-2017	Iman Honarvar	Quantitative Researcher (selection)	None
Sep-2016	Mark Voermans	Portfolio Manager (Factor Investing)	APG Asset Management
Sep-2016	Laurens Swinkels	Quantitative Researcher (selection)	Norges Bank

SQM Research observes that the levels of investment experience and company tenure are strong across the investment team. The size and nature of staff turnover are not an issue of concern, in SQM's view.

Key Investment Staff

Joop Huij: Portfolio Manager, Head of Factor Investing Equities and Factor Index Research

Mr Huij, Portfolio Manager, Head of Factor Investing Equities and Head of Factor Indexing Research, is responsible for Value, Momentum, Quality and Multi-Factor Equities strategies, and Factor Indexes. He also holds a part-time position as Associate Professor (with tenure) of Finance at Rotterdam School of Management. He has published in various academic journals including the Journal of Banking and Finance, Journal of Empirical Finance, Journal of Financial Markets, and Financial Analyst Journal. Mr Huij started his career as a researcher in 2007. He holds a PhD in Finance from Rotterdam School of Management and a Master's in Informatics & Economics (cum laude) from Erasmus University Rotterdam.

Simon Lansdorp: Portfolio Manager

Mr Lansdorp is Portfolio Manager within the Factor Investing Equities team and is responsible for Value, Momentum, Quality and Multi-Factor portfolios. His areas of expertise include factor allocation, stock selection and portfolio construction. Within the Factor Investing Research team, he did factor-related research; developed the Value, Momentum and Quality factor strategies and (multi-)factor indexes; and built tailored factor solutions. He has published in the Journal of Financial Markets. Mr Lansdorp started his career in the industry as a Researcher at Robeco in 2009. He holds a PhD in Finance from the Tinbergen Institute, and a Master's in Economics from Erasmus University Rotterdam.

Viorel Roscovan: Portfolio Manager

Viorel Roscovan is Portfolio Manager within the Factor Investing Equities team and is responsible for Value-, Momentum-, Quality- and Multi-Factor portfolios. His areas of expertise include factor research, stock selection and portfolio construction. Prior to joining Robeco in May 2015, Mr Roscovan was an Assistant Professor of Finance at the Rotterdam School of Management. He was awarded the Young Talent Fellowship from Erasmus Research Institute of Management and won the Best Professor Award in 2013 and 2014 for his Macroeconomics course. In 2007, he was awarded the prestigious Lamfalussy Fellowship from the European Central Bank. He specializes in theoretical and empirical asset pricing and has published his academic work in peer-reviewed journals and presented at top finance conferences. Mr Roscovan holds a PhD and a Master's in Finance from Tilburg University, and a Master's in

Economics from Center for Economic Research and Graduate Education in Prague.

Daniel Haesen: Portfolio Manager

Mr Haesen is Portfolio Manager within the Factor Investing Equities team and is responsible for Value, Momentum, Quality and Multi-Factor portfolios. He specialises in factor research. Mr Haesen started his career in the industry at Robeco in 2003 as a Researcher with a focus on quant selection research, working on both equity and corporate bond multi-factor selection models. He was also responsible for quantitative sustainability and quantitative allocation research. He holds a Master's in Econometrics and Quantitative Finance from Tilburg University in the Netherlands and is a CFA charterholder.

Remuneration and Incentives

Robeco investment professionals receive a market-based compensation package comprised of:

- Base salary
- Variable compensation

Base salary

Employees receive a fixed compensation which depends on education level, experience and remuneration for comparable jobs in the market. Specific temporary allowances may be granted for a maximum of three to five years:

- Strategic capability allowance to retain key investment professionals in strategic product capabilities
- Market-driven scarcity allowance in tight labour markets
- New business market allowance to set up activities in new countries or markets

The granting of temporary allowance is solely role-based and is not related to the performance of the employee or the firm.

Variable Compensation

Variable compensation serves as a performance-driven remuneration component. It is based on the following factors:

- Achievement on business objectives. For investment professionals, these typically include risk-adjusted returns over one, three and five years.
- Business conduct and professional behaviour, which includes acting in the best interest of the client and appropriate risk-taking.

- Financial results of the company as measured by EBIT.
- Robeco applies a total compensation approach. The award of overall compensation is assessed against local market remuneration practices for specific functions.

Variable compensation awarded to regular staff exceeding the value of EUR 50k is subject to a deferral scheme. 60% of the total variable compensation is paid in cash in year one, the remaining 40% are deferred equally over the next three years and converted into 'Robeco Cash Appreciation Rights' (R-CARs), the value of which reflects the financial results of the firm. The Robeco remuneration policy meets all legal requirements, including prudential remuneration rules from the AIFMD and UCITS.

SQM Research believes access to firm equity, and client-focused performance bonuses act as strong incentives for optimising staff engagement, retention and productivity. The intention (and SQM believes, the effect) is to align staff performance with client and shareholder objectives. It focuses on the customers' needs and medium to long-term results.

Fees and Costs	Fund	Peer Avg
Management Fee (% p.a.)	0.65%	1.07%
Expense Recovery (% p.a.)	Nil	-
Performance Fee (%)	Nil	10.00%
Indirect Cost Ratio ICR (% p.a.)	0.65%	1.08%
ICR Date: 30-Jun-19		
Buy Spread (%)	0.13%	0.17%
Sell Spread (%)	0.10%	0.17%
Other Features	Fund	Peer Avg
Redemptions	Daily	-
Distributions	Annually	-
Minimum Investment	\$10,000	\$76,667
1-year Investment: Round Trip Cost	0.88%	1.41%

Buy/Sell Spread

This spread represents the difference between the application price and the withdrawal price of the Fund, a reflection of transaction costs relating to the underlying assets.

Ongoing Fees

Management fee includes GST and is net of any applicable Reduced Input Tax Credits (RITC).

The management fee is calculated daily and paid to the Manager monthly.

Performance Fees

The Fund does not charge a performance fee.

Overall Fees

1-year Investment: Round Trip Cost.

If held and redeemed within 12 months, total costs would amount to **0.88%** of investment in the Fund.

This figure includes the management fee, expense recovery (when disclosed) and the buy/sell spread. It does **not** consider rebates or negotiations or any potential **performance fee**.

SQM Research observes that the Fund management fee is 0.65% p.a., which is 42.0 basis points lower than the peer group average of 1.07% p.a.

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

Risk/Return Data to 31 January 2020							
Total Return	1-Month	3-Month	6-Month	1-Year	3-Year	5-Year	Inception
Fund ¹	-2.83	2.64	3.97	6.92	n/a	n/a	1.53
Benchmark ²	-0.27	5.14	7.24	18.10	n/a	n/a	8.52
Peer Average	-1.09	4.15	5.31	15.96	n/a	n/a	9.18
Alpha	-2.56	-2.50	-3.27	-11.18	n/a	n/a	-6.99

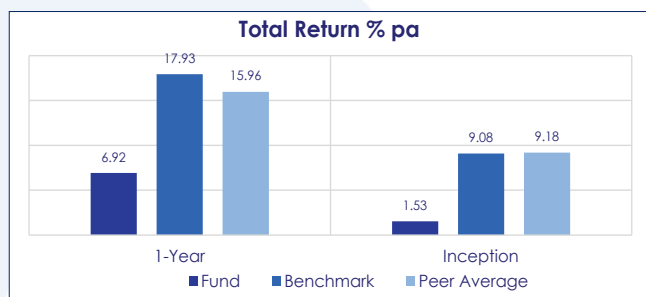
Metrics	1-Year	3-Year	5-Year	Inception
Tracking Error (% p.a.) - Fund	3.96	n/a	n/a	3.38
Tracking Error (% p.a.) - Peer Average	3.61	n/a	n/a	3.77
Information Ratio - Fund	-2.78	n/a	n/a	-2.23
Information Ratio - Peer Average	-0.81	n/a	n/a	-0.13
Sharpe Ratio - Fund	0.41	n/a	n/a	-0.01
Sharpe Ratio - Peer Average	1.45	n/a	n/a	0.60
Volatility - Fund (% p.a.)	13.31	n/a	n/a	15.12
Volatility - Peer Average (% p.a.)	10.21	n/a	n/a	12.90
Volatility - Benchmark (% p.a.)	10.70	n/a	n/a	13.73
Beta based on stated Benchmark	1.21	n/a	n/a	1.08

- 1. Assumes dividend reinvestment. Returns one year and longer are annualised. Return history starts Jun-18
- 2. Benchmark: MSCI World TR AUD

Quantitative Insight¹

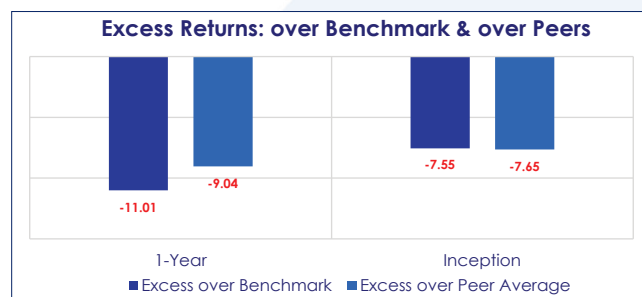
Note: Unless otherwise stated, all return and risk data reported in this section are **after-fees** and for periods **ending Jan-2020**.

Returns



The Fund has displayed very weak performance across all periods (of an admittedly short history) when compared with benchmark and peers. The value factor, which has an equal weight (i.e. 33%) has been a particularly heavy drag on performance, and more so in the last 12 months. It has overwhelmed the positive contributions for both momentum and quality combined.

Excess Returns (Alpha)

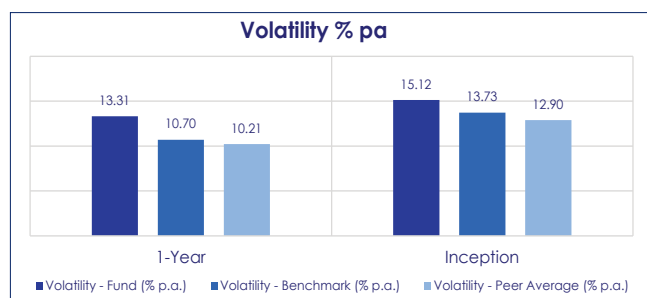


The **return outcomes** as described above are **very** disappointing relative to the PDS objective, and are **well below** SQM's expectations for the Fund relative to its fee level and volatility.

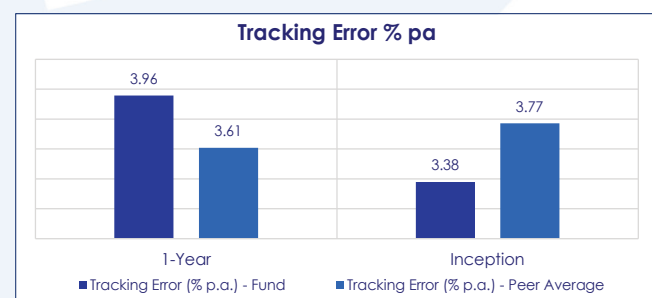
1. Note: Sharpe and Information Ratios are not reliable comparison tools in periods where both the Fund and its peers/benchmark record a negative result

QUANTITATIVE ANALYSIS

Risk



The Fund's **volatility** (standard deviation of monthly returns) has tended to be materially higher than the benchmark and has tended to be modestly higher than the benchmark and peers. This result has likely been influenced by the severe underperformance of the value factor.



The Fund's **tracking error** (standard deviation of monthly excess returns) has tended to be mixed, but similar to, the peer averages.

The **risk outcomes** as described above regarding volatility and tracking error are in line with the PDS statements about risk and are consistent with SQM's expectations for this Fund.

Drawdowns

Drawdown Summary			
Drawdown Size (peak-to-trough)			
	Fund	Bench	Peers
Average	-8.63%	-5.51%	-5.28%
Number	2	4	4
Best	-2.83%	-2.81%	-2.65%
Worst	-14.44%	-13.60%	-11.74%
Length of Drawdown (in months)			
	Fund	Bench	Peers
Average	15.0	4.0	4.0

Length of Drawdown = time from peak to trough and back to previous peak level

Drawdowns have **on average** been notably worse than the benchmark and than the peer average. This result has likely been influenced by the severe underperformance of the value factor.

Snail Trail

The snail trail chart and tables below show the combination of the Fund's rolling 3-year excess returns and rolling 3-year excess volatility.

There are only 9 observations in total and so cannot be thought of as statistically significant.

The two tables below display the distribution of these observations and their overall frequency across the risk/return quadrants.

Snail Trail Distribution			
Frequency	Lo-Vol	Hi-Vol	Total
Hi-Return	0	0	0
Lo-Return	0	9	9
Total	0	9	9
% of Total	Lo-Vol	Hi-Vol	Total
Hi-Return	0.0%	0.0%	0.0%
Lo-Return	0.0%	100.0%	100.0%
Total	0.0%	100.0%	100.0%

9 rolling 1-year observations

In assessing a snail trail it is important to note the following:

Q1 upper left-hand quadrant - higher return than the Fund's market index with lower volatility (less risk). This is the optimal position.

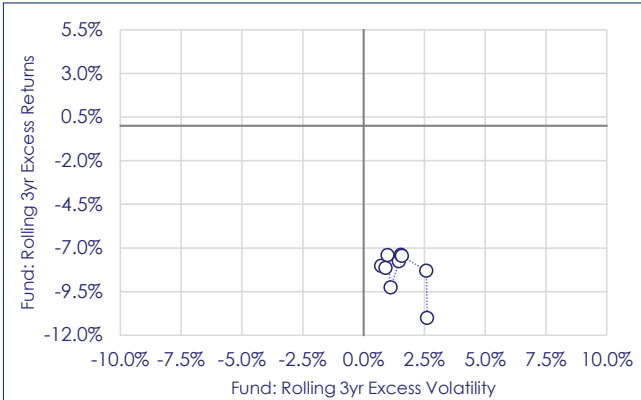
Q2 upper right-hand quadrant - higher return than the Fund's market index with higher volatility (more risk). This can often be a desirable position depending on the attractiveness of the Sharpe ratios produced in this zone. It is important to note that in the case of inflation or cash-style benchmarks, the Q1 top left-hand quadrant is unachievable as it is not possible to deliver lower volatility than what is virtually zero for the benchmark. In such cases, the Q2 zone is the optimal position.

Q3 lower left-hand quadrant - lower return than the Fund's market index with lower volatility (less risk). Less than ideal, and Sharpe ratios can assist in assessing the risk/return trade-off in this zone.

Q4 lower right-hand quadrant - lower return than the Fund's market index with higher volatility (more risk). The least desirable outcome.

Consistency

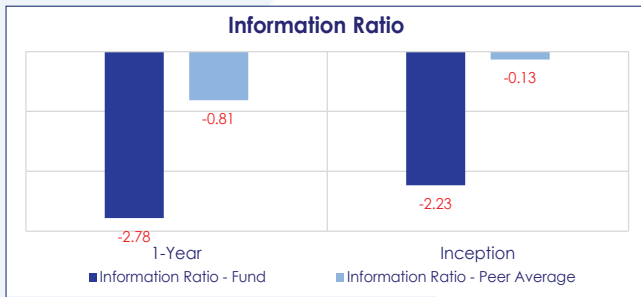
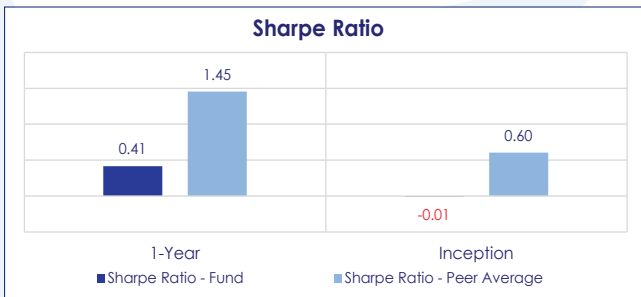
The more "bunched together" the cluster of dots, the more consistent is the performance. A second indicator of consistency is the trail's nomadic nature. Trails that roam across multiple quadrants over time are indicating **low consistency** in the Fund's risk return profile. The quadrant that **contains the bulk** of the Fund's snail trail is likely to be more representative of the Fund's risk/return characteristics and identity.



Tail Risk

(The analysis in the table below looks at the **tail risk performance relationship of the Fund to the ASX300**, a practice that SQM has set as common across asset classes in Fund reviews. This approach recognises that for the large bulk of financial planner clients, their key traditional asset class **risk** regarding **size** and **volatility** is to Australian equities. Exploring that relationship is useful regardless of the asset class of the Fund itself, as it is helpful to understand how a Fund has acted in times of Australian equity market stress in terms softening or exaggerating the negative performance experienced at such times.)

Risk-Adjusted Returns



The Fund's risk-adjusted returns (as measured by Sharpe and Information ratios) have been significantly **worse** than the peer average.

Correlation of Fund to Asset Classes

	Market	Jan-17 3 years	Jun-18 Inception
Bloomberg AusBond Composite 0+Y TR AUD	Aust Bonds	no data	-42.99%
S&P/ASX 300 TR	Aust Stocks	no data	47.10%
BBgBarc Global Aggregate TR Hdg AUD	Global Bonds	no data	-36.21%
MSCI World Ex Australia NR AUD	Global Stocks	no data	77.04%

There is a modest (for an equity fund) correlation of the Fund's returns with the S&P ASX300 index and a significant correlation to global equities.

The table below details the **seven largest negative monthly returns** for the ASX 300 since the inception of the Fund. This is compared to the Fund's performance over the same months.

Extreme Market Returns vs Fund Return Same Month
Index: S&P/ASX 300 TR From: Jun-18 to Jan-20

Rank	Date	Market	Fund	Difference
1	Oct-18	-6.16%	-7.77%	-1.62%
2	Aug-19	-2.27%	-4.04%	-1.77%
3	Nov-18	-2.18%	1.07%	3.24%
4	Dec-19	-2.02%	2.45%	4.47%
5	Sep-18	-1.19%	0.29%	1.48%
6	Oct-19	-0.38%	1.95%	2.33%
7	Dec-18	-0.23%	-8.21%	-7.98%
TOTALS		-14.43%	-14.27%	+0.16%

		No. of Months
Correlation	+38.6%	Positive Return 4
Capture	+98.9%	Outperform 4

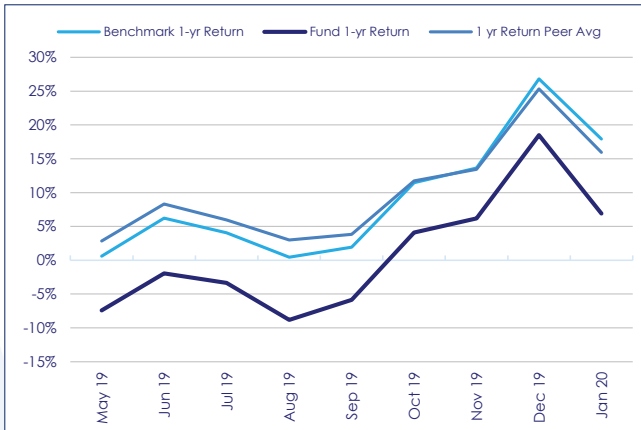
Tail Risk Observations:

- The correlation of the Fund's returns to the ASX300 returns over the span of tail risk equity market extremes is 38.6%.
- The Fund posted 4 positive returns compared to the 7 negative returns of the Australian stock market.
- The sum of returns over those 7 months was -14.4% for the ASX 300 and -14.3% for the Fund, a difference of 0.2%

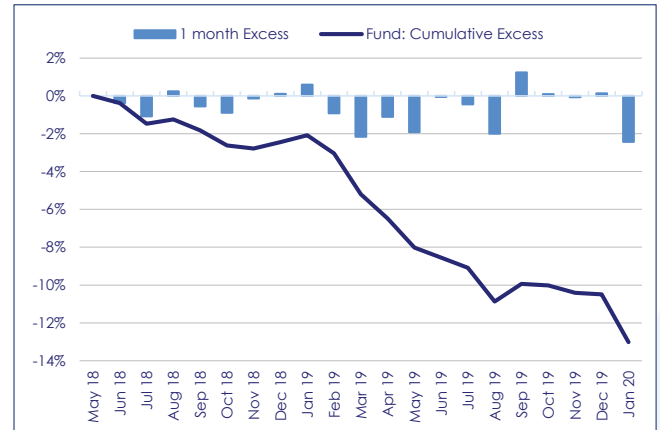
These figures point to very weak **defensive characteristics** of the Fund in the face of extreme Australian equity tail risk – over what is a quite short lifespan.

Return and Risk

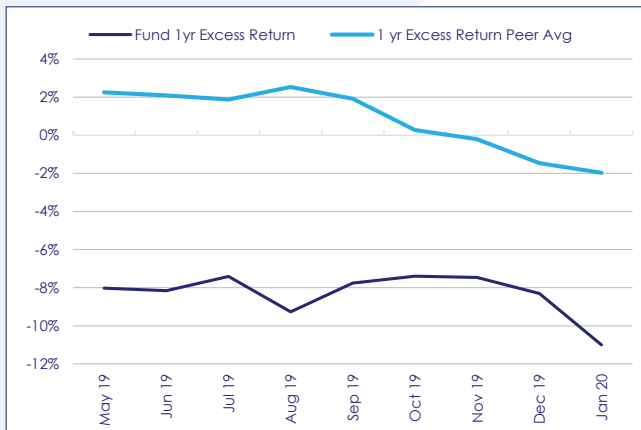
Rolling Returns



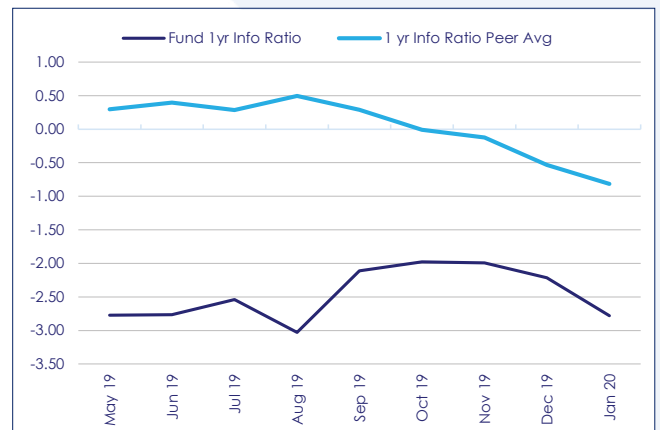
Cumulative Excess Returns



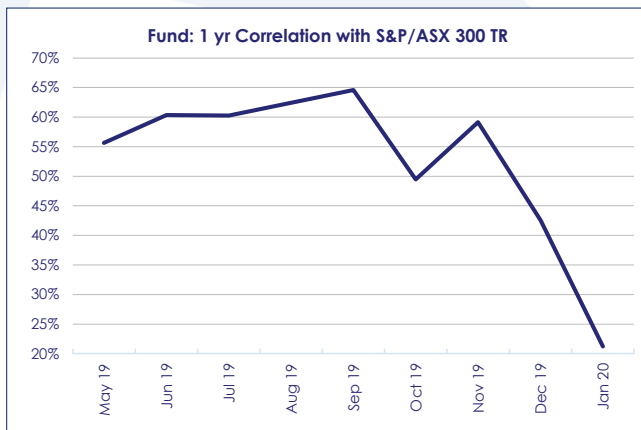
Rolling Excess Returns



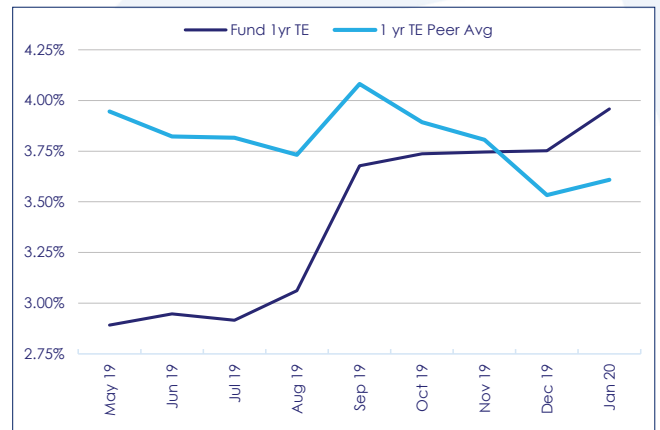
Rolling Information Ratio



Rolling Correlation to Benchmark

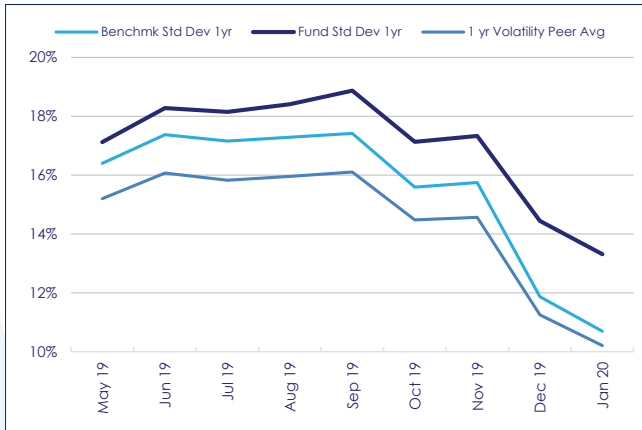


Rolling Tracking Error

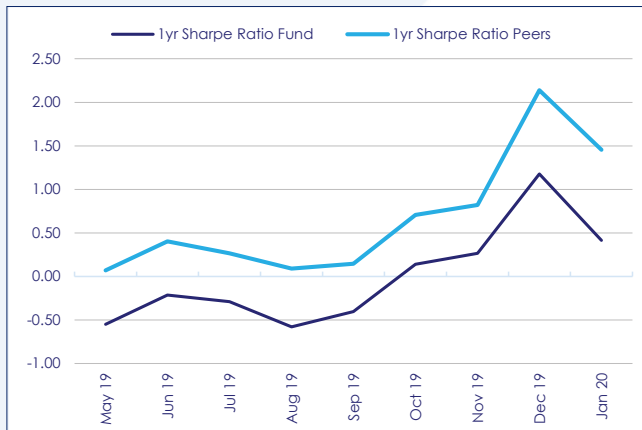


Return and Risk

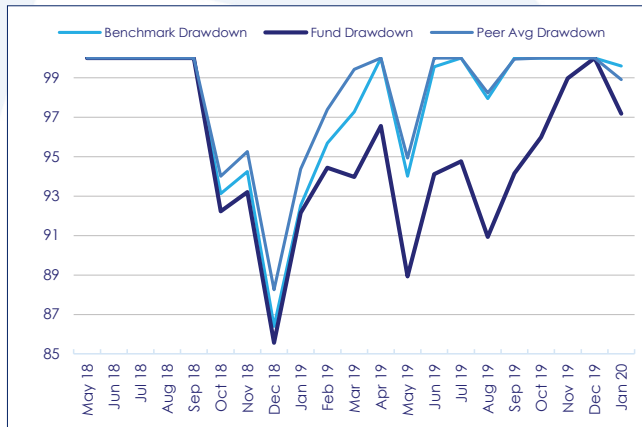
Rolling Volatility



Rolling Sharpe Ratio



Drawdowns



The table below outline limits on the Fund's asset allocation and other risk parameters:

Fund Constraints	Permitted Range or Limit
Maximum exposure to a single stock/company	An absolute maximum of 2% is allowed
Maximum exposure to a single sector	10% deviation from the MSCI World Index weight is allowed
Maximum exposure to a single country	10% deviation from the MSCI World Index weight is allowed
Maximum exposure to a geographic region	10% deviation from the MSCI World Index weight is allowed
Limit for Holdings Not in Benchmark	20%

The Fund's history of asset allocation, sector, country weights and other portfolio metrics are detailed below:

Fund Allocations over Time

Mar-2018 to Jul-2019

Equity Sector	Average Weight	Max Weight	Min Weight	as at Jul-19
Financials	15.4%	17.2%	14.3%	16.8%
Information Technology	16.7%	19.8%	15.1%	18.2%
Health Care	10.8%	12.4%	9.6%	10.3%
Consumer Discretionary	16.6%	20.0%	14.9%	16.2%
Consumer Staples	4.3%	5.7%	3.1%	3.2%
Energy	4.9%	5.4%	4.5%	5.2%
Materials	7.1%	7.9%	6.3%	6.6%
Industrials	9.8%	11.4%	8.3%	8.3%
Communication Services	7.3%	9.2%	4.0%	8.2%
Utilities	1.9%	2.9%	0.8%	1.9%
Real Estate	2.0%	3.0%	1.5%	2.0%
Cash	3.2%	5.6%	1.2%	3.0%
Financials	15.4%	17.2%	14.3%	16.8%

Geographic	Average Weight	Max Weight	Min Weight	as at Jul-19
Australia	2.8%	3.5%	1.6%	2.4%
USA	57.7%	61.6%	55.7%	57.3%
Japan	11.4%	12.7%	10.3%	10.3%
UK	5.2%	6.3%	4.3%	5.7%
France	3.3%	4.4%	2.1%	3.9%
Germany	3.3%	4.8%	1.4%	4.8%
Russia	0.0%	0.0%	0.0%	0.0%
Other Europe	8.6%	9.9%	7.6%	9.9%
China	0.0%	0.0%	0.0%	0.0%
Korea	0.0%	0.0%	0.0%	0.0%
Taiwan	0.0%	0.0%	0.0%	0.0%
India	0.0%	0.0%	0.0%	0.0%
Malaysia	0.0%	0.0%	0.0%	0.0%
Other Asia	3.2%	4.3%	2.5%	2.5%
Brazil	0.0%	0.0%	0.0%	0.0%
Mexico	0.0%	0.0%	0.0%	0.0%
Other	4.5%	6.0%	2.9%	3.1%

Currency	Average Weight	Max Weight	Min Weight	as at Jul-19
AUD	2.8%	3.5%	1.6%	2.4%
USD	58.7%	62.4%	56.5%	58.4%
EUR	11.4%	12.9%	7.9%	12.7%
GBP	5.2%	6.3%	4.3%	5.7%
CHF	0.8%	1.4%	0.3%	1.4%
RUB	0.0%	0.0%	0.0%	0.0%
Other Europe	2.9%	3.9%	2.3%	3.9%
JPY	11.4%	12.7%	10.3%	10.3%
CNY	0.0%	0.0%	0.0%	0.0%
Other Asia	2.4%	3.5%	1.6%	2.0%
Other	4.5%	6.0%	2.9%	3.1%

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