

Lonsec Research Research Review Glossary

ISSUE DATE: 5-09-2017

Absolute Deviation from NAV (daily)

The average absolute difference between the Fund's market price and its NAV. It is a measure of liquidity and market efficiency. The market price is determined by using the last price of the day on the listed exchange. The valuation time for NAV ETFs is generally the close of trading on each trading day, but may vary depending on ETF product provider.

Active Share

A measure of the percentage of stock holdings in a manager's portfolio that differ from the benchmark

Bid / Ask Spread

The amount by which the ask price exceeds the bid price. Average % Spread = (ask-bid / midpoint as measured daily from 10.30am - 3.45pm).

Excess return

Return in excess of the benchmark return

Information ratio

Relative reward for relative risk taken (Excess Returns / Tracking Error)

Lonsec Implied Cost Indicator™

An indicative measure of the cost of transacting in the fund, taking into account the Management Fee, additional fees such as expense recoveries and the Bid / Ask Spread.

Net Asset Value (NAV)

The per share dollar amount of the fund calculated daily by dividing the closing market value of all securities in the fund, less any liabilities, by the number of fund shares outstanding.

Premium / Discount to NAV (daily)

The amount that the Fund's market price is above the reported NAV is called the premium. The amount that the Fund's market price is below the reported NAV is called the discount. The market price is determined by using the last price of the day on the listed exchange. The valuation time for NAV ETFs is generally the close of trading on each trading day, but may vary depending on ETF product provider.

Sharpe ratio

Absolute reward for absolute risk taken (outperformance of the risk free return (Bank Bills) / Standard Deviation)

Snail Trail

A trailing 12-month relative performance and relative risk measurement over the benchmark. The trail is generated using a 12-month rolling window over the specified period

Standard deviation

Volatility of monthly Absolute Returns

Time to recovery

The number of months taken to recover the Worst Drawdown

Total return

'Top line' actual return, after fees

Tracking Difference (Excess Return)

Difference in return between the Fund and the benchmark.

Tracking error

Volatility of monthly Excess Returns against the benchmark (the Standard Deviation of monthly Excess Returns)

Worst drawdown

The worst cumulative loss ('peak to trough') experienced over the period assessed

Responsible Investment Definitions

Light / Moderate / Substantial

A relative measure of the depth of RI consideration within the Fund's investment process:

- **Light** – small number of excluded industries, little positive screening of companies on RI factors.
- **Moderate** – moderate number of excluded industries, consideration of positive screening and occasional evidence of investment on those grounds.
- **Substantial** – large number of excluded industries significantly reducing investible universe, extensive positive screening and regular evidence of investment.

Internal or outsourced RI Research

Whether the Manager utilises the services of a specialist external research specialist provider for provision of Responsible Investment research or performs this aspect of the investment process in-house.

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Negative screening of excluded industries

Whether the Fund employs negative screening of the investment universe to avoid investing in companies in certain sectors (eg. alcohol and gaming).

Positive screening of companies on RI criteria

Whether the Fund employs positive screening to identify companies making a positive contribution to the community or society.

Big Mining tolerance

Whether the Fund can invest in large cap mining stocks (eg. BHP Billiton and Rio Tinto).

Member of UN PRI

Whether the Manager is a signatory to the United Nations backed Principles for Responsible Investment (PRI).

Portfolio Sustainability Monitored

Whether the Manager regularly monitors the ethical / SRI / ESG attributes of the overall portfolio either against internal benchmarks (such as in comparison to the Manager's mainstream core Australian equity fund) or externally (eg. compared to a sustainability index or via the input of an ESG ratings provider).

Active Engagement

with companies on RI issues Whether the Manager takes an active approach to its investment holdings and seeks to engage with companies to improve perceived areas of weakness on ESG issues (eg. poor environmental risk management, workplace culture, reputational damage or executive remuneration practices).

ESG Charter

A policy document outlining the Fund Manager's ESG approach including how ESG criteria are taken into account within the investment process.

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