

HEALTH WEALTH CAREER

# MERCER MULTI-MANAGER FUNDS

## INVESTMENT MANAGERS APPOINTED BY MERCER

1 JANUARY 2019



MAKE TOMORROW, TODAY



## RECENT MANAGER CHANGES

In the three months to 31 December 2018 (Q4 2018), we appointed:

- Firetrail to Australian Shares
- Wellington Management to International Shares

During Q4 2018, we removed:

- Avoca from Australian Small Cap Shares
- BlackRock from Australian Large Cap Active Shares
- QIC from Australian Inflation Plus

During Q4 2018, we adjusted manager weights in respect of:

- Australian Large Cap Active Shares
- Australian Small Cap Shares Australian Inflation Plus
- Diversified Alternatives, as the transition from Mercer Liquid Alternatives Strategies to Mercer Select Alternatives Strategies is due to be completed in early January 2019.

## IMPORTANT NOTICES

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Investors should be aware that the value of an investment in any Mercer Multi Manager Fund (MMF) may rise and fall from time to time and that neither MIAL nor Mercer guarantees the investment performance, earnings or return of capital invested in any MMF. If you are investing directly into any MMF, you will need to complete an application form included in, or accompanying, a current Mercer Multi-Manager Funds Product Disclosure Statement which is issued by and available from MIAL. If you are investing indirectly into an MMF through an Investor Directed Portfolio Service (IDPS) or an IDPS-like service (such as a master trust, wrap account, custody or nominees service) (Service) you will need to complete the forms or documents your Service provider requires. The information contained in this investment manager list includes general financial product advice which does not take into account the personal objectives, financial situation or needs of individual investors. It is important that you consider these matters, read the: (a) current MMF Product Disclosure Statement if you are investing directly; or (b) current Product Disclosure Statement for any MMF issued by MIAL, together with the Product Disclosure Statement and/or any other offer documents applicable to your Service (available from your Service provider) if you are investing indirectly into an MMF through a Service, and obtain personal financial advice from a licensed, or appropriately, authorised financial adviser.

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## About the Mercer Multi-Manager Funds' investment manager list

This document provides a summary of the investment managers appointed to the Mercer Multi-Manager Funds as at 1 January 2019.

In this document, weight refers to the target manager allocation for the relevant fund. (Note: Some totals may not add up to 100.00% due to rounding.) The actual allocation is available in the quarterly fund profiles on our website ([mercerc.com.au/mmf](http://mercerc.com.au/mmf)). The fund profiles are updated approximately five to six weeks after the end of each quarter.

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Or visit - [mercerc.com.au/mmf](http://mercerc.com.au/mmf)

# AUSTRALIAN SHARES

## AUSTRALIAN LARGE CAP. ACTIVE SHARES

Managers	Style	Target Weight	
		Core	Plus
Ausbil Investment Management	Core/growth	11.05%	16.15%
Fidelity	Fundamental	4.55%	6.65%
Greencape	GARP	13.00%	19.00%
Yarra Capital Management	Fundamental/Style Neutral	8.45%	12.35%
Vinva Investment Management	Systematic	11.05%	16.15%
WaveStone Capital	Quality growth	10.40%	15.20%
Firetrail	High Conviction, fundamental	6.50%	9.50%
Australian Small Cap. Shares	(Refer next page)	-	5.00%
JCP Investment Partners	Core, low-risk, tax effective	17.50%	-
Plato Investment Management	Style neutral, quantitative, low risk	17.50%	-
		<b>100.00%</b>	<b>100.00%</b>

### NOTES:

**Core** refers to the:

- Underlying portfolio of the single-sector Mercer Australian Shares Fund.
- Large cap active Australian shares allocations in the following diversified funds managed by Mercer: Mercer Diversified Shares Fund, Mercer High Growth Fund, Mercer Growth Fund, Mercer Moderate Growth Fund, Mercer Conservative Growth Fund, Mercer Defensive Fund and the Mercer Income Plus Fund.

**Plus** refers to the underlying portfolio of the single-sector Mercer Australian Shares Plus Fund.

**AUSTRALIAN SMALL CAP. SHARES**

Managers	Style	Target Weight
IFM Investors	Fundamental	35.00%
Colonial First State	Style Neutral	35.00%
Perennial Value Management	Value	30.00%
		<b>100.00%</b>

**AUSTRALIAN SHARES FOR TAX-EXEMPT INVESTORS**

Managers	Style	Target Weight
JCP Investment Partners	Growth, tax effective	20.00%
Macquarie Investment Management	Style Neutral, quantitative, tax effective	50.00%
Plato Investment Management	Style Neutral, quantitative, tax effective	30.00%
		<b>100.00%</b>

**AUSTRALIAN SOCIALLY RESPONSIBLE SHARES**

Managers	Style	Target Weight
Acadian Asset Management	Socially Responsible Investment (SRI)	45.00%
Pendal Group Limited <sup>1</sup>	Ethical, core	35.00%
Perpetual Investment Management	Ethical SRI, value	20.00%
		<b>100.00%</b>

<sup>1</sup> BT Investment Management Limited changed its company name to Pendal Group Limited on 27 April 2018.

**AUSTRALIAN PASSIVE SHARES**

Managers	Style	Target Weight
State Street Global Advisors (SSgA)	Passive	100.00%

## NOTES:

- Sole manager for the Mercer Passive Australian Shares Fund.
- Manager for the Enhanced Passive Units

## INTERNATIONAL SHARES

### INTERNATIONAL LARGE CAP. ACTIVE SHARES

Managers	Style	Target Weight	
		Core	Plus
Arrowstreet	Style neutral, quantitative	20.80%	32.00%
Baillie Gifford	Growth, concentrated	16.25%	25.00%
LSV Asset Management	Quantitative Value	16.25%	25.00%
Wellington	Specialty/Unconstrained	11.70%	18.00%
Schroder Investment Management	Core, low-risk, quantitative	35.00%	-
		<b>100.00%</b>	<b>100.00%</b>

NOTES:

**Core** refers to the underlying portfolios of the:

- Mercer International Shares Fund and the Mercer Hedged International Shares Fund.
- Large cap active international shares allocations in the diversified portfolios managed by Mercer, being the Mercer Diversified Shares Fund, Mercer High Growth Fund, Mercer Growth Fund, Mercer Moderate Growth Fund, and the Mercer Conservative Growth Fund.

**Plus** refers to the:

- Underlying portfolio of the single-sector Mercer International Shares Plus Fund.

### INTERNATIONAL PASSIVE SHARES

Managers	Style	Target Weight
State Street Global Advisors (SSgA)	Passive	<b>100.00%</b>

NOTES:

- SSgA is the sole manager for the Mercer Passive International Shares Fund and Mercer Passive Hedged International Shares Fund.
- Manager for the Enhanced Passive Units

### GLOBAL SMALL CAP. SHARES

Managers	Style	Target Weight
Lazard Asset Management	Quality/growth	20.00%
Arrowstreet	Core, quantitative	37.50%
Baillie Gifford	Growth/concentrated	10.00%
LSV Asset Management	Quantitative value	32.50%
		<b>100.00%</b>

## GLOBAL SOCIALLY RESPONSIBLE SHARES

Managers	Style	Target Weight
Acadian	ESG, Quantitative, Value	35.00%
Schroders	ESG, value, quality	30.00%
Stewart	Sustainability, bottom up	20.00%
Wellington	Social and environmental, thematic, fundamental	15.00%
		<b>100.00%</b>

NOTE: These managers apply to both the Mercer Global Socially Responsible Shares Fund – Unhedged Units and the Mercer Global Socially Responsible Shares Fund – Hedged Units.

## GLOBAL LOW-VOLATILITY SHARES

Managers	Style	Target Weight
Acadian	Minimum Variance	<b>100.00%</b>

## EMERGING MARKETS SHARES

Managers	Style	Target Weight (1)	Target Weight (2)
AQR Small Cap	Fundamental, quantitative, core	12.50%	8.75%
BlackRock Investment Management	Active, quantitative	37.50%	26.25%
William Blair	Fundamental active, quality growth	25.00%	17.50%
Macquarie Investment Management	Passive, alternative indexation	25.00%	17.50%
Macquarie Investment Management	Passive	-	30.00%
		<b>100.00%</b>	<b>100.00%</b>

NOTES:

- Applicable to the Mercer Emerging Markets Shares Fund
- Applicable to most other diversified funds with emerging markets exposure.

## PASSIVE EMERGING MARKETS SHARES

Managers	Style	Target Weight
Macquarie Investment Management	Passive	<b>100.00%</b>

NOTES:

- Applicable to the Mercer Passive Emerging Markets Shares Fund.
- Manager for the Enhanced Passive Units

## REAL ASSETS

### GLOBAL LISTED PROPERTY

Managers	Style	Target Weight
Brookfield Investment Management	Fundamental value	40.00%
Principal Global Investors	QARP	60.00%
		<b>100.00%</b>

NOTE: These managers apply only to the Mercer Global Listed Property Fund.

### AUSTRALIAN DIRECT PROPERTY

Manager	Style	Target Weight
Investa Property Group	Commercial	20-30%
Investa SPV	Commercial	0-10%
Charter Hall Industrial	Industrial	10-20%
Charter Hall Retail	Retail	10-20%
Lend Lease Investment Management (APPF Retail)	Retail	0-10%
AMP Capital Shopping Centre Fund	Retail	0-10%
Goodman Funds Management	Industrial	0-10%
Dexus Wholesale Property Fund	Diversified	10-20%

### PASSIVE AUSTRALIAN LISTED PROPERTY

Managers	Style	Target Weight
Macquarie Investment Management	Passive	<b>100.00%</b>

### PASSIVE GLOBAL LISTED PROPERTY

Managers	Style	Target Weight
Macquarie Investment Management	Passive	<b>100.00%</b>

NOTES: -

- This manager only applicable to the Mercer Passive Global Listed Property Fund and the Diversified Funds.
- Manager for the Enhanced Passive Units
- Not applicable to Mercer Global Listed Property Fund.



**GLOBAL LISTED INFRASTRUCTURE**

Managers	Style	Target Weight
Colonial First State Global Asset Management	Active, benchmark aware	65.00%
Magellan Asset Management *	Absolute return, value/quality	35.00%
		<b>100.00%</b>

NOTE: These managers apply only to the Mercer Global Listed Infrastructure Fund.

**GLOBAL UNLISTED INFRASTRUCTURE**

Managers	Style	Target Weight
Colonial First State Global Asset Management	Global	10 – 30%
IFM Investors	Australia	10 – 30%
KKR	Global	10 – 30%
Macquarie Specialised Asset Management	Europe and North America	0 – 20%
Stonepeak Infrastructure Partners	North America	0 – 20%
Macquarie Asia Infrastructure Fund	Asia	0 – 20%

**PASSIVE GLOBAL INFRASTRUCTURE**

Managers	Style	Target Weight
Macquarie Investment Management	Passive	<b>100.00%</b>

NOTES:

- This manager only applicable to the Mercer Passive Global Listed Infrastructure Fund and the diversified funds.
- Not applicable to Mercer Global Listed Infrastructure Fund.
- Manager for the Enhanced Passive Units

## ALTERNATIVES

### DIVERSIFIED ALTERNATIVES

Managers	Style	Target Weight
Mercer Select Alternatives Strategies	Diversified Alternatives – Fund of funds	100.00%

### DIVERSIFIED GROWTH

Managers	Style	Target Weight
Aviva Investors	Idiosyncratic	60.00%
Invesco Asset Management	Idiosyncratic	40.00%
		100.00%

## GROWTH FIXED INTEREST

### PRIVATE DEBT

Managers	Style	Target Weight
Audax Group	US Senior Private Debt	20.00%
Intermediate Capital Group	European Senior Private Debt	20.00%
Metrics Credit Partners	Australian Senior Private Debt	30.00%
Westbourne Capital	Infrastructure Debt	30.00%
		<b>100.00%</b>

### EMERGING MARKETS DEBT

Managers	Style	Target Weight
BlackRock	Thematic	60.00%
Colchester Global Investors	Fundamental/value	40.00%
		<b>100.00%</b>

### GLOBAL HIGH YIELD

Managers	Style	Target Weight
Nomura Asset Management	Value-oriented	50.00%
Wellington Management	Defensively-biased	50.00%
		<b>100.00%</b>

### MULTI-ASSET CREDIT

Managers	Style	Target Weight
Beach Point Capital Management	US bias, opportunistic	25.00%
Apollo Global Management	Total return, macro driven	19.50%
CQS	European bias, conservative	22.50%
Oak Hill Advisors	US bias, bottom up driven	20.00%
KKR	Concentrated	12.50%
		<b>100.00%</b>

## DEFENSIVE FIXED INTEREST

## AUSTRALIAN SOVEREIGN BONDS

Managers	Style	Target Weight
Pendal Group Limited	Active, thematic	50.00%
Challenger	Index-Plus	36.00%
Macquarie Investment Management	True-Index	14.00%
		<b>100.00%</b>

## GLOBAL SOVEREIGN BONDS

Managers	Style	Target Weight
Colchester Global Investors	Active, Fundamental/value	37.50%
Challenger	Index-Plus	25.00%
H2O Asset Management	Active , Macro-driven	37.50%
		<b>100.00%</b>

## AUSTRALIAN INFLATION PLUS

Managers	Style	Target Weight
Ardea Investment Management	Active, Fundamental/value	75.00%
Challenger	Index-Plus	25.00%
		<b>100.00%</b>

## GLOBAL CREDIT

Managers	Style	Target Weight
AXA Investment Managers	Buy and maintain, investment grade corporate	30.00%
Robeco	Active, investment grade corporate	30.00%
Wellington Management	Active, broad-based credit strategy	40.00%
		<b>100.00%</b>

## GLOBAL ABSOLUTE RETURN BONDS

Managers	Style	Target Weight
Aviva Investors	Relative value, carry bias	20.00%
Newton Investment Management	Directional	40.00%
T Rowe Price	Low volatility income	40.00%
		<b>100.00%</b>

# CASH

## CASH

Managers	Style	Target Weight
BlackRock^	Liquid Cash	45.00%
Challenger	Term Deposits	55.00%
		<b>100.00%</b>

NOTES: This allocation applies to the:

- Cash holdings in the single sector funds
- Cash holdings in the diversified funds
- Mercer Cash Fund – Cash Units.

^ Note: This manager applies to the Enhanced Passive Units.

## TERM DEPOSITS

Managers	Style	Target Weight
Challenger	Term Deposits	<b>100.00%</b>

NOTE: This allocation applies only to the Mercer Cash Fund – Term Deposit Units

## MANAGER PROFILES

### AUSTRALIAN LARGE CAP. ACTIVE SHARES

#### AUSBIL INVESTMENT MANAGEMENT

Style: Core/growth

Ausbil Investment Management is a Sydney-based boutique fund manager established in April 1997 as a joint venture between the founding partners and Dexia Asset Management, the investment management arm of the Dexia group, a major European bank.

Ausbil's philosophy is that the market is relatively efficient but investors place excessive emphasis on the current situation and do not sufficiently take into account the likelihood of future changes to earnings.

Ausbil's investment process incorporates both 'top-down' sectoral themes with 'bottom-up' company research. Broad economic views are developed into industry-specific assessments, whereby the manager seeks to identify sectors most likely to experience positive earnings revisions.

Companies are assessed and ranked on a quantitative basis through multi-factor models in order to identify companies worthy of further qualitative research. The multi-factor model ranks stocks according to expected return relative to the market, earnings momentum, and medium term earnings per share growth forecasts. The fundamental research effort then focuses on earnings sustainability through the growth outlook, profit margins and balance sheet.

Stock selection is a combination of the output from the stock rankings and analysts' fundamental research. At the portfolio construction level, each portfolio manager independently derives a model portfolio, which is then debated to determine individual stock weights.

#### FIDELITY

Style: Fundamental

FIL Limited ("Fidelity") believes that markets are semi-efficient and share prices do not always reflect inherent value. Fidelity draws on its in-house, bottom-up fundamental research to build an actively managed portfolio of 40 to 70 mid and small-cap Australian companies. The investment approach is driven by fundamental research that seeks attractively valued mid and small-cap companies with strong competitive positioning and sound company management.

The portfolio construction process places a significant emphasis on building a diversified portfolio that aims to perform through different market cycles.

The portfolio is built using a three stage process:

Stage 1: Screening the universe through intensive research - Fidelity uses company visits and the investment insights gathered by both its Sydney based and globally based analysts when screening the investment universe. Fidelity believes in fully connecting with a company, which means face-to-face meetings with company executives, middle

management and people on the factory floor, plant visits and meeting competitors, customers and suppliers. A wide range of valuation measures are also applied to get a three-dimensional view of a company.

Stage 2: Rigorous assessment focused on key characteristics - More detailed analysis is conducted on about 100 investable stocks that are found to have the most promising prospects during the initial screening. Fidelity will test the investment thesis and valuation models on which analysts' stock recommendations are based and will focus on identifying stocks that have: Viability - pricing power, strong opportunities and rising return on equity; Sustainability - a strong industry position and the ability to generate cash flow to fund growth and withstand competitive pressures; and Credibility - strong conviction in the quality of the business and management.

Stage 3: Stock selection and portfolio construction - Fidelity selects between 40 and 70 stocks for the portfolio and those stocks considered for the portfolio are assigned to one of four segments: quality, momentum, transition and value. Fidelity believes that a balanced portfolio containing stocks across these four segments will deliver more consistent performance through different market cycles compared to a portfolio focused on only one or two of these segments.

#### FIRETRAIL

Style: High Conviction, fundamental

Firetrail is an investment management boutique founded in 2018 and was established with a goal to align our people with our clients. Importantly, Firetrail is majority owned by our investment staff and the team is invested alongside our clients in the investment strategies.

Firetrail is an active investment manager, specialising in high conviction equities investing. Firetrail's investment strategies employs a fundamental investment approach to identify companies that it believes are undervalued over the medium-term. The investment philosophy of Firetrail is built on the principal that 'every company has a price.' That is, any company may be an investment opportunity if it is mispriced. In our experience, investment opportunities are not confined to an industry, company type or investment style.

As such, our investment style is unconstrained, which means Firetrail will invest in both 'growth' and 'value' companies, as well as across diverse industries and sectors. Firetrail employs a bottom-up approach to portfolio construction. Risk management is integrated throughout the process to understand and control stock specific, macroeconomic and market risks in the portfolio.

While founded in 2018, the Firetrail staff have a long and successful track record of investing in equities. Prior to establishing Firetrail, the portfolio management team including Patrick Hodgins, Blake Henricks and James Miller worked together at Macquarie for over a decade managing high conviction investment strategies.

## GREENCAPE

Style: GARP

Greencape Capital is a boutique investment manager based in Melbourne, Australia. The company was founded and is majority owned by David Pace and Matthew Ryland. Prior to establishing Greencape Capital, David and Matthew worked together at Merrill Lynch Investment Managers for a number of years.

Greencape Capital believes investor sentiment and short-termism (the tendency to seek immediate profit at the expense of long-term security) can lead to the mispricing of stocks. This can present significant investment opportunities. In addition, Greencape believe that a company's capital allocation decisions, and the ability to earn appropriate returns from such decisions, are fundamental to creating value for shareholders. Greencape also feel that influences of shareholder stewardship and business franchise strength on shareholder value are often underestimated.

Fundamental analysis (examining a company's financials and operations such as cash flow, earnings, debt levels and management) is at the core of Greencape's research. Greencape focus heavily on supply chain analysis, drawing on information from various sources. This allows them to develop proprietary insights and ultimately arrive at better informed and high conviction investment decisions.

Greencape's investment process begins with idea generation. Greencape research and assess all companies within the top 100 of the Australian Securities Exchange (S&P/ASX 100). When assessing a company, Greencape conduct in-depth analysis of its competitors, customers and suppliers. This process can reveal investment opportunities outside of the S&P/ASX 100. Idea generation is followed by stock selection criteria. Greencape's investment process involves assessing stocks against set criteria such as shareholder stewardship, business evaluation, valuation and market milestones. Greencape then follow a stock ranking process in which the team assign a stock rating to each company. This rating reflects their view of the likely relative performance of the company. The final step is portfolio construction. Typically the stocks with the highest rating will have the biggest portfolio positions. Greencape review the portfolio on an ongoing basis having regard to potential factor exposures, liquidity risk, macroeconomic issues and mandate restrictions.

## JCP INVESTMENT PARTNERS

Style: Core, low-risk, tax effective

JCP Investment Partners is a Melbourne-based specialist Australian shares manager founded in 1998. JCP Investment Partners is a 100% owned by Capital Partners Group ('CPG'), which is 100% owned by the employees of JCP Investment Partners.

JCP Investment Partners' investment process combines fundamental bottom up research, which aims to identify the 'key value drivers' unique to each stock, as well as a proprietary quantitative portfolio optimisation tool. This optimisation tool is used to assess the potential

range of risk and return outcomes based on the manager's company-specific and macro forecasts and find the best combination of stock weights that will maximise a portfolio's return for relevant risk budgets. This provides JCP Investment Partners with the capability to manage risk controlled mandates with client-defined parameters. In constructing the final portfolio, JCP Investment Partners also utilises a qualitative judgmental overlay.

JCP Investment Partners' low-risk, active mandate in the Australian shares strategy is managed on a tax effective basis. For example, JCP Investment Partners explicitly values franking credits in its fundamental stock research process and takes into account the tax implications of offshore income. JCP Investment Partners also considers the tax benefits in participating in off-market share buy-backs and its systems are structured to deal with capital gains tax.

## PLATO

Style: Style neutral, quantitative, low risk, tax effective

Plato Investment Management Limited (Plato) is a Sydney-based boutique Australian equities manager specialising in distinctive accumulation, pension and absolute return strategies. The firm was founded in 2006 and is majority owned and operated by its investment staff. Plato is supported by its minority equity owner, Pinnacle Investment Management Limited, an Australian multi-affiliate investment management firm.

Plato specialises in managing Australian equities for domestic investors, with particular emphasis on maximising after tax returns for different tax classes, such as accumulation phase superannuation and 'tax-exempt' investors.

Plato's investment philosophy is centred on the belief that the market is a complex, adaptive system and is therefore never fully efficient. These market inefficiencies are derived from informational, behavioural and structural (e.g. tax) sources. Some of these diverse sources of return are exploited on a long-term, strategic time horizon and others are extracted on a short-term, tactical basis. Plato's investment process can be best characterised as 'systematic implementation of fundamental ideas'. Plato also has a strong focus on risk management in order to achieve consistent outperformance for clients without taking on large style tilts. Transactions costs management is also an important part of the process. The strategy adopted by Plato is long only, style neutral and designed to maximise excess returns relative to the ASX 300 index, after fees and taxes, while maintaining a low level of risk.



## VINVA INVESTMENT MANAGEMENT

Style: Systematic

Vinva Investment Management (Vinva) is a boutique investment management firm founded in 2010 by Morry Waked, Nick Burt and Katherine Allchin, who were previously members of the BGI team that later merged with BlackRock in December 2009. Its Head of Research, Andrew Jackson, joined Vinva from BlackRock soon after the firm was founded, along with several others, though the firm remains relatively lean with a strong preference to outsourced services.

Vinva focuses on Australian equity strategies in both long only and long short styles, using a quantitative investment process. With no significant sector or 'style' bias, Vinva aims for consistency in returns and close to top-quartile active performance over longer periods and market cycles. There is a strong emphasis on risk management to add consistent and incremental after-tax value.

Vinva's investment process involves daily electronic capture of raw data from numerous sources. This is processed by the team's proprietary tools and models, which examine a number of families of quantitative signals (e.g. value, quality, market-driven) to create a diversified group of investment insights across time horizon and ideas. Managing transaction costs and measuring portfolio risk also form major parts of the research agenda.

Vinva's portfolio construction then integrates the stock-ranking models, transaction cost forecasts and risk models in a systematic proprietary optimisation process that seeks to maximise expected alpha (after costs) for a given level of active risk.

## WAVESTONE CAPITAL

Style: Quality Growth

WaveStone Capital Pty Ltd (WaveStone) is a Sydney based, boutique, specialist Australian equities investment manager.

WaveStone's investment process is based on the belief that equity markets are inefficient in the medium to long-term and that the market price for securities does not truly reflect the intrinsic value of the business. WaveStone seeks to exploit these market inefficiencies by employing an investment style that is high conviction, active, fundamental based, bottom-up and growth orientated. Wavestone seeks to:

- Identify businesses that exhibit a sustainable competitive advantage (SCA).
- Exploit inefficiencies whereby the market misprices the business' underlying medium to long term earnings potential.

Wavestone defines sustainable competitive advantage as the interaction of a company's 'corporate DNA' and the underlying industry dynamics in which a company operates, which are expected to deliver above-market earnings growth over the medium to long term. WaveStone believes that companies with strong corporate DNA, that operate in favourable industry and economic conditions are likely to have a robust sustainable competitive advantage. WaveStone assigns

an SCA score to a company based on 15 factors comprising seven corporate DNA factors and eight industry factors. Corporate DNA factors include innovation, low cost provider, track record, logical expansion, project development, systems and processes and rehabilitation whilst industry factors include pricing power, demographics, industry structure, government policy, barriers to entry, changes to customer preference, technology and business cycle.

Wavestone's portfolio construction process is active. The key determinants of each stock's portfolio weight are the SCA score, valuation upside and liquidity. Typically the companies selected for inclusion in the portfolio will be prudently financed, well managed and have a track record of success. Primary emphasis is placed on bottom-up stock picking through comprehensive research. The application of growth, quality and valuation tests tilt the investment style towards growth at a reasonable price.

The final portfolio is subject to an overlay of the Portfolio Manager's conviction and judgement.

## YARRA CAPITAL MANAGEMENT

Style: Fundamental/Style Neutral

Yarra Capital's investment style can be characterised as a core, bottom-up, fundamental, style neutral approach with performance driven by stock specific insights in well-constructed, balanced portfolios. Whilst the primary focus is on bottom-up research, it is also supplemented by macro research. The investment process is focused on proprietary analysis, independent thinking and developing non-consensus ideas with the objective of constructing a balanced portfolio of high conviction names. Yarra takes a long-term approach to investing, focusing on structural and cyclical changes in industries and companies, which serves to be tax and transaction cost efficient. Risk management, compliance and Environmental, Social and Governance (ESG) issues are considered as a mainstream part of the due diligence process as it is central to the investment and risk profile of a company and/or industry.

Yarra Capital believes that although markets are competitive they are not perfectly efficient, and that on a regular basis the prices of certain Australian listed equities can be significantly over or undervalued. To identify and exploit these opportunities (to be over or underweight) a deep understanding of both the sector and the company is required, which can be best achieved by applying a fundamental and research-driven investment approach within a defined risk management framework. Yarra Capital's premise is that the Australian market is extremely narrow and it is important to be opportunistic rather than have a distinct growth or value bias.

## AUSTRALIAN SMALL CAP. SHARES

### COLONIAL FIRST STATE

Style: Style Neutral

Colonial First State Global Asset Management (CFSGAM), known as First State Investments outside of Australia, is the investment management business of the Commonwealth Bank of Australia. CFSGAM is a global asset manager with established offices across Europe, the US, Middle East, and Asia Pacific regions; managing assets on behalf of institutional investors, pension funds, wholesale distributors, investment platforms, financial advisers and their clients worldwide.

With expertise across a range of asset classes and specialist investment sectors, CFSGAM's approach to investment is driven by a commitment to provide the best possible outcomes over the long term for investors. To achieve this, CFSGAM aims to align its interests with those of its investors and uphold a culture of consistently acting in clients' best interests.

The strategy aims to provide long-term capital growth by investing predominantly in small Australian companies. CFSGAM aims to consistently add value through the investment cycle by investing in small companies that have been mispriced by the market. Suitable mispriced companies are identified by fundamental research, a very high number of company visits and detailed modelling to analyse company financials. The strategy does not target any particular style bias, such as a growth or value orientation.

### IFM INVESTORS

Style: Fundamental

IFM Investors is an investor-owned, global fund manager of listed equities, infrastructure, debt and private capital. Established in 1994, the firm is owned by 30 Australian superannuation funds.

IFM Investors believes that the Australian small caps sector offers a number of inefficiencies that create attractive investment opportunities for disciplined investors. Their small caps investment process applies focused and rigorous fundamental research to identify mispriced stocks. This research is supported by consistent and systematic portfolio construction techniques designed to extract excess returns while maintaining low relative portfolio risk in a segment-neutral setting.

In addition to this valuation research, IFM Investors' small caps team has a strong focus on the qualitative aspects of Australian small companies. Using a proprietary framework, the team conducts a qualitative assessment that considers industry attractiveness, competitive advantage, management and ESG factors. For resources stocks, the qualitative analysis also focuses on mine life, asset track record, cash costs, geopolitical risk, infrastructure and exploration potential. This combination of financial and qualitative analysis is designed to allow the team to systematically pick stocks with an attractive valuation and quality trade-off.

The ESG framework has been developed in conjunction with IFM Investors' Director of Sustainability and Responsible Investment. IFM Investors is a signatory to the UN-supported Principles for Responsible Investment and actively engages with companies through the work of the firm's Proxy and Engagement Committee.

### PERENNIAL VALUE MANAGEMENT

Style: Value

Perennial Value Management Limited (Perennial Value) is a boutique funds manager, specialising in Australian equities. Perennial Value was launched in March 2000 with equity ownership held by senior investment personnel.

Perennial Value is an active, value based manager which has an investment philosophy that disciplined and comprehensive internal research can identify and exploit mis-pricings in the market. Perennial Value considers capital preservation a priority and stocks must have sound balance sheets.

Perennial Value's investment process involves an initial screen to exclude stocks with high debt or poor management from its investable universe. Detailed fundamental analysis is then applied to the narrowed universe, which focuses on the sustainability of each company's business as well as their capital management policies. Stocks then progress to Perennial Value's proprietary stock-ranking model, the 'Perennial Value Screen', which screens stocks based on valuation oriented metrics as well as some additional factors to help avoid 'value traps'. Perennial Value then uses the qualitative and quantitative information from this analysis and screening to classify each stock according to its level of conviction.

In constructing the portfolio, Perennial Value seeks a diversified portfolio that in aggregate has valuation characteristics lower than the overall market. A stock's weight in the portfolio will be a function of the analyst's "conviction rating", its liquidity and a number of risk limits.

## AUSTRALIAN SHARES – TAX EXEMPT INVESTORS

### JCP INVESTMENT PARTNERS

Style: Growth, tax effective

JCP Investment Partners (JCP) is a Melbourne-based specialist Australian shares manager founded in 1998. JCP is a 100% owned by Capital Partners Group, which is 100% owned by the employees of JCP.

JCP's investment process combines fundamental bottom up research, which aims to identify the 'key value drivers' unique to each stock, as well as a proprietary quantitative portfolio optimisation tool. This optimisation tool is used to assess the potential range of risk and return outcomes based on the manager's company-specific and macro forecasts and find the best combination of stock weights that will maximise a portfolio's return for relevant risk budgets.

This provides JCP with the capability to manage risk controlled mandates with client-defined parameters. In constructing the final portfolio, JCP also utilises a qualitative judgmental overlay.

JCP has an active mandate to manage on a tax exempt basis. As such, JCP will explicitly value franking credits in its fundamental stock research process and take into account the tax implications of a company's offshore income. JCP also considers the tax benefits in participating in off-market share buy-backs and performance is measured against an after tax benchmark.

## MACQUARIE INVESTMENT MANAGEMENT

Style: Style Neutral, quantitative, tax effective

Macquarie Investment Management (Macquarie) has been managing equities in Australia since 1987 and has a strong history of managing tax-effective strategies that are fully integrated within the overall investment process. Macquarie's 'style neutral' investment approach incorporates a range of tax-effective strategies and aims to add value through a range of market conditions.

Macquarie uses a practitioner-based approach, systematically modelling the 'best practice' of fundamental analysis whilst eliminating behavioural biases. As an Australian specialist, Macquarie employs a process based on Macquarie's proprietary databases and systems that is designed specifically for the Australian market. This process utilises targeted models to identify specific investment characteristics tailored to prevailing market conditions.

Macquarie's investment models combine two broad groups of indicators:

- 1) systematic indicators, focusing on the key factors determining equity prices that can be objectively measured; and
- 2) event-driven indicators, focusing on factors that are episodic in nature and generally require some portfolio manager discretion.

Macquarie's tax-effective strategies are included within the event-driven suite of indicators and are designed to enhance post-tax returns utilising strategies such as derivative strategies, a dividend tilting strategy, active off-market buy-back strategies and corporate action events.

## PLATO INVESTMENT MANAGEMENT

Style: Style Neutral, quantitative, tax effective

Plato Investment Management Limited (Plato) is a Sydney-based boutique Australian equities manager specialising in distinctive accumulation, pension and absolute return strategies. The firm was founded in 2006 and is majority owned and operated by its investment staff. Plato is supported by its minority equity owner, Pinnacle Investment Management Limited, an Australian multi-affiliate investment management firm.

Plato specialises in managing Australian equities for domestic investors, with particular emphasis on maximising after tax returns for different tax classes, such as 'tax-exempt' charities and pension phase superannuation and 15% tax rate accumulation phase superannuation.

Plato's investment philosophy is centred on the belief that the market is a complex, adaptive system and is therefore never fully efficient. These market inefficiencies are derived from informational, behavioural and structural (e.g. tax) sources. Some of these sources of return are exploited on a long-term, strategic time horizon and others are extracted on a short-term, tactical basis. Plato's investment process can be best characterised as "systematic implementation of fundamental ideas". The strategy adopted by Plato with respect to the Mercer Australian Shares Fund for Tax Exempt Investors is long only, style neutral with dual investment objectives designed to deliver 1) higher total return and 2) excess gross yield relative to the ASX 200 index (gross of franking) and is managed on an after-tax basis for 'tax-exempt' investors.

## AUSTRALIAN SHARES - SOCIALLY RESPONSIBLE

### ACADIAN ASSET MANAGEMENT

Style: Socially Responsible Investment (SRI)

Acadian Asset Management (Australia) Limited (Acadian Australia) is a wholly-owned subsidiary of its Boston-based parent company, Acadian Asset Management LLC (Acadian LLC). The investment team in Australia tailors Acadian's investment process to manage Australian equity strategies in a systematic manner.

Both Acadian Australia and Acadian LLC are committed to Responsible Investment. They are signatories to the UN PRI and believe that well-governed, sustainable businesses have the potential to make a positive contribution to active returns in portfolios over time.

Using quantitative alpha-factor investing and portfolio construction techniques Acadian Australia identifies the socially responsible Australian equity universe by limiting exposure to stocks that receive more than 5% of their revenue from activities not deemed socially responsible (e.g. tobacco and alcohol). Acadian Australia also targets a level of carbon emissions that is at least 20% below that of the broad Australian equity index (ASX300).

### PENDAL GROUP LIMITED (formerly BT Investment Management)

Style: Ethical, core

BT Investment Management (BTIM) is the fund management arm of the BT Financial Group and provides a range of investment choices for both institutional and individual investors. BTIM is listed on the Australian Stock Exchange and is majority owned by Westpac.

The underlying philosophy behind choosing sustainability or ethical screens is that there is a strong link between good sustainability performance and corporate profitability. Also, a growing body of research suggests that superior environmental management usually correlates with high standards of corporate management.

BTIM incorporates negative and positive screening in its investment process for ethical investments. Negative screening aims to exclude companies which, directly mine uranium for the purpose of weapons manufacture, produce alcohol or tobacco, manufacture or provide gaming facilities, or have committed significant/recurrent environmental offences and/or have breached human rights, anti-discrimination or equal opportunity legislation. Positive screening actively incorporates a series of factors that will allow for companies that meet specific criteria in 'sustainable' products and services. Companies with a 'sustainable' approach to the production of goods or services are preferred, for example those which, provide some environmental and/or social benefits through management and/or remediation of environmental resources (e.g. clean technology), or demonstrate reduced adverse environmental and social impacts (e.g. improved management of scarce resources), or exhibit good work place practices (e.g. occupational health and safety), and/or have established corporate governance procedures and ethics.

#### PERPETUAL INVESTMENT MANAGEMENT

Style: Ethical SRI, value

Perpetual Investments is one of Australia's largest investment managers.

It is part of the Perpetual Group, which has been in operation in Australia since 1886.

Perpetual's approach to socially responsible/ ethical investing integrates environmental, social and governance (ESG) principles in the investment process as a function of a) focus on quality in researching opportunities and b) the use of screening tools to deal with socially responsible investing and ethical issues. The screening process involves two steps. Stage one of the screening process aims to exclude companies that are significantly engaged in the production or distribution of generally unacceptable products and services. Examples are those companies that derive a material proportion of their revenue from, the operation of gaming facilities or the manufacture of gambling equipment, the manufacture or sale of weapons or armaments, and uranium extraction. Perpetual believes that research in this area requires a specialist approach, hence stage two is outsourced to two external providers, Integrative Strategies (IS) and Sustainable Investment Research Institute (SIRIS).

The second stage of the screening process seeks to evaluate how a company's business practices impact on the society and the environment. The focus is how a company conducts its business, rather than what the company produces or distributes. Here consideration is given to a company's record in relation to areas such as human rights, animal rights, the environment, occupational health and safety, corporate governance and ethics, and community awareness.

## AUSTRALIAN PASSIVE SHARES

### STATE STREET GLOBAL ADVISORS

Style: Passive

State Street Global Advisors (SSGA) is the investment management arm of State Street Corporation. SSGA partners with many of the world's largest, most sophisticated investors and financial intermediaries to help them reach their goals through a rigorous, research-driven investment process spanning both indexing and active disciplines. State Street Global Advisors, Australia, Limited is the Australian office of SSGA and was opened in 1991.

SSGA's Global Equity Beta Solutions and Global Currency Management teams are located in major financial centres across the globe including Sydney. The teams are supported by dedicated research analysts and trading teams.

SSGA's general objective in passive equity strategies is to mirror the returns and characteristics of the underlying benchmark. The strategy is to buy and hold securities, trading only when there is a change to the index, participant cash flows, or to reinvest cash from dividend income, tax reclaims or corporate actions.

SSGA's general objective in passive currency management is to minimise the tracking error between the portfolio hedge performance and the benchmark performance. SSGA focuses on efficient implementation and minimisation of risk. This is done via minimising execution costs and other sources of tracking error by establishing rigorous procedures for rebalancing hedges. SSGA does not seek to add value, even at low risk, in managing our passive currency mandates.

## INTERNATIONAL SHARES

### ARROWSTREET

Style: Style neutral, quantitative

Arrowstreet Capital Limited Partnership (Arrowstreet) is a Boston-based discretionary institutional global asset manager that was founded in June 1999. Arrowstreet is a registered investment adviser with the U.S. Securities and Exchange Commission. The firm is wholly owned and controlled by its senior management and one outside director.

Arrowstreet's investment process utilises quantitative methods that focus on identifying and incorporating investment signals into its proprietary return, risk and transaction cost models. The investment process does not take into account tax considerations or environmental, social and corporate governance (ESG) principles. Arrowstreet's investment approach involves creating and investing in diversified, market-oriented equity portfolios. The firm utilises a structured investment process that attempts to add value relative to a client-specific benchmark. This involves identifying opportunities across companies, sectors and countries by evaluating a diverse set of fundamental and market-based predictive factors. Portfolios are constructed through the use of a proprietary mean variance optimizer and proprietary risk and transaction cost models.



**BAILLIE GIFFORD**

Style: Growth, concentrated

Baillie Gifford Overseas Limited is wholly owned by Baillie Gifford & Co (Baillie Gifford), a large, independent, funds management firm in the UK, based in Scotland. Baillie Gifford is wholly-owned by its partners who all work full time for the business.

Utilising a bottom up process, Baillie Gifford's strategy aims to select a portfolio of companies which have the potential to grow their earnings faster than the market over an investment horizon of five years. Baillie Gifford believes that the shares of these companies will outperform the market over the long term.

The Baillie Gifford global equity team leverages the research of the firm's regional and global equity and sector teams, testing their views and expanding their research. It also generates its own stock ideas and undertakes research on these. The Team focuses on a set of ten key questions, mostly related to industry and company fundamentals, as well as stock price valuation, to try and identify the companies with the best long term prospects. The outcome is a concentrated portfolio of companies from around the world. Baillie Gifford takes a patient approach to investing and, as a result, turnover is low.

**LSV ASSET MANAGEMENT**

Style: Quantitative Value

LSV Asset Management specialises in value equity management for institutional investors such as pension funds, endowments, governments and superannuation portfolios. Headquartered in Chicago, LSV is majority owned by its employees and was founded in 1994.

The fundamental premise on which LSV's investment philosophy is based is that superior long-term results can be achieved by systematically exploiting the judgmental biases and behavioural weaknesses that influence the decisions of many investors. These include the tendency to extrapolate the past too far into the future, to wrongly equate a good company with a good investment irrespective of price, to ignore statistical evidence and to develop a 'mind-set' about a company. A proprietary investment model is used to rank a universe of stocks based on a variety of factors we believe to be predictive of future stock returns.

The process is quantitative and emphasizes current and expected valuation, poor current sentiment and near term momentum. Stocks that achieve the highest ranking in LSV's models will rank well on valuation (primarily cash flow), have poor past performance (indicating poor sentiment) and near term signs of improvement. The approach is continuously refined and enhanced by the investment team and strict risk controls limit portfolio exposures by country, industry and sector. LSV portfolios typically have a deep value orientation relative to the indices.

**SCHRODER INVESTMENT MANAGEMENT**

Style: Core, low-risk, quantitative

NOTE: This manager not applicable to Plus funds.

Schroder Investment Management Australia Limited (Schroders) is a wholly-owned investment subsidiary of Schroder plc. The history of the Schroder Group dates back to 1804 while Schroders has been in Australia since 1961. Schroders' team responsible for investing in low risk active international shares has bases in both London and Sydney.

Since its inception in early 2000, Schroders' strategy with international shares has been to capture the benefits of index-based investing with relative performance upside across a broad range of market environments. The approach seeks to capture fundamental and behavioural insights within an intelligent quantitative framework that focuses upon the diversification of risk. The approach uses a core strategic investment and seeks to outperform global share market indices by 1% p.a., with very low index-relative risk.

Schroders anticipates that outperformance will be entirely driven from good stock-selection decisions, which in turn flow from a focus upon two key fundamentals – 1) value and 2) quality. Value is measured using multiple metrics while quality is captured through analysis of the underlying fundamentals of a company, namely profitability, stability and financial strength. Schroders seeks to ensure that the stock selection process is robust to a range of different market conditions whilst top-down risks, such as market direction, currency and sectors, are also carefully managed.

**WELLINGTON MANAGEMENT**

Style: Specialty/Unconstrained

Wellington Management Australia Pty Ltd is a member of the Wellington Management group, a global asset manager ("Wellington Management"). Tracing our history to 1928, Wellington Management is a private firm whose sole business is investment management. We serve as investment adviser for institutional clients in over 60 countries.

Our most distinctive strength is our commitment to rigorous, proprietary research — the foundation upon which our investment approaches are built. Our commitment to investment excellence is evidenced by our significant presence and long-term track records in nearly all sectors of the global securities markets.

Durable Enterprises is a long-only, concentrated global equity approach, which seeks to provide absolute returns of 10% per annum over time, with lower risk than the broader equity market and to provide some downside protection. We seek to achieve this by investing in companies that are more stable than the market perceives. Stability is defined by the investment team as a profit base that the team believes is not likely to decline significantly from current levels, combined with future value creation, largely through management's ability to allocate capital effectively.

## INTERNATIONAL PASSIVE SHARES

### STATE STREET GLOBAL ADVISORS

Style: Passive

State Street Global Advisors (SSGA) is the investment management arm of State Street Corporation. SSGA partners with many of the world's largest, most sophisticated investors and financial intermediaries to help them reach their goals through a rigorous, research-driven investment process spanning both indexing and active disciplines. State Street Global Advisors, Australia, Limited is the Australian office of SSGA and was opened in 1991.

SSGA's Global Equity Beta Solutions and Global Currency Management teams are located in major financial centres across the globe including Sydney. The teams are supported by dedicated research analysts and trading teams.

SSGA's general objective in passive equity strategies is to mirror the returns and characteristics of the underlying benchmark. The strategy is to buy and hold securities, trading only when there is a change to the index, participant cash flows, or to reinvest cash from dividend income, tax reclaims or corporate actions.

SSGA's general objective in passive currency management is to minimise the tracking error between the portfolio hedge performance and the benchmark performance. SSGA focuses on efficient implementation and minimisation of risk. This is done via minimising execution costs and other sources of tracking error by establishing rigorous procedures for rebalancing hedges. SSGA does not seek to add value, even at low risk, in managing our passive currency mandates.

## GLOBAL SMALL CAP. SHARES

### ARROWSTREET

Style: Core, quantitative

Arrowstreet Capital Limited Partnership (Arrowstreet) is a Boston-based discretionary institutional global asset manager that was founded in June 1999. Arrowstreet is a registered investment adviser with the U.S. Securities and Exchange Commission. The firm is wholly owned and controlled by its senior management and one outside director.

Arrowstreet's investment process utilises quantitative methods that focus on identifying and incorporating investment signals into its proprietary return, risk and transaction cost models. The investment process does not take into account tax considerations or environmental, social and corporate governance (ESG) principles. Arrowstreet's investment approach involves creating and investing in diversified, market-oriented equity portfolios. The firm utilises a structured investment process that attempts to add value relative to a client-specific benchmark. This involves identifying opportunities across companies, sectors and countries by evaluating a diverse set of fundamental and market-based predictive factors. Portfolios are constructed through the use of a proprietary mean variance optimizer and proprietary risk and transaction cost models.

### BAILLIE GIFFORD

Style: Bottom-up, growth, long term

Baillie Gifford Overseas Limited is wholly-owned by Baillie Gifford & Co (Baillie Gifford), an independent fund manager based in Scotland, UK. Baillie Gifford is entirely focused on its two primary objectives – to add value for clients after fees, and to provide outstanding client service. Baillie Gifford is wholly-owned by its Partners, all of whom work day-to-day in the business. Independence, and distance from distracting 'noise', give us a significant edge. They also allow us to take a genuinely long term approach to investing.

Baillie Gifford's best ideas global strategy seeks out initially immature entrepreneurial companies from across the world. The team constructs a portfolio of 50-70 stocks from the bottom up. Importantly, it is the immaturity of the opportunity that is key and not just 'smallness'. Companies typically have a market capitalisation of less than \$10bn at the time of initial purchase and will often have pronounced levels of innovation and a differentiated strategy.

Baillie Gifford believe that highly asymmetric investment opportunities such as these are ideal for bottom-up analysis, and it is in this opportunity set that inefficiencies and valuation anomalies can be most pronounced.

### LAZARD ASSET MANAGEMENT

Style: Quality/growth

Lazard Asset Management (Lazard) is the principal asset management subsidiary of Lazard Limited, which is a publicly traded company on the New York Stock Exchange. With more than 300 investment personnel across 15 countries, Lazard offers investors a wide selection of equity, fixed income, and alternative investment solutions with the goal of producing superior risk-adjusted investment returns.

Lazard's investment philosophy is based on a core belief in 'relative value' investing. This focuses on the trade-off between valuations and financial productivity. Lazard believe that the combination of sustainably high and/or improving returns on capital, at an attractive valuation, produces consistently strong performance over time in a range of market environments.

Lazard's global small cap strategy is an actively managed 'best ideas' portfolio that typically invests in between 60 to 90 global small companies, which generally have a market capitalisation of between US\$300m and US\$5bn at the time of purchase. Lazard focus on companies they believe are currently - or will soon be - financially productive; are inexpensively priced on a relative basis; and are poised to unlock shareholder value in the future.

## LSV ASSET MANAGEMENT

Style: Quantitative Value

LSV Asset Management specialises in value equity management for institutional investors such as pension funds, endowments, governments and superannuation portfolios. Headquartered in Chicago, LSV is majority owned by its employees and was founded in 1994.

The fundamental premise on which LSV's investment philosophy is based is that superior long-term results can be achieved by systematically exploiting the judgmental biases and behavioural weaknesses that influence the decisions of many investors. These include the tendency to extrapolate the past too far into the future, to wrongly equate a good company with a good investment irrespective of price, to ignore statistical evidence and to develop a 'mind-set' about a company. A proprietary investment model is used to rank a universe of stocks based on a variety of factors we believe to be predictive of future stock returns.

The process is quantitative and emphasizes current and expected valuation, poor current sentiment and near term momentum. Stocks that achieve the highest ranking in LSV's models will rank well on valuation (primarily cash flow), have poor past performance (indicating poor sentiment) and near term signs of improvement. The approach is continuously refined and enhanced by the investment team and strict risk controls limit portfolio exposures by country, industry and sector. LSV portfolios typically have a deep value orientation relative to the indices and are well diversified. The universe of securities for this mandate are smaller companies in the developed markets only.

## GLOBAL SOCIALLY RESPONSIBLE SHARES

### ACADIAN ASSET MANAGEMENT

Style: ESG, Quantitative, Value

Acadian Asset Management LLC ('Acadian') is a Boston-based firm that specializes in systematic, active global and international equity strategies. Founded in 1986, they are a subsidiary of OMAM Affiliate Holdings LLC, which is an indirect wholly-owned subsidiary of OM Asset Management plc. Acadian was the first quantitative manager to become a signatory of the UN Principles for Responsible Investment – believing that well-governed, sustainable businesses have the potential to generate strong results in portfolios over time.

Acadian seeks to capture long-term capital appreciation by investing in a portfolio of global equity securities that exhibit socially responsible characteristics. These include companies with prudent management behaviours with respect to external transparency, internal controls and compliance with international norms on environment, human rights, labour rights, corruption, and inhumane weapons.

The investment process is grounded in fundamental beliefs but is objective and disciplined in execution. Acadian seeks to systematically exploit mispricings across a global universe of investment opportunities. Their investment process generates a market-relative return forecast for every investible stock in the universe

after each regional market cycle close. Using advanced portfolio construction tools, these return forecasts are combined with other key inputs to build portfolios. Sustainability objectives are integrated throughout the investment process, with factors designed to account for governance quality and socio-political risk.

## SCHRODERS

Style: ESG, Value, Quality

Schroder Investment Management ('Schroders') is a global investment manager that actively manages investment strategies with the goal of helping each client build their prosperity for the long term. Schroders' Quantitative Equity Product ("QEP") team has established a proven track record of managing a comprehensive range of global and emerging market equity strategies on behalf of clients all over the world.

The QEP Global ESG strategy follows an index-unconstrained approach, investing in companies on the basis of stock valuations (Value) and business quality (Quality) as well as environmental, social and governance (ESG) considerations. The strategy incorporates ESG factors into the investment process through social exclusions, integration, ongoing research and company engagement. While the ESG factors are a key input into the investment process, the strategy does not compromise on fundamentals and stock selection is focused on two key drivers of long-run equity returns: Value and Quality. The strategic diversification between Value and Quality offers investors the potential for outperformance across a broad range of environments.

Quantitative tools are used to 'scale up' the investment process, enabling QEP to maximise the opportunity set and construct a highly diversified portfolio in a disciplined way as opportunities evolve. Experienced portfolio managers are responsible for implementing every trade decision, providing an important sense check that the process is working as it should and that the portfolio's risk profiles remain appropriate. They also feed back insights on portfolio behaviour and potential upcoming risks and return opportunities, to help guide future research.

## STEWART INVESTORS

Style: Sustainability, bottom up

Stewart Investors is a global investment manager, with offices in Sydney, London, Edinburgh and Singapore. Their investment philosophy is founded on the principle of stewardship – careful, considered and responsible management of client funds.

The Stewart Investors Sustainability portfolios aim to generate long-term, risk-adjusted returns for clients by investing in the shares of those quality companies which are particularly well positioned to benefit from, and contribute to, the sustainable development of the countries in which they operate. Stewart Investors regard sustainability as a key driver of investment performance and do not run ethical investment strategies that traditionally screen out particular companies.

Quality is assessed through the lenses of quality of management, financials and the business franchise. By analysing the sustainability performance and positioning of companies, Stewart Investors can better measure less tangible elements of quality and identify hidden risks – taking an absolute return mind-set. That is, by defining risk as losing money for clients, rather than in terms of deviation from any benchmark index.

Stewart Investors focus as much on the potential downside of investment decisions as on the anticipated upside. The identification of long-term sustainability risks thus becomes an extremely important way of managing risk. In addition, a willingness to differ substantially from index weightings, means Stewart Investors are not obliged to be invested anywhere where they have particular sustainability concerns.

## WELLINGTON MANAGEMENT

Style: Social and Environmental, Thematic, Fundamental

Tracing our roots to 1928, Wellington Management is one of the largest independent investment management firms in the world. Wellington Management offers comprehensive investment management capabilities that span nearly all segments of the global capital markets. Our investment solutions, tailored to the unique return and risk objectives of institutional clients in over 60 countries, draw on a robust body of proprietary research and a collaborative culture that encourages independent thought and healthy debate.

Wellington Management's Global Impact approach focuses on investing in innovative companies whose core businesses address the world's major social and environmental challenges. Investment decisions are based on detailed, in-house, fundamental research and security valuations, and draw from our proprietary, diverse universe of impact companies. We believe that impact companies are structurally advantaged by their innovative solutions, large addressable markets, and alignment with important mega-trends.

We seek to understand the world's great social and environmental problems and to identify investments that are uniquely addressing these needs. To do so, we conduct proprietary research and partner with Wellington Management's specialist experts to understand the evolving challenges and investable solutions facing the world. We have developed a range of impact themes under three broad impact sectors: life essentials, human empowerment, and environment.

## GLOBAL SHARES – LOW VOLATILITY

### ACADIAN

Style: Minimum Variance

Acadian is a Boston-based firm with a long track record of managing low volatility strategies that seek to deliver absolute returns similar to or better than a capitalization-weighted index but with substantially lower volatility over the long term.

Acadian's low volatility strategies seek to exploit one of the most compelling anomalies in finance – the mispricing of risk within equities. While there is some evidence of a connection between risk and return at the asset class level, there is no support for a positive relationship within equities themselves.

Acadian attempts to take advantage of this mispricing of risk by building portfolios that predominantly hold low-risk stocks, and then adds information on the correlation structure of equities to help further reduce risk through diversification. Resulting portfolios are traditionally biased toward small- and mid-cap stocks and tend to favour sectors typically associated with lower risk – like consumer staples, utilities and healthcare.

While risk is the main focus of the strategy, Acadian allows a small amount of exposure to its multi-factor stock return forecasts to help build portfolios that hold stocks that are not only low risk, but may yield higher-than-average returns. Lastly, Acadian employs proprietary transaction cost and liquidity models to minimize market impact and intelligently manage turnover.

## EMERGING MARKETS SHARES

### AQR SMALL CAP\*

Style: Fundamental/Quantitative/Core (Small Cap)

AQR Capital Management (AQR) is a global investment management firm that takes a systematic, research-driven approach to managing alternative and traditional strategies. AQR is a fundamental investor who uses quantitative tools in a systematic process to build diversified and risk controlled portfolios. AQR's research process is primarily quantitative in that they look to robust datasets to test validity of research ideas (which themselves may be motivated by quantitative or qualitative themes).

With regards to Emerging Markets Small Caps, the AQR strategy relies on proprietary stock selection models, which utilize a set of valuation, momentum, earnings quality, investor sentiment, stability, and management signalling factors to generate views on stocks. AQR constructs regional models to make relative value comparisons between stocks and industries on a country neutral basis.

In each region AQR combines bottom-up security and industry selection decisions to generate "views," which consist of over/under-weight positions of every stock in the investment universe. The stocks are ranked from most to least attractive and portfolio weights are assigned to reflect each stock's degree of



attractiveness. At the highest level, there are two main types of views; one is used to select stocks within an industry and the other used to select industries. For multi-country regional models, AQR also uses a country-industry selection strategy which allows us to take views on specific countries within industry, while targeting country neutrality and industry neutrality.

Note: AQR is an emerging markets small caps manager.

## BLACKROCK INVESTMENT MANAGEMENT

Style: Active, quantitative

BlackRock Investment Management (Australia) Ltd (BlackRock) is a subsidiary of US-based BlackRock Inc., a global provider of investment management, risk management, and advisory services, founded in 1988. In Australia, BlackRock and its predecessor firms have been providing investment management services since 1979. The BlackRock group has investment management teams covering all major asset classes, across many investment styles and regions around the globe.

BlackRock utilises an active approach for this strategy via its quantitative team based in San Francisco.

BlackRock's investment style is based principally on an indexed approach, but permits a large number of small active stock positions in the portfolio in order to seek to add value above the benchmark, before fees. Within its investment process, BlackRock utilises a proprietary alpha forecasting model and an optimisation process to select stocks. The factors used in the quantitative models are largely fundamental in nature such as relative value, earnings quality and sentiment. The portfolio is expected to be neutral in terms of investment style over time.

## MACQUARIE INVESTMENT MANAGEMENT

Style: Passive, alternative indexation

Macquarie Investment Management (Macquarie) has been managing low-risk equities in Australia since 1987 and international equities since 2001. Macquarie aims to provide access to a diverse set of global equity strategies within a low relative risk framework by utilising quantitative & event driven techniques to deliver consistent returns through all market cycles.

Macquarie uses a practitioner-based approach, systematically modelling the "best practice" of fundamental analysis whilst seeking to eliminate behavioural biases. The systematic approach focuses on the key fundamental factors determining equity prices that can be objectively managed and is supplemented by event driven strategies focusing on factors that are typically episodic in nature and require some portfolio manager discretion. Each of the models is then customised to capture the unique investment characteristics of the developed and emerging market countries and regions.

Macquarie's passive alternative indexation style in respect of emerging markets shares aims to deliver the exact pre-tax return of the MSCI Emerging Market Value Weighted Net Return index, which is an

alternatively weighted index constructed from a MSCI defined universe of companies sourced from 23 emerging countries. The weight of each index constituent is determined by relative valuation of each eligible company based on four fundamental variables which include sales, earnings, cash flow and book value.

## MACQUARIE INVESTMENT MANAGEMENT

Style: Passive

Macquarie Investment Management (Macquarie) has been managing low-risk equities in Australia since 1987 and international equities since 2001. Macquarie aims to provide access to a diverse set of global equity strategies within a low relative risk framework by utilising quantitative & event driven techniques to deliver consistent returns through all market cycles.

Macquarie uses a practitioner-based approach, systematically modelling the "best practice" of fundamental analysis whilst seeking to eliminate behavioural biases. The systematic approach focuses on the key fundamental factors determining equity prices that can be objectively managed and is supplemented by event driven strategies focusing on factors that are typically episodic in nature and require some portfolio manager discretion. Each of the models is then customised to capture the unique investment characteristics of the developed and emerging market countries and regions.

Macquarie's passive style in respect of emerging markets shares aims to deliver the exact pre-tax return of the MSCI Emerging Market Net Return index, which is a capitalisation weighted index constructed from a MSCI defined universe of companies sourced from 23 emerging countries. The weight of each index constituent is determined by the free float adjusted market capitalisation of each eligible company.

## WILLIAM BLAIR

Style: Fundamental Active, Quality Growth

William Blair is a global asset management firm founded in 1935 and headquartered in Chicago, with offices in London, Zurich Shanghai, and Sydney. The firm is 100% active-employee-owned with broad based ownership.

William Blair's quality growth philosophy is based on the belief that the market is inefficient with respect to distinguishing between an average growth company and a quality growth company. They believe a quality growth company is one that can achieve a higher growth rate for a longer period of time than the market expects. This, in turn, will lead to superior stock performance. Characteristics of the business franchises for these companies commonly include experienced and motivated management teams, unique business models (e.g. market leadership, distinctive products/services, unique market opportunities), and attractive financial characteristics. This philosophy has been borne out over time.

The portfolio provides focused investments in leading emerging markets companies with above-average returns on equity, strong balance sheets and consistent, above-average earnings growth, resulting in a focused portfolio of leading companies. These companies exhibit superior business fundamentals, including global leadership in product quality or cost competitiveness, dominant or improving market position within a growing or local or regional economy, and sustainable above-average and/or increasing returns on invested capital.

## GLOBAL LISTED PROPERTY

### BROOKFIELD INVESTMENT MANAGEMENT

Style: Fundamental value

Brookfield Investment Management is the public securities investment platform of global alternative asset manager Brookfield Asset Management, which has owned and operated assets for more than 100 years with a focus on property, renewable power, infrastructure and private equity.

As a registered investment advisor, Brookfield Investment Management offers specialised equity and fixed income investment products, including strategies focused on US and global real estate securities. Brookfield Investment Management has managed such real estate equity strategies on behalf of institutional and retail clients since 2001. Brookfield Investment Management employs an investment process centred upon fundamental, bottom-up stock selection that seeks to identify value within global property markets. The investment team approaches research, valuation and portfolio construction from a real estate orientation and maintains a close working relationship with Brookfield Asset Management's commercial property asset management teams located around the world.

### PRINCIPAL GLOBAL INVESTORS

Style: QARP

Principal Global Investors (PGI) is the global investment management business of The Principal Financial Group. Property securities portfolios are managed by a specialist property securities team within PGI. The team has significant experience in management of both property securities portfolios and physical property markets.

PGI's investment philosophy is based on a belief that markets are semi-efficient, presenting opportunities that skilled active managers can exploit through rigorous fundamental analysis. The research process, combined with the depth of knowledge and market insight of our team of dedicated property sector specialists, enables us to consistently identify relatively mis-priced securities in all market environments. This enables our team to seek to generate excess returns on a consistent basis, with bottom-up security selection being our primary source of excess returns.

PGI's investment style is defined as Quality at a Reasonable Price (QARP). Experience has demonstrated, over long periods of time that portfolios with an emphasis on high quality companies will deliver

superior results. A rigorous investment process is used, which combines in-depth original fundamental research with disciplined portfolio construction and risk controls. Original fundamental research is applied at the country, sector and security levels to assess management quality, the physical property environment and valuations. The team believes these factors are the key drivers of returns from property securities and they are therefore the primary focus.

## AUSTRALIAN DIRECT PROPERTY

### INVESTA PROPERTY GROUP

Style: Office

Established in December 2000, Investa has grown to become the owner of one of the largest privately held commercial office portfolios in Australia. Key operations include owning and managing a portfolio of commercial office assets and operating a funds management business.

Investa differentiates by offering an integrated property platform providing a full service across funds management, portfolio and asset services, property services, development and sustainability, and managing one of the largest portfolios of premium and A-grade office buildings in the Sydney and Melbourne central business districts. Investa also has a strong commitment in environmental real estate sustainability.

Investa integrates long term sustainability practices within its business platform, ensuring that these practices are measurable, accountable and enduring. Investa is also a signatory to the UN Principles of Responsible Investment and some of its larger funds have also achieved a Sustainable Responsible Investment (SRI) accreditation from the Responsible Investment Association Australasia, for its commercial property investments. Investa's sustainability expertise is utilised to reduce the environmental impact of our assets and enhance portfolio returns.

Investment decisions are executed in line with Investa's strategic plan for its commercial property investments, guided by house views on each market, which are regularly assessed and determined using 'real time' information obtained through the management of Investa's significant asset portfolio.

Strategy is determined using a top-down analysis which considers macro-economic, investment market and property market trends which drives the investment management process and buy/sell decisions. All properties are regularly reviewed to assess performance and any value-adding opportunities.

**DEXUS PROPERTY GROUP**

Style: Diversified

Dexus is a leading Australian property fund manager with a team of property professionals located in offices in Sydney, Melbourne, Brisbane and Perth. Dexus invests only in Australia and has a strong focus on governance and investor consultation, in order to deliver sustainable returns to investors.

Dexus' focus is to drive performance and deliver on its investment plan, improve portfolio quality through strategic acquisitions and ability to access its development pipeline. Its scale provides Dexus with the capacity and flexibility to deliver optimal work space solutions for customers, in more than one location. Sustainability is deeply embedded in Dexus' business, helping to guide how they develop and maintain work spaces that are happy, healthy, efficient and sensitive to the environment.

The wholesale, open-ended unlisted property fund owns interests in a diversified portfolio of office, industrial and retail properties throughout Australia. The fund has a broad investor base of more than 60 wholesale investors and a strong performance track record.

**CHARTER HALL**

Style: Industrial

Charter Hall Group ('Charter Hall' or the 'Group') is a specialist property funds management and investment company based in Sydney, with additional offices in Melbourne, Brisbane, Perth and Adelaide. Charter Hall was established in 1991 and listed on the ASX in 2005 (ASX:CHC). Charter Hall manages a range of unlisted pooled funds and partnership investment vehicles for a variety of major Australian and international pension funds and institutional investors.

Charter Hall aims to add value for investors through its integrated approach to property funds management: being responsible for all aspects of investment, asset, property and development management decisions. The Group aligns itself with its clients via significant co-investments in the unlisted property funds that it manages.

Charter Hall aims to manage a well-diversified portfolio of high quality core logistics assets, which provide long lease durations, minimal capital expenditure requirements and scope for attractive returns over time. They also seek to invest in logistics assets near, adjacent or within efficient transit to major logistics hubs including seaports, airports and major freight transit locations.

**GOODMAN FUNDS MANAGEMENT**

Style: Industrial

Goodman Funds Management Australia Limited (Goodman) is a subsidiary of Goodman Group, which is an ASX listed industrial property group. Goodman's operations encompass property investment, funds management, property development and property services.

Goodman's unlisted industrial property investments are managed by Goodman's property team across Australia, and invest in high quality Australian industrial properties located in recognised or emerging industrial precincts with access to major transport and infrastructure.

To achieve its objectives, Goodman aims to acquire assets that are expected to enhance the risk adjusted returns to the portfolio and provide portfolio diversity, divest assets at appropriate times, undertake enhancement opportunities such as developments, actively manage the portfolio and implement appropriate debt structures.

Goodman's unlisted industrial property assets comprise a diversified range of investment-grade industrial properties located throughout Australia's major industrial markets. The assets typically include warehouse distribution centres, industrial estates, business parks and office parks.

Goodman does not outsource the management of its properties to third-party property managers, and instead maintains management control in order to seek more customised solutions to meet the operating needs of its tenants.

**LEND LEASE INVESTMENT MANAGEMENT (APPF RETAIL)**

Style: Retail

Lend Lease Investment Management is the investment management business of the global, integrated property group Lend Lease. It has an investment platform spanning Australia, Asia and the UK which includes funds and separate mandates investing across the risk spectrum in a range of sectors, including core retail.

Where it is in line with the strategy of a fund or separate mandate, Lend Lease Investment Management invests in core wholesale unlisted retail property, targeting assets that are the key retail facilities in their trade area, located in high market growth corridors and have the capacity to be expanded over time. In respect of the multi-manager funds and investment options managed by Mercer, the focus is on prime Australian direct retail properties.

Lend Lease Investment Management leverages the integrated business model of the broader Lend Lease Group, including exposure to specialist retail development, management and delivery skills for its retail investments. It adopts a sustainability strategy that is applicable for the retail property investments it manages, which are also governed by its Sustainable Responsible Investment Policy.

## CHARTER HALL

Style: Retail

Charter Hall Group ('Charter Hall' or the 'Group') is a specialist property funds management and investment company based in Sydney with offices in Melbourne, Brisbane, Perth and Adelaide. Established in 1991 and listed as a REIT on the ASX in 2005 (ASX:CHC), Charter Hall manages a range of unlisted pooled funds and partnership investment vehicles for a variety of Australian and international pension funds and institutional investors. Charter Hall also manages a listed REIT (the Charter Hall Retail REIT ASX:CQR) investing in neighbourhood shopping centres.

Charter Hall seeks to add value for its investors through an integrated approach to property funds management, covering all aspects of investment, asset, property and development management. Charter Hall aligns itself with its clients via significant co-investments in the unlisted property funds that it manages.

The retail property exposure is gained via a specialist retail (shopping centre) investment vehicle that has been established as a wholesale partnership. The investment aims to own a diversified portfolio of high-quality shopping centre assets which provide scope for attractive returns through ongoing active management, growth in population catchments surrounding the centres and, where possible, physical expansion/refurbishment/tenant re-mix value-add activity. The majority of the investment's returns are anticipated to be sourced from income returns, with capital growth linked to the rental growth achieved through the strategy's active investment mandate. The style of shopping centre investments that can be undertaken is not constrained, in order to maximise the potential investment opportunities that may be considered.

## AMP CAPITAL SHOPPING CENTRE FUND

Style: Retail

AMP Capital is a global investment manager with a large presence in Australia. AMP Capital is 85% owned (indirectly) by AMP Limited. As part of the AMP Group, sharing a heritage that spans over 160 years. AMP Capital Funds Management Limited has been appointed by the Responsible Entity to provide investment management and associated services in respect of the Fund. The AMP Capital Shopping Centre Fund was established February 2003 as a managed investment scheme structured as a unit trust.

The Fund's investment strategy is to invest in a core holding of regional shopping centres, supplemented by exposure to sub-regional and neighbourhood shopping centres that provide value adding opportunities or are held for liquidity purposes.

The Fund will seek to enhance the quality of its portfolio of assets through:

- active asset management including undertaking 'value adding' developments, and
- operational excellence.

The Fund applies a disciplined, research-driven approach to property selection, with the flexibility to remain opportunistic to take advantage of the availability of prime properties. Risk is mitigated through diversification, with the Fund currently investing in shopping centres across New South Wales, Victoria, Western Australia, South Australia, Queensland and New Zealand. Property development provides the opportunity to add value and improve the quality of the Fund's assets. Development is through refurbishing or extending existing shopping centres.

## PASSIVE AUSTRALIAN LISTED PROPERTY AND PASSIVE GLOBAL LISTED PROPERTY

### MACQUARIE INVESTMENT MANAGEMENT

Style: Passive

Macquarie Investment Management (Macquarie) has been managing low-risk equities in Australia since 1987 and international equities since 2001. Macquarie aims to provide access to a diverse set of global equity strategies within a low relative risk framework by utilising quantitative and event driven techniques to deliver consistent returns through all market cycles.

Macquarie uses a practitioner-based approach, systematically modelling the 'best practice' of fundamental analysis whilst seeking to eliminate behavioural biases. The systematic approach focuses on the key fundamental factors determining equity prices that can be objectively managed and is supplemented by event driven strategies focusing on factors that are typically episodic in nature and require some portfolio manager discretion. Each of the models is then customised to capture the unique investment characteristics of the developed and emerging market countries and regions.

Macquarie's passive indexation style in respect of global real estate securities aims to deliver the hedged pre-tax index return of the FTSE EPRA/NAREIT Developed Index Net Total Return Index. The index is a market cap weighted index constructed from a FTSE defined universe of companies sourced from 23 developed countries. The index was designed to represent general trends in the developed market property sector, investing in shares of liquid real estate companies with the primary activity of owning, trading and developing income-generating real estate. The Index is administered by FTSE Russell, a major index product provider, and is co-developed with the European Public Real Estate Association ("EPRA"), and the US-based National Association of Real Estate Investment Trusts ("NAREIT").



## GLOBAL LISTED INFRASTRUCTURE

### COLONIAL FIRST STATE GLOBAL ASSET MANAGEMENT

Style: Active, benchmark aware

Colonial First State Global Asset Management (CFS GAM) is the consolidated asset management division of the Commonwealth Bank of Australia.

CFS GAM invests in infrastructure and utility companies that control assets with monopolistic characteristics. CFS GAM targets assets with high barriers to entry, strong pricing power, sustainable growth and predictable cash flow. Investments are focused on the more 'pure' infrastructure sectors such as toll roads, airports, ports, energy, communications and utilities.

CFS GAM employs an active, bottom up security selection process that aims to exploit market inefficiencies. It utilises a ranking model that takes into account forecast cash flows (near-term and long-term) and quality criteria factors such as infrastructure characteristics (e.g. barriers to entry and pricing power), management, regulatory regimes and financial criteria.

CFS GAM's listed infrastructure investments are based on bottom-up security ratings, although regional and sector risks are carefully monitored as a risk management overlay. This results in a portfolio of relatively concentrated 'benchmark aware' listed infrastructure investments designed to outperform the UBS Global 50/50 Infrastructure and Utilities Index over a full market cycle.

### MAGELLAN ASSET MANAGEMENT

Style: Absolute return, value

Established in July 2006, Magellan Asset Management Limited ("Magellan") is an ASX-listed, Sydney-based investment management boutique specialising in global equity and global listed infrastructure strategies.

Magellan's Global Select Infrastructure strategy ("Strategy") seeks to achieve CPI + 5% per annum over the business cycle, whilst protecting capital in adverse markets. The investment style is best described as 'value orientated with a quality overlay'. Magellan employs a rigorous investment research approach with a bias towards companies that exhibit consistent cash-flow generation through the market cycle and which operate in an industry with little to no competitive pressure.

The Strategy invests in 20-40 securities that are attractively priced from within a strictly defined investment universe of listed-infrastructure companies that: (a) provide a service that is essential for the efficient functioning of a community; and (b) generate consistent and reliable earnings from infrastructure activities.

To mitigate risk, the Strategy seeks to minimise exposure to external variables (such as sovereign risk, competitive pressure, or commodity price exposure) and the Strategy's portfolio will be diversified across the major sub-sectors such as regulated utilities, airports, toll roads, ports, rail, energy infrastructure, and communications assets.

## GLOBAL UNLISTED INFRASTRUCTURE

### COLONIAL FIRST STATE GLOBAL ASSET MANAGEMENT

Style: Global

Colonial First State Global Asset Management (CFS GAM) is the wholly owned asset management division of the Commonwealth Bank of Australia.

CFS GAM has been managing unlisted infrastructure investments on behalf of clients since 1994 and has a dedicated specialist global unlisted infrastructure team with offices in Australia and the UK.

Relatively lower risk infrastructure investments with exposure to more mature assets within the unlisted infrastructure universe are selected, with CFS GAM focused on building a diversified portfolio of infrastructure assets emphasising robust income streams.

The key characteristics targeted when purchasing unlisted infrastructure assets include: relatively stable or predictable demand by end users, relatively high barriers to entry, strong cash flow generating capability, relatively high capital costs coupled with low operating costs, long life assets, demonstrated ability to service debt, being operational or near operational and minimal construction risk.

Income distributions from underlying infrastructure investments are expected to form the major source of returns. There is also scope for moderate capital growth due to natural revenue growth and risk re-rating in the underlying assets.

### IFM

Style: Australia

Industry Funds Management Pty Ltd (IFM) is a global fund manager with assets under management across infrastructure, listed equities, debt and private equity in Australia, North America and Europe. IFM dates its inception to 1994 and is a subsidiary of Industry Super Holdings, which is owned by a number of Australian superannuation funds. As an investor-owned manager, IFM is able to adopt a patient, strategic, long-term investment approach. IFM is a responsible investor and incorporates environmental, social and governance factors into all investment decisions.

Direct investing in infrastructure equity has been a key focus area/specialty of IFM. The firm has invested in infrastructure on behalf of institutional investors since 1995. IFM was one of the earliest investors in Australian infrastructure and has contributed significantly to the evolution of the infrastructure market. Since 2004, IFM has also acquired and managed infrastructure assets in Europe and North America.

IFM's infrastructure investment process is to acquire and maintain a well-diversified portfolio of direct equity infrastructure investments. Annual returns are anticipated to comprise cash flow from the investment and capital growth. IFM's infrastructure investment style is "core". Core infrastructure assets have monopoly-like characteristics, strong market positions, a predictable

regulatory environment, high barriers to entry, inelastic demand and long lives. IFM targets stable and predictable revenue streams that may involve participation in economic growth.

## KKR

Style: Global

Founded in 1976, KKR is a global investment firm that manages investments across multiple asset classes. Prior to 2010, KKR's private equity investments included several with infrastructure-related components across a range of market sectors and geographic regions. In 2010, KKR launched a dedicated infrastructure platform. KKR & Co L.P. is a publicly-traded partnership on the New York Stock Exchange, KKR's infrastructure strategy seeks to generate attractive risk-adjusted returns by focusing on investments with a "core" profile (i.e., with a strong long-term link to inflation and diversification from equity market risk). KKR believes it can add value to such investments through its sourcing, execution and operational capabilities. KKR also seeks to generate returns through a combination of income generation and long-term capital appreciation.

KKR strives to maintain leading investment processes and accountability to ensure that it makes wise investment decisions, allocates capital effectively, actively engages in key decisions impacting operational value creation, rigorously monitors investments, and plans the exit from investments prudently. KKR uses sophisticated internal processes to test performance and leverage all the experience and resources across the firm. References to KKR include Kohlberg Kravis Roberts & Co. L.P. and its affiliates.

## MACQUARIE ASIA INFRASTRUCTURE FUND

Style: Asia

Macquarie Infrastructure Management (Asia) ("MIMA") is part of Macquarie Infrastructure and Real Assets ("MIRA"), an alternative asset manager, specialising in infrastructure, real estate, agriculture and other real asset classes. MIRA has over 19 years of global infrastructure investment experience and in October 2014, established the Macquarie Asia Infrastructure Fund LP ("MAIF").

MAIF will make equity and equity-related investments in a diversified portfolio of infrastructure assets with principal places of business in Australia, Greater China, India, Indonesia, Japan, Malaysia, New Zealand, Philippines, Singapore, South Korea or Thailand. MAIF has a strong local presence in each of its key target markets with teams on the ground in Beijing, Shanghai, Hong Kong, Seoul, Tokyo, Singapore, Manila, Mumbai and Sydney.

MAIF focuses on core and core-plus infrastructure sectors that have similar investment characteristics across the region; however target sectors within each market are driven by country-specific considerations including government policies and regulations, risk/return dynamics and deal flow.

## MACQUARIE SPECIALISED ASSET MANAGEMENT

Style: Europe and North America

Macquarie Group (Macquarie) is an ASX listed provider of banking, financial, advisory, investment and funds management services, which has been involved in infrastructure management since 1994. Recognised as one of the largest players in the infrastructure sector, Macquarie has offices globally, including operational specialists focussing on areas such as airports, ports, toll roads, water and energy utilities.

Macquarie Specialised Asset Management (MSAM) is a wholly owned subsidiary within the Macquarie Infrastructure and Real Assets (MIRA) division. MSAM leverages the global resources of Macquarie to source, analyse, acquire and actively manage infrastructure investments. MSAM's mandate is to build a diversified portfolio of unlisted infrastructure assets providing a truly global exposure across a broad range of infrastructure sectors via equity and equity-like investments in infrastructure assets. The focus is on core infrastructure with high quality stable cash flows, quality management and investment in industries where MSAM has operational expertise or ready access to such expertise.

## STONEPEAK INFRASTRUCTURE PARTNERS

Style: North America

Stonepeak Infrastructure Partners ('Stonepeak') is an independent firm, headquartered in New York, with a conservative yet opportunistic approach to infrastructure investing. Established in 2011, Stonepeak has offices in New York, Austin and Houston.

Stonepeak primarily invests in North American infrastructure assets in a range of sectors including energy, water, communications, transport, and power, renewables and utilities - during both the construction and operating phases. Stonepeak manages investor capital through closed-end pooled funds and co-investments directly into some of those funds' underlying assets.

Stonepeak's mandate is to invest in core-plus and value-add infrastructure assets in North America, with a focus on assets that aim to exhibit lower investment volatility, inflation linkage and attractive returns.

## PASSIVE GLOBAL INFRASTRUCTURE

### MACQUARIE INVESTMENT MANAGEMENT

Style: Passive

Macquarie Investment Management (Macquarie) has been managing low-risk equities in Australia since 1987 and international equities since 2001. Macquarie aims to provide access to a diverse set of global equity strategies within a low relative risk framework by utilising quantitative and event driven techniques to deliver consistent returns through all market cycles.

Macquarie uses a practitioner-based approach, systematically modelling the 'best practice' of fundamental analysis whilst seeking to eliminate behavioural biases. The systematic approach focuses on the key fundamental factors determining equity prices that can be objectively managed and is supplemented by event driven strategies focusing on factors that are typically episodic in nature and require some portfolio manager discretion. Each of the models is then customised to capture the unique investment characteristics of the developed and emerging market countries and regions.

Macquarie's passive indexation style in respect of global listed infrastructure shares aims to deliver the hedged pre-tax index return of the FTSE Developed Core 50/50 Infrastructure Net Total Return Index. The index is an alternatively weighted index constructed from a FTSE defined universe of companies sourced from 24 developed countries as defined by FTSE. The weight of each index constituent is determined by the market capitalisation of each eligible company adjusted to deliver close to equal exposure to both infrastructure and utility related companies.

## ALTERNATIVES – DIVERSIFIED

### MERCER SELECT ALTERNATIVES STRATEGIES (MSAS)

Style: Hedge - Fund of funds

We offer our Australian clients "true-to-label" diversified alternatives exposure via the Mercer Diversified Alternatives Option (the Option), which seeks to outperform cash by 2% - 4% p.a. over the rolling five-year periods (net of all fees) with a volatility target of 5% - 7% p.a. (annualised standard deviation) and a correlation with equity markets below 0.4. Over shorter time periods, the Option aims to outperform the HFRI FOF: Market Defensive Index.

The strategy used to achieve these objectives is to invest in the Mercer Select Alternatives Strategies (MSAS), managed by Mercer Global Investments Europe Limited, which is headquartered in Dublin. MSAS, in turn, invests in a wide range of 10 to 20 underlying managers, providing investors with a true-to-label diversified alternatives portfolio; that is, one that truly offers diversification benefits.

## ALTERNATIVES – DIVERSIFIED GROWTH FUND

### AVIVA INVESTORS

Style: Idiosyncratic

Aviva Investors is a global asset manager with expertise in equities, multi-asset, fixed income and property. It is the investment arm of UK general insurer Aviva plc.

The Aviva Investors Multi-Strategy (AIMS) Target Return Fund (the Fund) aims to achieve a targeted gross return of 5% p.a. above the Reserve Bank of Australia (RBA) Cash Rate over any rolling three-year period regardless of market conditions. Aviva aim to achieve the Fund's return objective with less than half the volatility level of an investment in global equities, as measured by the MSCI All Country World Index over any rolling three-year period.

Our multi-strategy approach is different to traditional investing in many ways. Aviva seek to deliver returns by identifying investment ideas and opportunities across and within asset classes. Therefore AIMS Target Return Fund represents good complement to a traditional Australian balanced fund or multi-manager fund.

The Underlying Fund does not have any type of style bias, and there is no strategic or fixed allocation to any investment category. In theory, there are no investment classes which we would exclude from the Underlying Fund, which means the Underlying Fund has a potentially unrestricted universe and all holdings are at the discretion of the portfolio managers.

To meet the Fund's objectives, the portfolio managers pick diverse strategies that can take views on asset classes, sectors, currencies, interest rates, inflation and volatility. The managers pick a range of strategies expected to work well together whether markets are rising or falling so the Fund can meet its aim of delivering its growth target while managing volatility.

The Underlying Fund integrates three kinds of investment strategies to achieve its objectives:

1. Market strategies: Focus on harvesting the risk premia from traditional asset markets which we believe offer attractive long-term returns.
2. Opportunistic strategies: Aim to profit from market mispricing that may exist due to market segmentation, central bank intervention or regulatory changes. We believe opportunities can be created by market panics or beliefs driven by external events.
3. Risk-reducing strategies: Aim to add returns in difficult market conditions while retaining a neutral to positive return in our central scenario over a three year horizon.

## INVESCO ASSET MANAGEMENT

Style: Idiosyncratic

Invesco Ltd, established in 1978 and headquartered in Atlanta USA, is a New York Stock Exchange-listed global fund manager. The firm has specialist investment teams across a wide range of asset classes and investment styles. Invesco Ltd believes that investment excellence is driven by an investment-centric culture, disciplined, repeatable investment philosophies and processes, and performance measurement and risk assessment.

Globally, Invesco offers capabilities in equity, fixed income and money market, balanced, and alternative assets. Within alternatives, a key strategy worldwide is the Global Targeted Returns (GTR) strategy. GTR is an absolute return offering that explores fundamental themes and selects ideas from a diverse range of asset types, geographies and currencies and blends them together into an appropriately diversified and risk-managed portfolio. The key advantage of the GTR Strategy is the sophisticated and well considered implementation of fundamental economic themes and ideas coupled with genuine portfolio diversification.

The GTR strategy typically consists of 20-30 investment ideas combined in a single risk-managed portfolio. Each idea must pass through a rigorous process before being included portfolio, using the team's three step process:

- 1) researching and approving ideas;
- 2) fund management (combining ideas); and
- 3) implementing ideas.

Ideas are assessed on their ability to provide a positive return over a three year period through all market conditions, combined with their contribution to diversification of the broader portfolio and are continually reviewed and re-tested using the same three step process.

## FIXED INTEREST - PRIVATE DEBT

### AUDAX GROUP

Style: US Senior Private Debt

Audax Group is an alternative asset management firm established in 1999 that specializes in investments in US middle market companies. With offices in New York, Boston, and Menlo Park, Audax manages investments across its Senior Debt, Mezzanine, and Private Equity businesses.

Audax Senior Debt invests primarily in the senior secured debt of private equity-backed middle market companies based in the US. The Senior Debt investment team seeks attractive returns by taking advantage of premium pricing and better loan structures available in middle market debt instruments. Audax Senior Debt's objective is to generate attractive returns by investing in middle market loans that provide current income, principal protection, and low volatility. Audax Senior Debt invests mainly in first lien senior secured debt and, to a lesser extent, in second lien senior secured debt. Investments are diversified by company and industry.

Audax Senior Debt believes there are attractive middle-market lending opportunities throughout all phases of the credit cycle. The team's investment sourcing capabilities, combined with a focus on prudent lending practices, enable them to identify investments with attractive current returns and downside protection. Their focus on the middle market provides investment opportunities in companies with more conservative capital structures and higher historic recovery rates than those found in larger, broadly syndicated transactions. The team benefits from Audax Group's broad investment sourcing capabilities and due diligence insights stemming from primary research and expertise at each level of the capital structure.

### INTERMEDIATE CAPITAL GROUP

Style: European Senior Private Debt

ICG is a global specialist private debt asset manager focussing on income generation and producing consistent returns whilst protecting investment downside. ICG seeks to use its experience to deliver value to investors across the capital structure, benefitting from local access and insight.

ICG is listed on the London Stock Exchange (ticker symbol: ICP), and regulated in the UK by the Financial Conduct Authority (FCA). Further information is available at: [www.icgam.com](http://www.icgam.com).

ICG's senior direct lending strategy targets European mid-market corporate borrowers, focusing on senior secured loans, targeting attractive returns with minimal interest rate risk and low capital loss risk. The core strategy focuses on traditional senior debt and unitranche facilities, retaining the ability to make second lien investments on an opportunistic basis. ICG invests in a diversified portfolio of mature, market leading companies in Western & Northern Europe, with the majority of investments originated and arranged directly by ICG. The ICG strategy is targeting gross (unlevered) returns of 8 -10% (all cash income, based on an expected 3-year gross IRR) from a portfolio of loans, and ICG expects to make 30-40 investments in total.

### METRICS CREDIT PARTNERS

Style: Australian Senior Private Debt

Metrics Credit Partners is an independent specialist fixed income and credit manager established to provide expertise to investors seeking opportunities in global corporate debt markets. The company was founded and is majority owned by the investment team of Justin Hynes, Andrew Lockhart, Graham McNamara and Andrew Tremain who each have significant market experience with skills and backgrounds in the direct origination, structuring, credit risk assessment and ongoing control and management required when investing in large portfolios of corporate debt assets. The investment team skill set includes the distribution of risk via syndication of debt assets within inter-bank markets. National Australia Bank has held a minority shareholding in the company since its establishment in 2011.



Metrics Credit Partners seeks to leverage the investment team capability across debt markets and engages directly with borrowers and banks to originate debt opportunities for investors. The investment team undertakes detailed bottom up fundamental credit risk analysis and assessment and negotiates security arrangements to appropriately structure transactions to mitigate both credit and market risks.

## WESTBOURNE CAPITAL

Style: Infrastructure debt

Westbourne Capital is an independent fund manager established in 2008. Westbourne is solely focussed on acquiring and managing infrastructure debt investments on behalf of wholesale investors.

Senior members of the Westbourne investment team have worked together since 2004 and have completed infrastructure transactions in Australia, New Zealand, Western Europe and North America. The investment team's experience includes origination, negotiation and investment management of debt securities, the majority of which has been in infrastructure debt.

Westbourne's investment focus is restricted to core infrastructure sectors. Investment is made in senior and subordinated debt facilities and only in OECD countries. Westbourne believes attractive risk adjusted returns can be realised from investment in debt by focussing on infrastructure entities that operate in environment supported by regulation, contracts or monopoly features.

## FIXED INTEREST - EMERGING MARKETS DEBT

### BLACKROCK

Style: Thematic

BlackRock Inc. (BlackRock) is a global provider of investment management, risk management, and advisory services, founded in 1988. In Australia, BlackRock and its predecessor firms have been providing investment management services since 1979. BlackRock has investment management teams covering all major asset classes, across many investment styles and regions around the globe.

BlackRock's Emerging Markets Debt capability leverages the broader resources of BlackRock, including risk resources, thought leaders and its global network of investment professionals.

BlackRock's strategy applies a thematic, forward-looking approach to investing. The investment process is intended to be comprehensive and dynamic, based on a combination of global factor analysis, fundamental analysis and local idiosyncrasy understanding, which enables the team to constantly extract investment themes from relevant market drivers.

The strategy also leverages BlackRock's local market intelligence network. Using fundamental analysis as a base, the investment process also relies on market intelligence and research performed on the ground.

## COLCHESTER GLOBAL INVESTORS

Style: Fundamental/value

Colchester Global Investors Limited was founded by Ian G. Sims in 1999 and commenced managing client portfolios in February 2000. Colchester is an employee owned firm headquartered in London and has regional offices in New York and Singapore, and a representative office in Sydney, Australia.

Colchester is a value-oriented global fixed income investment manager specialising in government and government-related bonds. At the heart of Colchester's philosophy is the belief that investments should be valued in terms of the income that they will generate in real terms. The investment approach is based on the analysis of inflation, real interest rates and real exchange rates, supplemented by an assessment of sovereign financial balances - fiscal, external and monetary. Portfolios are constructed to benefit from those opportunities with the greatest relative investment potential for a given level of risk. Colchester eschews corporate credit, believing instead that its broader sovereign opportunity set provides attractive diversity and return potential. Currency risk is managed to take full advantage of long-term currency valuation extremes.

## FIXED INTEREST - GLOBAL HIGH YIELD

### NOMURA ASSET MANAGEMENT

Style: Value-oriented

Nomura Corporate Research and Asset Management Inc. (NCRAM) is a Nomura Asset Management Group company. NCRAM is a New York-based investment boutique established in 1991 that specialises in below investment-grade credit. NCRAM is primarily engaged in managing assets consisting of US and Global High Yield (HY) corporate bonds, Emerging Markets debt, and US Leveraged Loan portfolios for its clientele on a worldwide basis.

NCRAM believes a total return approach driven by credit research is the best way to generate alpha in high yield. We describe our investment approach as the "Strong Horse" philosophy. Strong Horse companies can carry their debt load through good times and bad. These companies generally have the ability to de-lever their balance sheet by generating strong, sustainable cash flows. The creditworthiness of these companies tends to increase over time, as will their credit ratings. We seek to create portfolios of Strong Horse issuers and manage the overall attributes of these portfolios through the cycle.

NCRAM characterises its investment process as a fundamental, bottom-up approach with a top down overlay. NCRAM's Global HY strategy allocates to regional sleeves. For security selection in the regional portfolios,

NCRAM follows an institutionalised investment decision making process that follows three basic steps:

1. Idea Generation: Creative idea generation in an open seating environment.
2. Credit Research: Thorough research from experienced analysts.
3. Portfolio Construction: Disciplined portfolio construction targeting best risk and reward opportunities.

## WELLINGTON MANAGEMENT

Style: Defensively biased

Wellington Management serves as an investment adviser to over 2,100 clients located in more than 55 countries. Our singular focus is investments - from global equities and fixed income to currencies and commodities. We like to describe ourselves as a community of teams that create solutions designed to respond to specific client needs. Our most distinctive strength is our proprietary, independent research, which is shared across all areas of the organization and used only for managing our clients' portfolios. We trace our roots to the founding of the Wellington Fund in 1928. Headquartered in Boston, Massachusetts, we also have offices in Chicago, Illinois; Radnor, Pennsylvania; San Francisco, California; Beijing; Frankfurt; Hong Kong; London; Luxembourg; Singapore; Sydney; Tokyo; Zurich.

Wellington's Global Credit approach focuses on security selection in the global investment grade corporate bond market, while opportunistically investing in high conviction ideas in the securitized, high yield, emerging markets debt, and convertible sectors. This process is fundamental by nature, although a number of quantitative models are used as inputs into the investment process.

The investment decision-making process integrates top-down analysis of global investment themes, rigorous fundamental economic analysis, and specialist research on individual credit sectors with bottom-up security selection. This process is highly interactive, relying on frequent, direct communication between portfolio managers and analysts. Experienced fixed income and equity analysts, working across the capital structure, identify inefficiencies in the pricing of credit risk and portfolio managers look to exploit these inefficiencies by combining top-down insights into the credit cycle with bottom-up analysis of sectors and individual issuers.

## FIXED INTEREST - MULTI-ASSET CREDIT

### BEACH POINT CAPITAL MANAGEMENT

Style: US bias, opportunistic

Beach Point Capital Management is an investment firm focused on event-driven credit, loans, distressed debt and special situations, credit informed equities, and other opportunistic investments. The firm has achieved a long-standing track record by focusing on complex and misunderstood credit opportunities.

Beach Point utilises its legal expertise to understand capital structures, covenants, and restructurings and to identify upside catalysts and downside protection.

Beach Point invests up and down the capital structure from performing healthy credit to distressed debt across a wide range of geographies and sectors. Focusing on the less-crowded parts of the middle market, Beach Point seeks to use its size, relationships and investment acumen to afford investors access to differentiated opportunities.

Beach Point aims to deliver consistent and attractive investment performance in a limited number of specialised credit areas.

### APOLLO GLOBAL MANAGEMENT

Style: Total return, macro driven

Apollo Global Management is a global alternative investment manager, with an integrated business spanning private equity, credit and real estate. Apollo's contrarian, value-oriented approach has been applied throughout their 25-plus year history, deploying capital across the balance sheet of industry leading businesses, and seeking to create value for investors throughout economic cycles.

Apollo's credit team was established to capitalize upon their investment experience to generate attractive investment returns in the credit sector. Apollo's credit activities span a broad range of the credit spectrum (performing credit, liquid and illiquid opportunistic credit, private origination, European principal finance, etc.) and can be broadly categorized into two key areas, Corporate Credit and Structured Credit.

Apollo's diversified credit fund aims to take advantage of the entire breadth of the liquid portion of the Apollo credit platform. It can offer the potential for higher returns than traditional fixed income, with a moderate level of overall risk, significantly lower exposure to rising interest rates and meaningful diversification relative to public indexes. The diversified credit fund aims to benefit primarily from four capabilities: (1) a broad platform that accesses a wide view of the credit universe, (2) a dynamic asset allocation based on the relative value between asset classes, (3) inclusion of proprietary originations and other opportunities accessible to Apollo's platform, and (4) well-proven capabilities on individual security selection within each sector. The fund is an unlevered, long-only expression of Apollo's views of the credit landscape, and targets gross returns of LIBOR+600-800 basis points.

**CQS**

Style: European bias, more conservative

COS is a credit-focused, multi-strategy alternative asset manager. Founded in 1999, COS is headquartered in London and has a presence in key global markets. Since launching its first strategy in March 2000, COS manages alternative, long-only and bespoke mandates for institutional investors globally, the majority of which is in multi-strategy credit portfolios.

COS' approach centres on fundamental analysis to identify absolute and relative value across corporate capital structures and asset classes globally. This fundamental research is combined with an active, benchmark-agnostic investment management approach.

Through its long-only multi-asset credit (MAC) strategies COS seeks to exploit opportunities primarily across the sub-investment grade credit space via a tactical multi-asset approach, combining fundamental credit research and agile asset allocation. Rigorous, bottom-up analysis is aimed at enabling COS to lend to the right businesses or asset pools while tactical and dynamic asset allocation targets relative value opportunities between different credit asset classes and across geographic regions over time.

COS is regulated by the FCA in the UK, the SFC in Hong Kong, ASIC in Australia and registered with the SEC in the US, with a presence in the Channel Islands, Cayman Islands and Luxembourg.

**OAK HILL ADVISORS**

Style: US bias, bottom up driven

Oak Hill Advisors, L.P., including its affiliated investment advisors and predecessor firms, (together "OHA") is an independent investment firm specialising in high yield bonds, leveraged loans, private lending, distressed investments, structured products and residential whole loans. The firm's investment activities are concentrated in the U.S. and Europe. OHA is majority owned by its employee partners, with the remaining ownership being held by entities controlled by Robert M. Bass, a long-time supporter of the firm, and General Atlantic, a global growth equity firm.

The firm's investment activities are driven by a fundamental value-oriented philosophy focused on credit analysis, relative value analysis, risk-adjusted return generation, loss avoidance and active risk management that has been in place for more than two decades. OHA believes this integrated approach allows it to capture inefficiencies, idiosyncratic opportunities, and relative value both within an asset class and across asset classes. The firm seeks to deliver higher-than-market returns while taking less-than market risk.

OHA Diversified Credit Strategies Fund ("OHDCS") was launched in August 2012 and is the firm's flagship pooled, long-only multi-asset credit fund. The fund offers investors the opportunity to access broad-based credit exposure in a single, flexible mandate. The fund benefits from the deep experience of the OHA team to invest in a broad array of credit assets including high yield bonds, leveraged loans, structured products and stressed and distressed securities.

The fund focuses on investing in and actively managing a portfolio comprised of the "best ideas" generated by OHA's research team across the credit asset classes that are suited to the fund's overall risk I return and liquidity objectives. The fund has full flexibility to invest across North America and Europe, building on OHA's more than 20-year history investing in these geographies. The fund employs a rotational and opportunistic portfolio management strategy with a goal of maximizing risk adjusted returns across market cycles, capturing relative value among and within a diverse array of credit market segments, and preserving capital.

**KKR**

Style: Concentrated

Manager profile will be provided next quarter.

## **FIXED INTEREST – AUSTRALIAN SOVEREIGN BONDS**

**PENDALL GROUP LIMITED**  
(formerly BT Investment Management)

Style: Active, thematic

BT Investment Management (BTIM) is a specialist funds management business which is majority owned by the Westpac Group, with the remaining ownership being held by BTIM public shareholders and employees. BTIM operates under a Multi-Boutique Model, which combines the benefits of specialised investment teams with the operating scale and distribution reach of a larger business. BTIM's Income and Fixed Income Boutique is headed by Vimal Gor who joined BTIM in November 2009 after having previously worked for Aviva Investors in London.

Within its Australian Sovereign Bonds strategy, BTIM seeks to identify opportunities that arise from major economic themes and/or market dislocations, using the output of its models and research to identify a core portfolio of lowly-correlated trades emanating from a small number of market themes, while tightly managing portfolio risk.

From an investment process perspective, BTIM uses clear alpha/beta separation in the management of its portfolios. The beta component is optimised to replicate the underlying benchmark with low tracking error.

The alpha portfolio is run on the top of the beta portfolio, which allows discrete analysis of risk and performance.

The key part of the process is how BTIM combines the quantitative output from its various Core-Scorecard models (which look at indicators such as bond yields, yield curves and cross market spreads) with its economic and market views to construct a portfolio which can generate the required alpha while remaining well balanced and risk controlled. The models are built for all key countries such as the US, UK, Germany, Japan and Australia, which allows BTIM to view Australia in a global context.

**CHALLENGER**

Style: Index-Plus

Listed on the Australian Securities Exchange, Challenger is a diversified financial services organisation, providing investment solutions across a broad spectrum of financial products and services. Founded originally in 1985, the merger between Challenger International Limited and CPH Investment Corporation in 2003 created the current Challenger Limited business. The business comprises two divisions: Funds Management and Life.

Mercer has structured a customised mandate with Challenger Retirement Services and Challenger Life Company, under which Mercer receives the investment return of an agreed Australian government bond index, plus a margin. The swap agreement which underpins the investment is supported by the asset backing of Challenger Life, which is a life insurance company subject to the prudential capital standards as regulated by APRA.

**MACQUARIE INVESTMENT MANAGEMENT**

Style: True-Index

Macquarie Investment Management Limited (Macquarie) is a wholly owned subsidiary of Macquarie Group, a public listed Australian investment bank. Macquarie offers investment funds and investment management services for institutional clients.

Macquarie's strategy is to match, as closely as possible, the performance of the UBS Treasury Bond Index, which tracks Australian Sovereign Bonds. The strategy is designed to provide exact index returns (before tax and the buy/sell spread on applications and redemptions) through a swap agreement with Macquarie Life Limited.

**FIXED INTEREST  
– GLOBAL SOVEREIGN BONDS****COLCHESTER GLOBAL INVESTORS**

Style: Active, Fundamental/value

Colchester Global Investors Limited was founded by Ian G. Sims in 1999 and commenced managing client portfolios in February 2000. Colchester is an employee owned firm headquartered in London and has regional offices in New York and Singapore, and a representative office in Sydney, Australia.

Colchester is a value-oriented global fixed income investment manager specialising in government and government-related bonds. At the heart of Colchester's philosophy is the belief that investments should be valued in terms of the income that they will generate in real terms. The investment approach is based on the analysis of inflation, real interest rates and real exchange rates, supplemented by an assessment of sovereign financial balances - fiscal, external and monetary. Portfolios are constructed to benefit from those opportunities with the greatest relative investment potential for a given level of risk. Colchester eschews corporate credit, believing instead that its broader sovereign opportunity set provides attractive diversity

and return potential. Furthermore, Colchester's use of sovereign portfolios has ensured that the diversifying integrity of bonds is not compromised. Currency risk is managed to take full advantage of long-term currency valuation extremes.

**CHALLENGER**

Style: Index-Plus

Listed on the Australian Securities Exchange, Challenger is a diversified financial services organisation, providing investment solutions across a broad spectrum of financial products and services. Founded originally in 1985, the merger between Challenger International Limited and CPH Investment Corporation in 2003 created the current Challenger Limited business. The business comprises two divisions: Funds Management and Life.

Mercer has structured a customised mandate with Challenger Retirement Services and Challenger Life Company, under which Mercer receives the investment return of an agreed global government bond index hedged into Australian Dollars, plus a margin. The swap agreement which underpins the investment is supported by the asset backing of Challenger Life, which is a life insurance company subject to the prudential capital standards as regulated by APRA.

**H2O ASSET MANAGEMENT**

Style: Active, Macro-driven

H2O Asset Management (H2O) was launched in the second half of 2010 with a team largely lifted straight out of Amundi Asset Management, the asset manager created in 2009 by the merger of Credit Agricole Asset Management and Societe Generale Asset Management. H2O has partnered with Natixis Asset Management (NAM) which provides the infrastructure and operational support for H2O in return for 50.01% of the business. However, H2O is a completely autonomous operation within NAM, governed by an executive committee made up of H2O employees only. The rest of the business is owned by employees.

The three main idea generators, or 'Architects', are Bruno Crastes, Vincent Chailley and Loic Cadiou, who provide the views that form the strategic positioning of H2O's portfolios. The firm's management style is entrepreneurial and attempts to form a bridge between the styles of traditional asset management firms and hedge funds. This style blends both macro fundamental analysis (i.e. strategic views) and market technical analysis (i.e. tactical overlays). Portfolio risk is at the forefront of the process, as H2O seeks to build portfolios that best represent its views whilst reducing overall volatility and increasing diversification.

The whole process has three layers of control and monitoring. The first remains with the H2O team and is by far the most important. The second is an independent daily monitoring compliance function, including stress testing, managed by NAM. Lastly, a quarterly risk committee debates long-term cyclical risk issues and potential ways to remove tail risk. This committee is made up of senior members of both H2O and NAM.



## **FIXED INTEREST – AUSTRALIAN INFLATION PLUS**

### **ARDEA INVESTMENT MANAGEMENT**

Style: Active, Fundamental/value

Ardea Investment Management Pty Limited (Ardea) is a boutique fixed income investment manager, based in Sydney. Ardea was founded by a team of diverse investment specialists.

Ardea's investment approach seeks to generate alpha through multiple investment strategies whilst managing risk through diversification. Ardea's proprietary risk management system allows it to construct efficient portfolios with a view to delivering results in a risk-controlled way.

Ardea believes that markets are not always fundamentally driven and this attribute can be exploited to produce predictable outcomes for clients. Ardea's investment approach centres on three broad strategies:

- 1) Interest Rates
- 2) Arbitrage and
- 3) Credit.

Ardea believes that accurate and transparent risk measurement is fundamental in making intelligent investment decisions and producing controlled or anticipated return outcomes. Ardea seeks to create an environment that is purely investment focussed and dedicated to generating consistent returns for investors.

Ardea primarily invests in very liquid and high quality government and semi-government bonds both in Australia and overseas. The objective is to achieve a return above inflation, through a value-style approach that utilises multiple and diversified investment strategies with a focus on accurate measurement and management of risk.

### **CHALLENGER**

Style: Index-Plus

Listed on the Australian Securities Exchange, Challenger is a diversified financial services organisation, providing investment solutions across a broad spectrum of financial products and services. Founded originally in 1985, the merger between Challenger International Limited and CPH Investment Corporation in 2003 created the current Challenger Limited business. The business comprises two divisions: Funds Management and Life.

Mercer has structured a customised mandate with Challenger Retirement Services and Challenger Life Company, under which Mercer receives the investment return of the Consumer Price Index (CPI), plus a margin. The swap agreement which underpins the investment is supported by the asset backing of Challenger Life, which is a life insurance company subject to the prudential capital standards as regulated by APRA.

## **FIXED INTEREST – GLOBAL CREDIT**

### **AXA INVESTMENT MANAGERS**

Style: Buy and maintain, investment grade corporate

AXA Investment Managers (AXA IM), founded in 1994, is an investment management company within the AXA Group.

AXA IM's foremost belief is that fixed income assets should generate stable and predictable income whilst protecting capital. As such, this manager runs conservative, well-diversified portfolios and aims to consistently generate small, incremental gains regardless of the prevailing market conditions. Preservation of capital is central to the management philosophy and risk control lies at the heart of the investment process.

The buy and monitor strategy aims to capture the market return within the corporate bond segment whilst avoiding the associated inefficiencies of a passive approach. The process explicitly addresses the weakness inherent in index-tracking investing in a market where returns are asymmetric; but allows investors to harvest the beta of the credit asset class. The approach is designed to protect against systemic and event risks whilst providing a less volatile return and low-cost, low-turnover credit exposure. As the investment management arm of a large insurance company, AXA IM brings extensive experience in managing Buy and Monitor mandates.

AXA IM has significant resources in proprietary credit research, based in Asia, Europe, U.K. and U.S. There are two distinct, complementary forms of credit research conducted via: 1) a stand-alone Long-Term Fundamental Credit Analyst team and 2) a global Credit Portfolio Manager Analyst team that includes long-term, low-turnover investment specialists. Together, these two groups provide comprehensive views on credit issuers in the global universe.

### **ROBECO**

Style: Active, investment grade corporate

Robeco is an international asset manager offering an extensive range of active investments, including equity, fixed income, alternative investments, private markets and structured products. Research lies at the heart of everything Robeco does, with a 'pioneering but cautious' approach that has been in its DNA since its foundation in Rotterdam, the Netherlands, in 1929.

Through the unique integration of three types of research - Fundamental, Sustainable and Quantitative, Robeco was one of the first asset managers to pioneer investing in emerging markets, embrace sustainability investing and adopt quantitative investing using advanced research techniques.

Today, Robeco is part of RGNV, the centre of asset management capability for ORiX Corporation, the parent company based in Japan. Robeco is a truly global investment company with offices throughout Europe, the US and Asia Pacific. The Robeco mission continues to use a research-based, quality-driven

process to produce superior and sustainable long-term investment returns and solutions for its clients.

Robeco Global Credits invests in global investment grade corporate bonds from developed markets as its key building block. In addition, the fund selects from the best opportunities in other segments such as 'fallen angels', 'rising stars' and emerging market credits. Such a flexible approach mixes different types of securities to maximise rewards while adequately diversifying the relevant risks. ESG research is integrated in the investment process to further assess the downside risk of investments.

## WELLINGTON MANAGEMENT

Style: Active, broad-based credit strategy

Wellington Management is a large, independent global investment manager that traces its history to the 1928 formation of America's first balanced mutual fund. Based in Boston, Massachusetts, the firm has offices around the US and the world, including Beijing, Hong Kong, London, Singapore, Sydney, and Tokyo. Wellington Management is a private partnership and all of its partners are active in the firm.

Wellington's Global Credit approach focuses on security selection in the global investment grade corporate bond market, while opportunistically investing in high conviction ideas in the securitized, high yield, emerging markets debt, and convertible sectors. This process is fundamental by nature, although a number of quantitative models are used as inputs into the investment process.

The investment decision-making process integrates top-down analysis of global investment themes, rigorous fundamental economic analysis, and specialist research on individual credit sectors with bottom-up security selection. This process is highly interactive, relying on frequent, direct communication between portfolio managers and analysts.

Portfolio managers will invest across a diverse set of issues for the portfolio, taking into account broad fundamental credit views, the liquidity of individual issues at the time of investment, and the benchmark and the portfolio parameters.

## FIXED INTEREST – GLOBAL ABSOLUTE RETURN BONDS

### AVIVA INVESTORS

Style: Relative Value, Carry Bias

Aviva Investors is a global asset manager with expertise in equities, multi-asset, fixed income and property. It is the investment arm of UK general insurer Aviva plc. The Aviva Investors Multi-Strategy (AIMS) Fixed Income (the fund) aims to achieve a targeted gross return of 3% p.a. above the Reserve Bank of Australia (RBA) Cash Rate over a rolling three-year period, regardless of market conditions, with volatility that is lower than global fixed income. The strategy adopts an unconstrained approach, investing in a diversified portfolio drawn from across the global fixed income universe.

The Underlying Fund integrates three kinds of investment strategies to achieve its objectives:

- Market strategies: Harness the risk premia of traditional fixed income asset markets which we believe offer attractive long-term returns.
- Opportunistic strategies: Aim to profit from market mispricing that may exist due to market segmentation, central bank intervention or regulatory changes. We believe opportunities can be created by market panics or beliefs driven by external events.
- Risk-reducing strategies: Aim to preserving capital in difficult market conditions while retaining a neutral to positive return in our central scenario over a three year horizon.

## NEWTON INVESTMENT MANAGEMENT

Style: Directional

Manager profile will be provided next quarter.

## T. ROWE PRICE

Style: Low Volatility Income

T. Rowe Price has been offering investors investment management services since 1937. T. Rowe Price offers investors a broad range of equity and fixed income strategies across multiple asset classes, capitalizations, sectors, styles and regions. T. Rowe Price believes that successful investment management requires a global research platform. T. Rowe Price's investment professionals conduct fundamental research from six cities around the world including Baltimore, Hong Kong, London, Singapore, Sydney and Tokyo ensuring that its investment teams have direct access to local markets.

T. Rowe Price has been managing fixed income assets since 1971 and launched one of the first dedicated multi-currency bond funds in 1986. Today, T. Rowe Price is responsible for managing a diverse range of global fixed income mandates including global government, global aggregate, global multi-sector as well as global unconstrained bond portfolios.

The T. Rowe Price Dynamic Global Bond approach explores the full global fixed income universe for the best risk/reward opportunities, primarily across sovereign bond markets and to a lesser extent credit and currency markets.

T. Rowe Price's investment approach is driven by bottom-up, fundamental research with a valuation framework that integrates top-down macro views and technical factors. The manager's multi-layered risk management processes are designed to maintain consistency of risk-adjusted returns. T. Rowe Price also places focus on downside risk and risk diversification with a specific bias on country allocation and duration management, while seeking to offer sustainable income in different interest rate environments.



**CASH****BLACKROCK**

Style: Liquid Cash

BlackRock Investment Management (Australia) Ltd (BlackRock) is a subsidiary of US-based BlackRock Inc., a global provider of investment management, risk management, and advisory services, founded in 1988. In Australia, BlackRock and its predecessor firms have been providing investment management services since 1979. The BlackRock group has investment management teams covering all major asset classes, across many investment styles and regions around the globe.

BlackRock seek to provide Mercer's investors with an investment in cash and Australian dollar denominated money market securities.

BlackRock's underlying portfolio has been constructed and is monitored using a rigorous approach to risk management that aims to deliver investment returns in line with a cash benchmark.

**CHALLENGER**

Style: Term Deposits

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**MERCER**

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