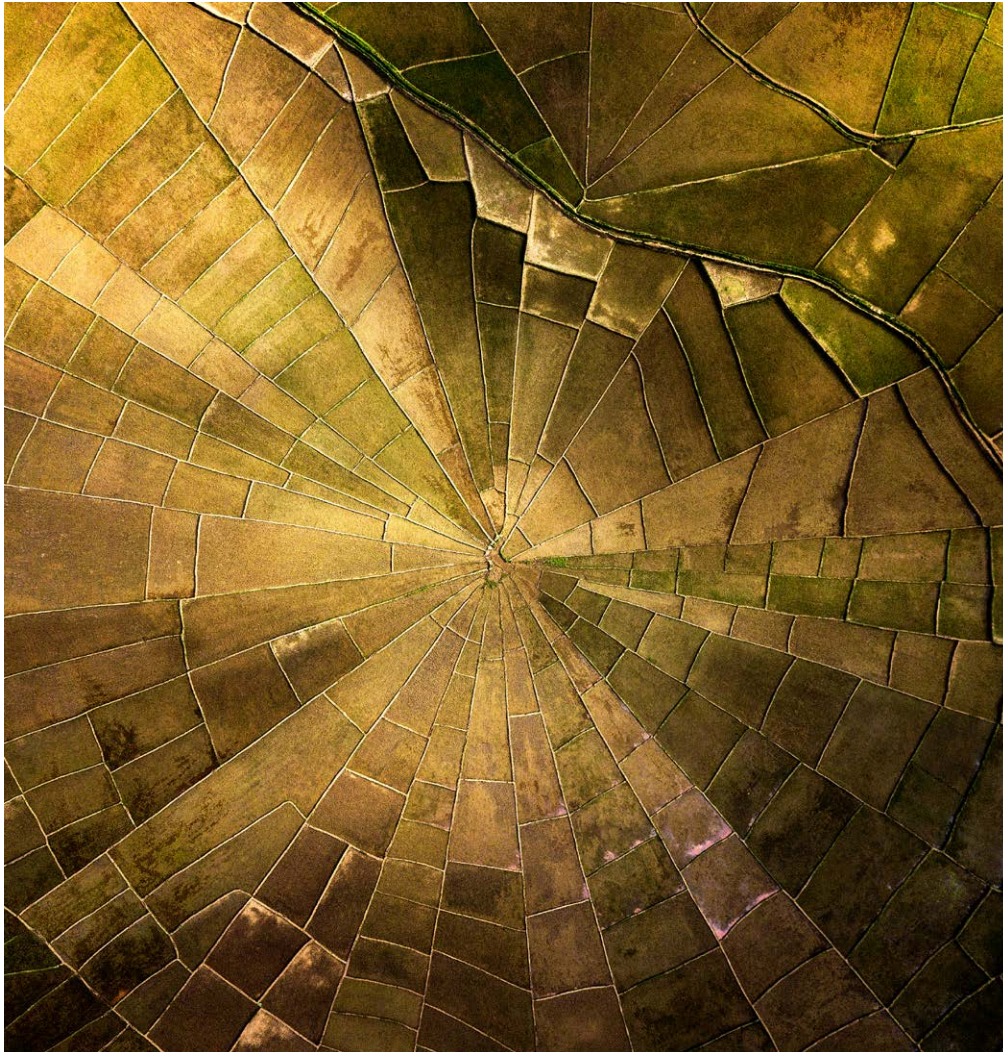




Investment Strategy Group Equities

February 2022



Prepared by the Equities Team

PUTTING WEALTH TO WORK FOR GENERATIONS



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| Equities Investment Philosophy

Our philosophy focuses on the three core beliefs..

Shareholder value is driven by long term investment in quality companies



Superior companies with sustainable returns and quality

Market inefficiencies and mispricing create alpha opportunities



Disciplined investment approach that limits behavioural biases

One poor investment decision can undo many good ones



Continuous risk mitigation throughout the investment process

| Domestic Equities Investment Process

JBWere is an active stock picker and our investment philosophy focuses on three core beliefs. First, shareholder value is driven by long term investment in quality companies. Secondly, we believe the market is inefficient and emotive, requiring a disciplined investment approach, that limits behavioral biases. Finally, we believe one poor investment decision can undo many good ones, so we address capital preservation by working to reduce risk throughout each stage of the investment process. The process involves initial screening of securities based on liquidity, profitability, leverage, market capitalisation, governance and outsized external factor risks. Once these filters have been applied, we conduct in-depth analysis of the remaining stocks to assess whether a company meets our quality hurdle.

The six key factors used to determine quality are:

1. Return on invested capital and whether through history it is above or below cost of capital.
2. The sustainability of these returns by considering the structure and dynamics of the industry and whether there is the existence of a competitive advantage.
3. Re-investment potential which is essentially the ability of a company to invest its capital going forward at above cost of capital returns coupled with the size of the growth opportunity. This step considers Porter's Five Forces analysis, business model, business strategy and an assessment of competitive advantage to consider how these dynamics translate into the future earnings of the business.
4. Business risk considers risks specific to the company like execution or key man risk and also regulatory, legal, environmental and social risks.
5. Financial risk looks to the leverage of the balance sheet in concert with predictability of earnings and cash conversion.
6. Corporate governance includes Management track record and transparency but goes further and considers board structures, incentive structures, diversity and alignment consistency.

This results in the Focus List which is a superior subset of those stocks that pass the Quality hurdle and Peer Review by the Equities team. We then undertake a valuation assessment per focus list stock, derived for a combination of relevant tools including DCF (Discounted Cash Flows), EV/EBITDA (Enterprise Value/Earnings Before Interest, Tax, Depreciation and Amortisation), EV/EBIT (Enterprise Value/Earnings Before Interest and Tax), PER (Price Earnings Ratio) and other quantitative factors. Further Peer Review around valuation assumptions is conducted at this point.

Portfolio construction is derived as a combination of the quality and valuation described above coupled with our macro-economic view. Fundamental to our investment process is the recognition that the higher the quality of a company, the lower the return hurdle required to invest and vice versa. Adjustments to position sizing may be made based on conviction, liquidity and the impact on the overall portfolio, combined with our macroeconomic view.

We consider each company's appropriateness in the context of its inclusion in the overall model portfolio (each of which are detailed later in this document), which is constructed to reduce downside volatility and aggregate inherent risks such as interest rate risk, macroeconomic event risk, FX risk and other portfolio biases. Our goal is to understand as much as possible the behavior of our portfolio under changing market conditions and avoid unintended biases. We stress test our portfolio under various scenarios to ensure the overall portfolio is not correlated to any one particular industry or sector and is not excessively exposed to any one macroeconomic factor and is relatively liquid.

| Domestic Equities Investment Process

Continuous
risk mitigation

200
Universe

First filter

- Liquidity
- Loss making
- Leverage
- Market capitalisation
- External factor risk
- Governance

Company
analysis

Focus list

- Quality Analysis
- ROIC spread
 - Sustainability
 - Re-investment
 - Business Risk
 - Finance risk
 - Governance
 - Peer review

Valuation

- DCF
- FCF yield
- EV/EBITDA
- EV/EBIT
- PE
- Peer review

Portfolio
Construction

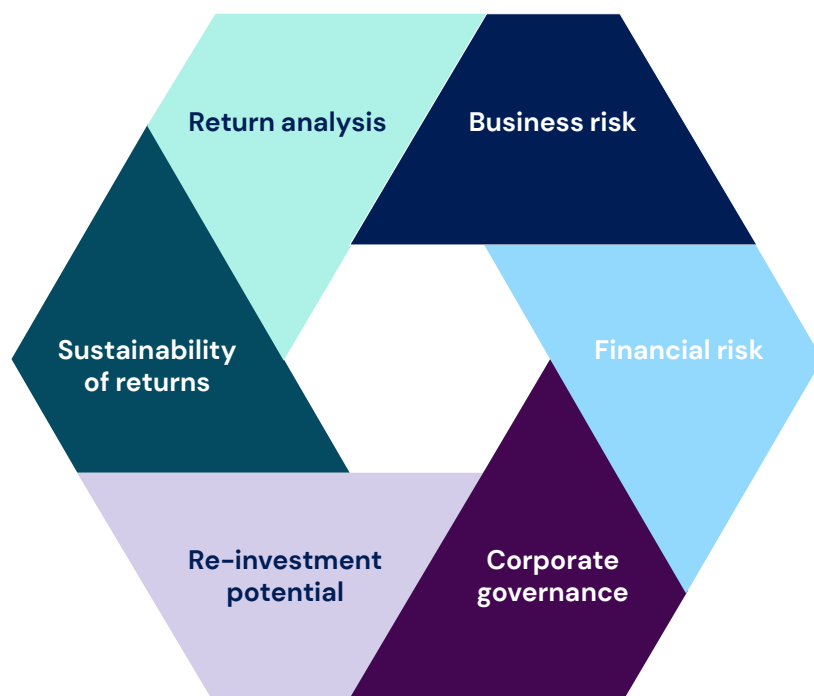
Portfolio
construction

- Macroeconomic considerations
- 20-40 stocks
- Tracking error 2-6%
- Max active +5%
- Sector max active +15%

Risk
management

- Monitored for unintended biases
- Stress tested
- Contribution to risk tools
- Liquidity via stock selection and position size

| How we define Quality



Return analysis

- Can a business earn above its cost of capital?



Sustainability of returns

- Industry dynamic
- Economic moat



Re-investment potential

- Direction of returns/growth available



Business risk

- Specific risk
- Regulatory/legal/environmental/social



Financial risk

- Leverage
- Predictability
- Cash conversion



Corporate governance

- Management
- Board
- Remuneration

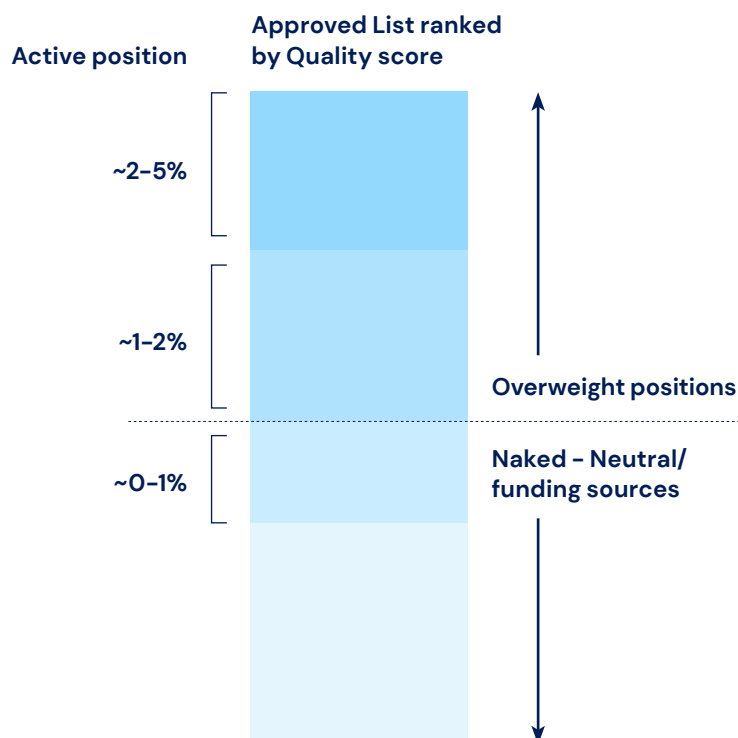
Valuation and Position Sizing

Valuation

- Focus List stocks are valued through DCF, EV/EBITDA, EV/EBIT, PE ratio and other quantitative factors
- Peer review around valuation assumptions

Position sizing

- Quality score and return guide active positions
- Macro economic view
- Analyst conviction
- Impact on overall portfolio
- Liquidity considerations
- Lower quality scores are generally not owned however some consideration given to lower quality companies subject to dividend yield targets for the portfolio



Portfolio Construction

Macro economic influence

- Macro-economic views are considered in portfolio construction in multiple ways, including bond yield direction, global growth (commodity pricing) and cyclical exposures. Bond and commodity proxy exposures are considered in this context as are cyclical exposures.
- Largest component of the portfolio focused on quality income and growth stocks



Limit exposure to structural decliners, governance risks, or companies that are too small with limitations on growth

| Risk Management

Multi-layered risk mitigation through each stage of the investment process to:

- Seek to bypass poor quality companies
- Ensure valuation discipline so as to avoid overpaying for good quality companies
- Minimise negative surprises
- Avoid excessive exposure to any one factor
- Stress testing utilised
- Contribution to risk per stock considered

JBWere Model Portfolios

Model Portfolio	Investment Objective	Investment Strategy	Purpose	Stock Count	Tracking Error	Turnover
Income	The JBWere Income Model Portfolio seeks to preserve and enhance the value of capital with a focus on income returns that exceed the rate of inflation over the long term (5 years plus).	The Model Portfolio is managed relative to the benchmark and aims to produce a consistent income stream, with a dividend yield target of 70–100bps per annum higher than the dividend yield of the S&P/ASX 200 Total Return Index. The Model Portfolio seeks to deliver a greater income return component relative to capital gains in comparison to the S&P/ASX 200 Total Return Index. The process seeks to identify high quality companies and acquire them at reasonable prices. Macroeconomic risks are considered during model portfolio construction.	Within an asset allocation framework or on a standalone basis. See below other Key Information.	20–30	2–6%	20–40%

Key Information on Income Model Portfolio

The purpose of the JBWere Income Model Portfolio is to provide clients with a quality focused Australian equity model portfolio that may be suitable for a client seeking a greater income return component relative to capital gains in comparison to the S&P/ASX200 Total Return Index. Performance shows returns for a theoretical model portfolio. The model portfolio is based on notional holdings of securities, with sales and purchases of securities implemented on a notional basis to rebalance the model portfolio in line with its investment objectives. Actual returns experienced by investors following this model are likely to be lower due to timing differences for the purchase or sale of securities, expenses such as fees, transaction costs (bid–offer spreads or brokerage commissions) and taxes. Model portfolio changes that are announced prior to 9am are executed at the closing price on the ASX on date of the announcement. Model portfolio changes announced after 9am are executed at the closing price of the subsequent trading session on the ASX. Dividends and interest received are allocated to cash until actively rebalanced. No interest on notional cash balances is accrued. No value is ascribed to franking credits.

Growth	The JBWere Growth Model Portfolio seeks to preserve and enhance the value of capital with a focus on capital growth that exceeds the rate of inflation over the long term (5 years plus).	The Model Portfolio is managed relative to the benchmark and seeks to deliver a portfolio with long-term earnings per share growth that is higher than the S&P/ASX 200 Total Return Index. The investment process seeks to identify high quality companies that are expected to demonstrate above average revenue and earnings growth and to acquire them at reasonable prices relative to their long-term outlook. Macroeconomic risks are considered during portfolio construction.	Within an asset allocation framework or on a standalone basis. See below other Key Information.	20–30	3–6%	20–40%
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Key Information on Growth Model Portfolio

The purpose of the JBWere Growth Model Portfolio is to provide clients with a quality focused Australian Equity model portfolio that may be suitable for a client seeking capital growth returns in excess of the ASX 200 Total Return Index, and to support advisers with a basis of advice to clients. Performance shows returns for a theoretical model portfolio. The model portfolio is based on notional holdings of securities, with sales and purchases of securities implemented on a notional basis to rebalance the model portfolio in line with its investment objectives. Actual returns experienced by investors following this model are likely to be lower due to timing differences for the purchase or sale of securities, expenses such as fees, transaction costs (bid–offer spreads or brokerage commissions) and taxes. Model portfolio changes that are announced prior to 9am are executed at the closing price on the ASX on date of the announcement. Model portfolio changes announced after 9am are executed at the closing price of the subsequent trading session on the ASX. Dividends and interest received are allocated to cash until actively rebalanced. No interest on notional cash balances is accrued. No value is ascribed to franking credits.

Model Portfolio	Investment Objective	Investment Strategy	Purpose	Stock Count	Tracking Error	Turnover
Balanced	The JBWere Balanced Model Portfolio seeks to preserve and enhance the value of capital by generating combined capital and income with a focus on outperforming the S&P/ASX 200 Total Return Index over the long term (5 years plus).	The Model Portfolio is managed relative to the benchmark and seeks to deliver above market long-term EPS growth with a dividend yield in line with the market. The process seeks to invest in high quality companies within the ASX200 acquired at reasonable prices. Macroeconomic risks are considered during model portfolio construction.	Within an asset allocation framework or on a standalone basis. See below other Key Information	30–40	2–6%	20–40%

Key Information on Balanced Model Portfolio

The purpose of the JBWere Balanced Model Portfolio is to provide clients with a quality focused Australian equity portfolio that may be suitable for a client seeking a balance of income and capital growth returns, and to support advisers with a basis of advice to clients. Performance shows returns for a theoretical model portfolio. The model portfolio is based on notional holdings of securities, with sales and purchases of securities implemented on a notional basis to rebalance the model portfolio in line with its investment objectives. Actual returns experienced by investors following this model are likely to be lower due to timing differences for the purchase or sale of securities, expenses such as fees, transaction costs (bid-offer spreads or brokerage commissions) and taxes. Model portfolio changes that are announced prior to 9am are executed at the closing price on the ASX on date of the announcement. Model portfolio changes announced after 9am are executed at the closing price of the subsequent trading session on the ASX. Dividends and interest received are allocated to cash until actively rebalanced. No interest on notional cash balances is accrued. No value is ascribed to franking credits.

Conviction	The JBWere Conviction Model Portfolio seeks to preserve and enhance the value of capital with a focus on capital growth that exceeds the rate of inflation over the long term (5 years plus).	The Portfolio seeks to identify the highest quality companies within the S&P/ASX 200 to be owned over a long time horizon with very low turnover. The Model Portfolio is managed relative to the S&P/ASX 200 but may depart significantly from the benchmark in terms of number of holdings, size of individual investments, concentration of investments, sector and other exposures.	Within an asset allocation framework or on a standalone basis. See below other Key Information.	10–15	4–8%	10–20%
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Key Information on Conviction Model Portfolio

The purpose of the JBWere Conviction Model Portfolio is to provide clients with a quality focused Australian equity model portfolio that may be suitable for a client seeking a concentrated model portfolio with a focus on capital growth returns in excess of the ASX 200 Total Return Index, and to support advisers with a basis of advice to clients. Performance shows returns for a theoretical model portfolio. The model portfolio is based on notional holdings of securities, with sales and purchases of securities implemented on a notional basis to rebalance the model portfolio in line with its investment objectives. Actual returns experienced by investors following this model are likely to be lower due to timing differences for the purchase or sale of securities, expenses such as fees, transaction costs (bid-offer spreads or brokerage commissions) and taxes. Model portfolio changes that are announced prior to 9am are executed at the closing price on the ASX on date of the announcement. Model portfolio changes announced after 9am are executed at the closing price of the subsequent trading session on the ASX. Dividends and interest received are allocated to cash until actively rebalanced. No interest on notional cash balances is accrued. No value is ascribed to franking credits.

Model Portfolio	Investment Objective	Investment Strategy	Purpose	Stock Count	Tracking Error	Turnover
International	The Model Portfolio is benchmark unaware. It is structured with Australian investors in mind and is intentionally inclined towards sectors not well represented on the ASX200. It invests in large and mega-cap stocks listed on develop market exchanges. The Model Portfolio return objective is to outperform the MSCI World ex Australia Accumulation GR \$A Index over rolling 3–5 year periods.	Stock selection screens out companies with poor earnings quality; and then highlights companies that are expected to generate attractive earnings growth at a reasonable price. This is complemented with some exposure to cash generative companies trading on inexpensive multiples. The strategy identifies stocks with high quality earnings, thematic tailwinds and strong industry positioning as we believe earnings and cash flow are more likely to be sustainable for these companies. Macroeconomic risks and opportunities are also considered.	<p>Within an asset allocation framework.</p> <p>The purpose of the JBWere Int'l Model Portfolio is to provide clients with a theoretical example of an int'l equity model portfolio that may be suitable for a client wishing to diversify domestic equity holdings and to support advisers with a basis of advise to clients.</p>	15–30	Bench–mark unaware (4–6%) (soft target)	10–30%

Key Information on International Model Portfolio

Performance shows returns for a theoretical model portfolio. Realised returns are likely to be lower due to expenses such as fees, taxes, transaction costs and bid–offer spreads. The model portfolio assumes positions are rebalanced to recommended weights when model portfolio changes are made and at month end. Model portfolio changes announced prior to 5pm AEST are implemented at the closing price of the subsequent trading session. The model portfolio assumes offshore holdings are unhedged, with FX pricing based on 4pm London time. Dividends are assumed to be reinvested when shares go ex-dividend. The model portfolio can have a zero cash balance, or can choose to hold cash in major currencies.

Model Portfolio Performance and Security Updates:

- JBWere will provide regular performance reports for each of the model portfolios in order keep investors and clients informed of model portfolio performance, drivers of that performance and key model portfolio characteristics, exposures and risks. JBWere will also publish commentary and analysis of individual securities held within the model portfolios, being investment views held by JBWere's Equities team on individual securities, because of factors such as rebalancing within the model portfolio which could lead to an increase or decrease of a holding but not represent a buy or sell recommendation, and because each holding must be considered in the context of that security's inclusion in a JBWere model portfolio. JBWere will not disclose a spread of ratings as its analysis is limited to securities within a model portfolio (or securities being added to or removed from a model portfolio).
- This research is only current as at the date of publication and may not be updated according to a defined frequency or schedule.

International Model Portfolio Investment Process

- The JBWere International Equity Model Portfolio is structured with Australian investors in mind and is intentionally inclined towards sectors that are not well-represented on the ASX. It is designed to be highly complementary to a domestic equity portfolio and to also provide diversification for investors seeking offshore exposure. Sectors such as financials and resources, which Australian investors have abundant exposure to, are very small components of this portfolio.
- The investment process involves initial screening of securities in the MSCI All Country World – ex Australia Index with a market capitalisation above US\$5 billion with stocks listed on developed market exchanges.
- Stocks are then excluded if they have poor or deteriorating quality which is based on quantitative ranking of scores for measures such as profitability, financial health and price momentum/volatility. This reduces the investment universe to around 700 securities.
- Stocks are scored for Growth-At-A-Reasonable Price (GARP) characteristics; and separately for value characteristics, with an emphasis on free cash flow. The portfolio has a greater emphasis on GARP, with value providing some diversification.
 - The GARP screen looks for stocks with strong growth, that are not excessively priced. The screen rewards stocks with attractive 3-year forecast growth in EPS, EBIT, EBITDA, FCF and sales, provided that the cost per unit of growth is not expensive compared with peers. The screen also rewards high ROIC and other profitability metrics.
 - The value screen looks for inexpensive cash generative stocks. Criteria include forward estimates of FCF yield, PE and EV/EBITDA (compared with the universe, and regional sector peers); and trailing P/B. Emphasising forward cash flow highlights companies with capacity for capital returns.
- The portfolio aims to be low turnover. Stocks are most commonly removed from the portfolio because the investment thesis has deteriorated; or occasionally on valuation if there is an extremely attractive alternative. The purpose of the screening process is to identify a pool of attractive candidates to enter the portfolio. New additions are selected from a short list of stocks that demonstrate high earnings quality AND a high score on either the GARP or value screens. These scores are not used as a definitive ranking of stocks, but simply to distil the large universe down to a manageable pool of attractive candidates upon which further analysis is undertaken. We have a preference for stocks generating structural earnings growth driven by a competitive advantage in industries with secular tailwinds.
- Portfolio changes take account of top down views (macroeconomic, sector, style and region), catalysts and technical factors; while Bloomberg portfolio optimisation tools provide insight into the impact of positions on portfolio risk characteristics.

| JBWere International Model Portfolio

Continuous risk mitigation

~1600
Universe

First filter

- MSCI All Country World ex Australia Index
- Market capitalisation >\$5Bn
- Developed markets

Focus list

- Filter for Quality
- Filter for high risk of financial stress

~700
Company
analysis

Quantitative ranking

- | GARP | Value |
|---|--------------|
| • Attractive growth AND reasonable valuation per unit of growth | • FCF yield |
| • ROIC | • EV/EBITDA |
| | • EV/EBIT |
| | • PE |
| | • Price/book |

Portfolio
construction

Portfolio construction

- Low turnover
- Macroeconomic considerations
- Thematic tailwinds
- Analyst conviction
- Sector tilts
- Regional preferences

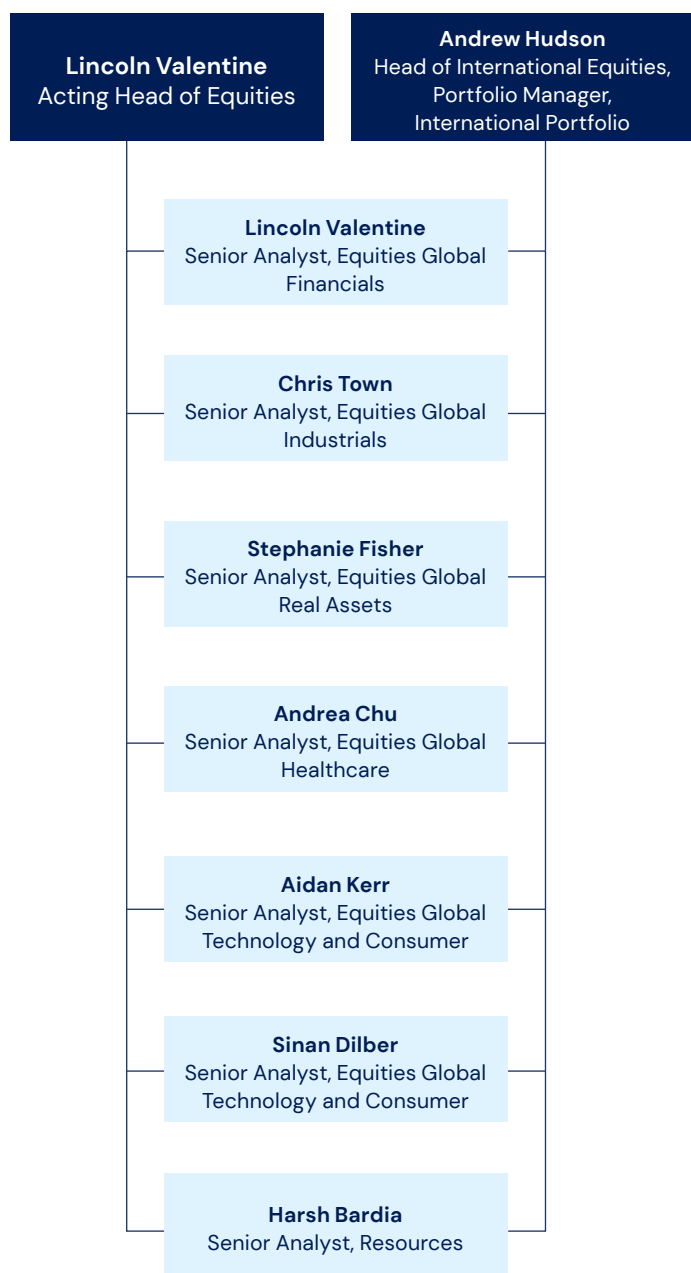
Risk management

- Stock contribution to portfolio risk
- Benchmark unaware
- Structural underweight to financials and materials

| Equities Team

Name	Role	Responsibilities	Years in Industry	Years in Team (JBWere)
Lincoln Valentine, CFA	Acting Head of Equities	Portfolio management of domestic portfolios and equities strategy	20	2
Andrew Hudson	Head of International Equities, Portfolio Manager, International Portfolio	Portfolio management of International portfolio, some Consumer and Technology stocks	23	10
Lincoln Valentine, CFA	Senior Analyst, Equities	Financials	16	2
Chris Town	Senior Analyst, Equities	Industrials	22	3
Stephanie Fisher	Senior Analyst, Equities	Real assets	18	2
Andrea Chu	Senior Analyst, Equities	Healthcare	11	5
Aidan Kerr	Senior Analyst, Equities	Consumer and Technology, Deputy portfolio management of domestic portfolios	6	2
Sinan Dilber	Senior Analyst, Equities	Consumer and Technology	5	3.5
Harsh Bardia, CFA	Senior Analyst, Equities	Resources	14	0

Equities Organisational Structure



Glossary of terms

Active Position	Portfolio weight of a security relative to its weight in the benchmark
Benchmark Aware	When constructing a portfolio, a reference is made to the composition of the benchmark and the weighting of individual securities within the benchmark.
Contribution to Risk	A risk measure that is defined as the contribution of each component in the portfolio to the total value at risk of the portfolio.
DCF	Discounted cash flow
Downside Volatility	The risk of negative returns or returns that fall below a minimum threshold
EV/EBIT	Enterprise value to earnings before interest and tax
EV/EBITDA	Enterprise value to earnings before interest, tax, depreciation and amortisation
FCF Yield	Free cash flow yield
FX Risk	Foreign exchange risk exists when company transactions or investments are denominated in a currency other than the domestic currency.
GARP	Growth at a reasonable price
PE	Price to earnings ratio
PB	Price to book ratio
PEG	Price/earnings to growth ratio
ROIC	Return on invested capital

About JBWere Investment Strategy Group

Our Investment Strategy Group (ISG) is a team of highly experienced investment strategists and analysts; the driving-force behind our investment recommendations and asset allocation strategies. The ISG group undertakes in-house research across a diversified suite of asset classes, including international and domestic equities, international and domestic fixed income, and alternative investments. Supporting the team's research is a wide range of views including those from our domestic and global research partners and other well-respected external industry research bodies.

Drawing on these insights, the ISG provides the intellectual property, insights and tools for JBWere's Advisory Team to manage clients' portfolios including:

- The economic outlook;
- Analysis of global investment trends, opportunities, challenges and investment markets;
- Strategic asset allocation and the identification of tactical portfolio tilts;
- Direct model portfolio and advice; and
- In-depth managed strategies research.

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