



# Product Review

## Hostplus — Indexed Balanced

### About this Review

ASSET CLASS REVIEWED	MULTI-ASSET
SECTOR REVIEWED	61-80% GROWTH ASSETS
SUB SECTOR REVIEWED	SUPERANNUATION
TOTAL FUNDS RATED	22

### About this Option

PDS OBJECTIVE	CPI + 2.5% P.A. ON AVERAGE OVER 20 YEARS
PDS DATE	01-10-2020
OPTION SIZE	\$8.5BN (DECEMBER 2020)
MANAGEMENT COSTS	0.06% P.A. (INCL. INVESTMENT FEE 0.02% P.A. AND ICR 0.04% P.A.)
ACCOUNT TYPES	ACCUMULATION; PENSION

### About this Fund

FUND NAME	HOSTPLUS
FUND ABN	79 008 634 704
FUND INCEPTION	08-02-1988
FUND SIZE	\$53.8BN (DECEMBER 2020)
MEMBERSHIP	1M
MEMBERSHIP FEE (P.A.)	\$0.00
ADMINISTRATION FEE (P.A.)	\$78

### About this Trustee

TRUSTEE	HOSTPLUS
FUND MANAGER	HOSTPLUS
ASSETS MANAGED IN THIS SECTOR	\$53.8BN (DECEMBER 2020)
YEARS MANAGING THIS ASSET CLASS	33
ASSET CONSULTANT	JANA INVESTMENT ADVISERS

### Investment Team

PORTFOLIO MANAGER	SAM SICILIA, GREG CLERK & ANDREW HOWARD
INVESTMENT TEAM SIZE	14
INVESTMENT TEAM TURNOVER	LOW

### Investment process

STYLE	SAA
SECTOR EXPOSURE	PASSIVE
GROWTH / DEFENSIVE SPLIT %	75 / 25
USE OF ALTERNATIVES	NO

### Option rating history

APRIL 2021	RECOMMENDED
MAY 2020	RECOMMENDED
MAY 2019	RECOMMENDED

### What this Rating means

The 'Recommended' rating indicates that Lonsec has strong conviction the financial product can generate risk adjusted returns in line with relevant objectives. The financial product is considered an appropriate entry point to this asset class or strategy.

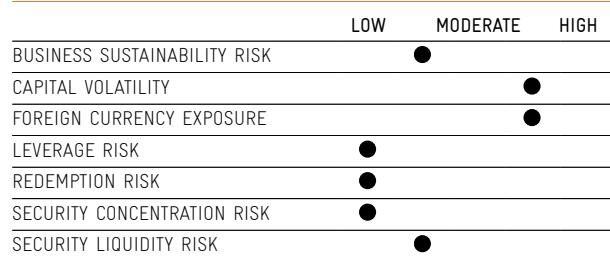
### Strengths

- Experienced and stable senior investment team.
- Lowest fee load in the Lonsec-rated peer group.

### Weaknesses

- Limited diversification relative to actively managed multi-asset peers has resulted in higher volatility relative to the peer median over multiple time periods.
- Typically carries higher equity market beta relative to actively managed Lonsec rated peers.

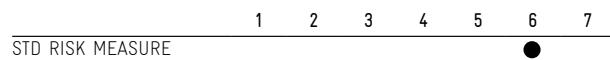
### Option Risk Characteristics



Risk categories are based on Lonsec's qualitative opinion of the risks inherent in the financial product's asset class and the risks relative to other financial products in the relevant Lonsec sector universe.

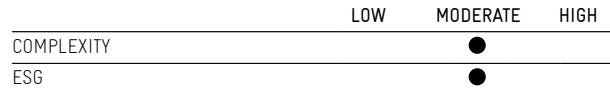
### BIOmetrics

#### Aggregated risks

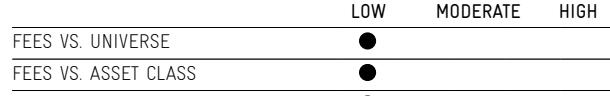


A Standard Risk Measure score of 6 equates to a Risk Label of 'High' and an estimated number of negative annual returns over any 20 year period of 4 to less than 6. This is a measure of expected frequency (not magnitude) of capital losses, calculated in accordance with ASFA/FSC guidelines.

### Features and benefits



### Fee profile



Fee BIOmetrics are a function of expected total fee as a percentage of expected total return.

# Hostplus — Indexed Balanced

## What is this Option?

- The Hostplus Indexed Balanced Option ('the Option') is a 75%/25% growth/defensive diversified mix of assets with exposure to equities, fixed income and cash. This Option is managed by Hostplus which employs a selection of specialist indexed fund managers. This Option was designed as a passive alternative to the Balanced (MySuper) option.
- The information provided in this report refers to the accumulation option. For further details on the pension option, please refer to the PDS.
- The Option aims to deliver returns (after fees and taxes) of CPI plus 2.5% p.a. on average over 20 years.
- From a risk perspective, the Option aims to limit the likelihood of negative returns to between four and six out of every 20 years (on average).
- As per the PDS dated 1 October 2020, the fee structure/disclosure for the Option is as follows:
  - Management cost of 0.06% p.a., comprising an investment fee of 0.02% p.a. (management fee of 0.02% p.a. and performance fee of zero); plus
  - An indirect cost ratio (ICR) of 0.04% p.a. (transaction cost of 0.03% p.a. and operational cost of 0.01% p.a.); and
  - An administration fee of \$1.50 per week. The Option itself does not charge a performance fee at the headline level.
- Transaction costs are incurred when assets are bought or sold and are an additional cost to the member. Operational costs include all administrative / operational expenses that are additional costs. As noted above, the Option's transaction and operational costs are captured in the ICR. Buy/sell spreads are subject to change depending on market conditions. Refer to the Manager for current buy/sell spreads.

## Using this Option

This is General Advice only and should be read in conjunction with the Disclaimer, Disclosure and Warning on the final page.

- The Option is a multi-asset balanced portfolio that is best suited to medium to long-term investors who can accept some investment risk over the longer term. The Option has a high exposure to equities to provide long-term investment growth.

## Suggested Lonsec risk profile suitability

SECURE DEFENSIVE CONSERVATIVE BALANCED GROWTH HIGH GROWTH

For guidance on appropriate asset allocations and risk profiles, refer to the latest Lonsec Strategic Asset Allocation Review and Risk Profile Definitions on our website.

## Changes Since Previous Lonsec Review

- Hostplus' funds under management (FUM) has risen from \$45.8bn to \$53.8bn. The size of the Option has increased materially from \$6.2bn to \$8.5bn (figures as at 31 December 2020).
- In February 2021, Hostplus (along with other industry funds) agreed to sell its stake in Members Equity Bank to the Bank of Queensland. Completion

of the transaction is targeted before the end of the 2021 financial year, subject to regulatory approval.

- Hostplus' internal investment team:
  - Departure of Kristopher Staltare (Investment Specialist – Property).
  - Departure of Derren Tan (Investment Specialist – Infrastructure).
- Strategic Asset Allocation (Indexed Balanced option):
  - Increased Diversified Fixed Interest allocation to 17% (+2%).
  - Decreased Cash allocation to 8% (-2%).
- Fees:
  - Management cost increase from 0.05% p.a. to 0.06% p.a. This is comprised of an ICR increase from 0.03% p.a. to 0.04% p.a.
- Liquidity:
  - Withdrawals thus far (\$3.1bn as of 31 December 2020) under the Federal Government's Early Release Scheme have been significantly lower than initially feared (\$8-10bn). While this is a positive result, Lonsec highlights this experience is shared across the wider superannuation system, and can be attributed in large part to the unprecedented fiscal support (such as JobKeeper/Seeker) helping to stem outflows.

## Lonsec Opinion of this Option

### People and resources

- Hostplus ('the Fund') is a public offer superannuation fund for the hospitality (including tourism, recreation and sport) industry. As at December 2020, the Fund has over one million members with approximately \$53.8bn of funds under management (FUM), up from \$45.8bn at the time of the last review. Given the nature of the hospitality industry, the Fund's membership base is relatively young with an average age of 35 years old. Lonsec acknowledges the high FUM level enables the Manager to negotiate competitive fees with its underlying managers within this Option.
- The investment team of 14 is headed by CIO Sam Sicilia, who joined the Fund in 2008. Sicilia, who has 27 years of industry experience, is responsible for capital markets and generating investment insights for the Fund. He is supported by two Deputy CIO's – Greg Clerk and Andrew Howard. Clerk (previously Head of Investment Strategy) joined the Fund in 2016 but had a lengthy working relationship with the Fund prior to his appointment in his role at JANA where he spent 17 years, most recently as the primary asset consultant to the Fund. Howard (previously CIO at VicSuper) recently joined the Fund in March 2020, and is responsible for leading the fund's investments strategy team. Lonsec has sufficient conviction in Sicilia's and Clerk's investment skills, and notes Howard's pedigree and experience is helping to ease some of the workload from the increasing volume of projects required to evolve the Fund's strategy as FUM grows rapidly. Pleasingly, Hostplus has signalled an intention to hire roles within their investment team to bolster resourcing and invest in portfolio management and risk systems. Overall Lonsec views this shift favourably and is seeking to gain further conviction once hires have

## Hostplus — Indexed Balanced

been made and systems put in place. Compared to the Fund's other active multi-asset options, Lonsec notes the involvement of the team and JANA in this Option to be minimal (and focused on asset allocation), albeit adequate given the passive nature of the Option.

- The Fund's Board of Directors ('Board') comprises nine members with equal representation from employers (Australian Hotel Association) and employees (United Voice). Out of the nine members, three directors, including the Chair, are jointly selected by Australian Hotel Association and United Voice. The Board is responsible for the overall governance, management and long term strategic direction of the Fund, and also serves as the investment committee. The Board delegates day to day investment operational activities to the investment team, but remains ultimately accountable for the Fund's investment management and outcomes. Compared to Lonsec-rated peers, Lonsec considers the Board to have less direct investment management experience, albeit possesses the breadth and diverse set of skills to oversee the investment team.
- The alignment of interests between the Fund and investment team is considered to be relatively low but considered adequate, and in-line with the Fund's not for profit philosophy, governance, and decision making structures. The CIO and Deputy CIOs have their own superannuation invested in the Fund but this is not mandated for the investment team. The investment team is paid a base salary, with Heads of also receiving a discretionary component related to the performance of the Fund and its default MySuper option (rather than the Option specifically).

### Asset allocation

- JANA is responsible for researching and monitoring the strategic asset allocation ('SAA') at the Fund. JANA's asset allocation is determined quarterly by the in-house committee, then tailored to meet clients' objectives. Lonsec considers JANA's asset allocation process to be robust and suited for the Fund's investment style.
- As a passive alternative option, this Option does not employ dynamic or tactical asset allocation.
- Lonsec notes in an effort to keep costs low, the Option is restricted to the major equity and bond asset classes which results in a portfolio that is less diversified when compared to active multi-asset peers.

### Research approach

- Lonsec considers JANA's manager research process to be thorough and robust. JANA's formal manager review and due diligence process involves multiple members of the team over a series of meetings to evaluate a manager on both quantitative and qualitative grounds. The JANA Research Committee is responsible for reviewing all research prior to assigning a manager an 'investable' rating. The list of 'investable' managers is then used by the asset consultants to construct individual client portfolios, taking into account various factors and requirements.

- Lonsec notes the Fund's investment team is involved in the later stages of the manager diligence process and has met with all the incumbent managers prior to onboarding them onto the Option. Once a manager is approved, the relationship management responsibility shifts to the investment team for all specific Hostplus matters.

### Portfolio construction

- All of the Option's investments are outsourced to external managers, where pooled trusts and mandates are used. Overall, Lonsec believes that mandate tailoring or blending of individual asset class exposures can facilitate tighter portfolio construction and better control of product design to achieve desired performance and tracking error objectives though acknowledges this may not be as practical or relevant for index funds, where economies of scale assist in keeping costs down.
- The portfolio consists entirely of underlying indexed strategies which are designed to benefit from a cost and simplicity perspective. Hence in contrast to the active option, where more qualitative factors feature more heavily, cost considerations were a key driver in the allocation decision for this Option.
- Similar to other industry superannuation funds, the Option has investments in related parties, i.e. IFM. While related party investments have the perceived conflict of interest which may compromise the objectivity of the portfolio construction process, Lonsec notes the investment team has strict governance processes in place which is supported by the independence of JANA, which reports directly to the Board.
- Portfolio turnover is relatively low compared to Lonsec-rated peers, with all five current strategies being appointed since inception of the Option. Lonsec notes this is consistent with the investment team's philosophy of investing for the long-term with highly regarded investors (e.g. portfolio managers) independent of short-term distraction / noise.

### ESG Integration

- The Manager has indicated a commitment to ESG with a strong policy framework and clear public positioning. The ESG policy is freely available on the firm's website. Overall, Lonsec views the strength of this commitment to be above peers.
- The level of disclosure with respect to the Manager's proxy voting policy and voting outcomes is in-line with peers supported by a decent proxy voting policy framework. Reporting on voting decisions is publicly available and aligned with peers.
- The level of disclosure with respect to the Manager's engagement policies and engagement outcomes is assessed as being in-line with peers with a decent engagement policy framework. Engagement reporting is publicly available but considered to be lagging peers.
- There is evidence of ESG incorporation when selecting a manager, particularly through the use of a new investment checklist that includes minimum ESG requirements. Some elements of ESG are visible throughout the product design process. The Manager conducts annual ESG reviews and while there is some monitoring of ESG factors at the manager level,

## Hostplus — Indexed Balanced

it is still at a relatively nascent stage. Overall, ESG integration within the investment process is in line with peers.

- The investment team demonstrated an ability to engage on broad ESG topics and the Manager had a systematic approach to tracking engagement outcomes. ESG is integrated across equity strategies of the portfolio. There was some evidence of a structured approach to performing detailed look-through ESG analysis of underlying holdings.
- Overall, on a peer relative basis, Lonsec considers the level of ESG integration within this fund to be 'Moderate'.

### Risk management

- The Board charter details key policies and processes the Board has in place for the governance of the Option, as well as the key roles and responsibilities of the Board. Separate to this, the Fund's in-house Group Executive, Legal & Compliance oversees a compliance program which includes three risk management frameworks. Lonsec considers the existing compliance structure in place at the Fund to be adequate.
- The investment team conducts portfolio analytics primarily via JANA's tools (which includes the highly regarded MSCI BarraOne system), supplemented by the Citibank performance measurement and attribution system which is monitored in-house. Citibank, which serves as the custodian, is responsible for monitoring mandate breaches by external managers. Lonsec considers the lack of internal investment risk and performance analytical systems to be a relative weakness of the Fund. That said, Lonsec acknowledges the efforts that are being made to address this.

### Performance

- The Option aims to deliver returns (after fees and taxes) of CPI plus 2.5% p.a. over rolling 20-year periods. Over the 10 years to 31 December 2020 (all figures net of fees), the Option returned 9.0% p.a., outperforming both its internal CPI objective and the Lonsec peer median. The Option also outperformed its peer group benchmark, SuperRatings' SR50 Balanced (60-76) Index, by 1.6% p.a. over this time period.
- Over the one-year and three-year periods to 31 December 2020 (all figures net of fees), the Option returned 4.2% and 7.0% respectively against the peer median return of 4.7% and 7.1%. The Option's volatility over both time periods ranged between 10-15%, translating through to a Sharpe ratio of 0.25 and 0.57. This ratio was behind the peer median over both one year and three years, suggesting an inferior risk-adjusted return (albeit still acceptable in absolute terms).
- Lonsec notes the Option's volatility has been higher than its peer median across all time periods measured, likely impacted by its limited diversification relative to actively managed multi-asset peers.

### Overall

- Lonsec has retained the Fund's 'Recommended' rating at this review. While the investment team is smaller than peers of a similar size and complexity, Lonsec continues to rate the experience of senior members of the investment team. Lonsec notes the Option's fee load is a key competitive strength in this peer group, providing a very competitively-priced and passive exposure to traditional asset classes.
- Lonsec cautions the Option's limited diversification has resulted in higher volatility in returns and greater drawdowns relative to more active peers. That being said these characteristics are fairly normal for low cost diversified options such as this.

## People and Resources

### Corporate overview

The Fund is an industry superannuation fund for the hospitality, tourism, recreation and sports industry. Originally founded in 1988 by the Australian Hotels Association and United Voice, the Fund has grown to over one million members with approximately \$53.8bn in funds under management (as at December 2020).

### Size and experience

NAME	POSITION	EXPERIENCE INDUSTRY / FIRM
SAM SICILIA	CIO	27 / 12
GREG CLERK	DEPUTY CIO	22 / 5
ANDREW HOWARD	DEPUTY CIO	26 / 1

\*The Fund's investment team also includes five asset class heads, one ESG head and five additional analysts.

The investment team is responsible for designing and implementing the Fund's investment strategy as determined by the Board of Directors ('Board').

The investment team is headed by CIO Sam Sicilia. Prior to joining the Fund as the inaugural CIO in 2008, Sicilia had considerable experience in investment consulting, spanning 14 years across Russell Investments, Bank of Ireland Asset Management, Frontier Advisors and Towers Perrin.

Greg Clerk (Deputy CIO) joined the Fund as Head of Investment Strategy in February 2016 after a 17-year stint at JANA, most of the latter years as the primary asset consultant to the Fund.

Andrew Howard (Deputy CIO) joined the Fund in March 2020 from VicSuper, where he served as CIO for a number of years. Prior to that, Howard was Mercer Investments' Asia Pacific CIO, Pacific Current Group (formerly Treasury Group) CIO, and Frontier Advisors' head of manager research.

JANA's Stewart Eager is the primary asset consultant to the Fund. He joined JANA in January 2008 and prior to that worked at Equity Trustees, Old Mutual Asset Managers and M&G Investments globally.

Both the investment team (led by Sicilia) and JANA report to the Board, which also serves as the investment committee at the Fund.

## Hostplus — Indexed Balanced

### Governance and investment committee

The nine-member Board is made up of three representatives from Australian Hotels Association (representing the employers), three representatives from United Voice (representing the employees), and three representatives jointly selected by Australian Hotels Association and United Voice. Board appointments last for three years and are staggered, with the Chair of the Board appointed from one of the three independent representatives. The current Chair is David Elmslie, a corporate veteran with previous experience at Crown Limited and Tabcorp Holdings Limited.

A Special Investment Group (SIG) operates as a sub-committee of the Board and has delegations from the Board to handle investment approvals. Members of the SIG include the Chair of the Board and three other Board members. Other Directors are invited but not required to attend.

### Asset consultant

JANA is a leading investment consulting firm. JANA's core business is providing traditional and implemented consulting advice to institutional clients, including corporate, industry and public sector superannuation clients as well as charities, foundations and endowment clients. As at 31 December 2020, total assets under advice were approximately \$650bn.

JANA was established in September 1987 as John A Nolan and Associates Pty Ltd, one of the pioneers of investment consulting in the Australian market. In December 2000, JANA became a fully-owned subsidiary of the National Australia Bank ('NAB'). In February 2012, MLC Implemented Consulting and JANA merged. In September 2017, NAB sold 55% of its stake in JANA to JANA management, retaining a minority ownership of 45%.

JANA has a well-resourced team (more than 50 investment professionals) although has experienced a degree of turnover in recent years. Lonsec will continue to monitor this situation and any potential impact of the recent ownership change.

### Asset Allocation

#### Strategic asset allocation

JANA's Asset Allocation Committee meets quarterly to discuss views on markets and asset classes. This includes a peer review process where research teams submit the assessment of the current positioning of their respective asset classes. JANA follows a 'Valuation, Fundamentals and Sentiment' framework. Valuation is the key determinant of JANA's views, but the timing and sizing of a view may be modified by their assessment of fundamentals and / or sentiment. 'Valuation' is assessed over a three-year time frame, while 'Fundamentals' and 'Sentiment' involve an assessment of the current economic and market environment. In-house JANA views are submitted from the Capital Markets Group. The outtakes from these are then discussed in the quarterly Client Portfolio Review meetings, which review the implications for individual client SAA.

The SAA has relatively wide ranges, allowing the investment team a considerable degree of flexibility in allocating its investments.

### Asset allocation

ASSET CLASS	SAA BENCHMARK	MIN	MAX	CURRENT ALLOCATION
AUSTRALIAN EQUITIES	32%	25%	55%	32%
INTERNATIONAL EQUITIES – DEVELOPED	43%	25%	55%	43%
INTERNATIONAL EQUITIES – EMERGING	0%	0%	10%	0%
DIVERSIFIED FIXED INTEREST	17%	10%	30%	17%
CASH	8%	0%	20%	8%
TOTAL	100%	-	-	100%

#### Tactical/Dynamic asset allocation

Dynamic or tactical asset allocation is not featured in this Option.

### Research Approach

The Fund delegates manager research responsibility entirely to JANA. JANA's manager research aims to identify managers that:

1. Are able to deliver passive, indexed performance over the long term.
2. Have sustainable business.
3. Have repeatable approach and discipline to follow processes consistently.

The key factors researchers consider include investment philosophy and style, research capabilities, investment process, ESG integration, portfolio construction, people, organisation, performance and specific issues such as capacity and fees. In addition to assessing the strengths of a manager, strong emphasis is also placed on risk factors (process, business risk, key person risk, ease of exit, capacity, performance in varying market conditions).

JANA's manager research process is as follows:

1. Step 1 – Filtering the investment universe: JANA's research team regularly meets with managers, including those that do not currently manage money for their clients. JANA has an 'open door' policy and will interview new managers without discrimination.
2. Step 2 – New manager / shortlist compliance process: If a manager is identified as having outstanding qualities, the research team will commence a formal due diligence process. JANA will meet with the manager multiple times and build relationships across a broad range of personnel to gain insights into the reasoning, the people and the processes behind the manager's investment decisions. JANA research is conducted by at least three JANA personnel to ensure a diversity of inputs, including the head of the relevant research team, the Head of Research or an Executive Director. Offshore managers must be met in their offices as part of the due diligence process. These meetings are documented in the JANA Information Management System (JIMS). JIMS currently covers 1,800+ product managers of which 260+ are currently used by JANA clients.
3. Step 3 – Presentation to the JANA Research Committee (JRC): Following the completion of due diligence, if a manager is considered additive to client portfolios, the research team prepares an Evaluation Sheet for review by the JRC. It is the role of the JRC to robustly review, analyse and question the information presented to satisfy itself that thorough

## Hostplus — Indexed Balanced

- research has been conducted before the manager is confirmed as 'investable' for JANA's clients.
- Step 4 – Ongoing Due Diligence: As part of the formal review and subsequent monitoring, managers participate in ongoing interviews with JANA staff, as often as needed where issues or concerns are present, or else are typically conducted on a quarterly basis. Regular manager meetings incorporate both quantitative and qualitative elements, similar to the due diligence process above. Termination of managers may happen for a broad range of reasons, including: departure of key personnel; adverse developments in the manager's organisation; excessive growth in assets under management and / or product proliferation; unexpected or unacceptable risk characteristics; underperformance, particularly in market conditions that should have been relatively favourable for the manager's stated investment approach; and perceived loss of the manager's 'edge'.

Manager recommendations are made to the Fund's investment team and Board for approval. JANA will meet with each incumbent manager at least quarterly.

### Portfolio Construction

#### Overview

The Option invests in externally managed strategies, where specific mandates are utilised where possible, or pooled trusts otherwise.

The underlying managers consist solely of indexed funds.

The investment team does not engage in derivatives, but the underlying managers may employ derivatives either for hedging or directional exposure purposes.

#### Related party investments

The Fund holds a number of small strategic investments. Alongside other industry superannuation funds, the Fund has non-controlling interest in the following businesses:

- IFM; and
- ISPT.

The Option has awarded a large allocation to IFM across the Australian and International equity asset classes.

### Underlying manager allocation

#### Australian equities

- IFM

#### International equities

- IFM

#### Australian fixed interest

- BlackRock

#### Global fixed interest

- BlackRock

#### Cash

- Citibank

### Risk Management

#### Risk limits

At the broad level, risk within the Option is controlled through diversification across asset classes, and manager selection within each asset class. However, investment ranges within the SAA are relatively wide. The Fund has a 0% hard limit allocation to illiquid assets.

#### Risk monitoring

Incumbent managers are formally reviewed annually, with frequent meetings between the managers and the Fund's investment team and JANA. Termination of managers may happen for a broad range of reasons. These include departure of key personnel; adverse developments in the manager's organisation (such as a change of ownership or strategic priorities); excessive growth in assets under management and / or product proliferation; unexpected or unacceptable risk characteristics; underperformance; and perceived loss of the manager's 'edge'.

Hostplus employs a compliance program which formalises the structure and processes to meet legislative and regulatory requirements, overseen by the in-house Group Executive, Legal & Compliance. The compliance program includes three separate risk management framework:

- The Risk Management Strategy (RMS) which outlines the Board's approach to risk management (how Hostplus identifies, accesses, mitigates, manages, monitors and reports on risk);
- Risk Appetite Statements (RAS) which is a formal declaration of the Board's risk appetite and articulates how much risk the Board is willing to accept in order to achieve its strategic and business objectives; and
- Material Risk Register (MRR) and Key Risk Indicators (KRI) which contain details of material risks impacting the Option and captures the risk assessment, risk tolerance and mitigating controls of all the identified material risks.

The monitoring of the broader range of investment risks (liquidity, performance assessment) is undertaken by both JANA and the investment team, depending on the specific risk or exposure being considered. The custodian (Citibank) monitors the mandates for breaches.

#### Implementation

The Option is rebalanced daily to ensure it is in line with the SAA.

#### Currency management

The Option engages in currency hedging by maintaining a set of passive hedge ratios to control currency risk.

#### Risks

An investment in the Option carries a number of standard investment risks associated with investment markets. These include economic, market, political, legal, tax and regulatory risks. Investors should read the PDS before making a decision to invest or not invest. Lonsec considers the major risks to be:

#### Market and economic risk

Certain events may have a negative effect on the price of all types of investments within a particular market. These events may include changes in economic, social, technological or political conditions, as well as market sentiment.

#### Other risks

Please refer to the Option's PDS for more details on the Investment Risks and Operational Risks as identified by the Fund.

## Hostplus — Indexed Balanced

**Quantitative Performance Analysis - annualised after-fee and after-tax % returns (at 31-12-2020)**

### Performance metrics

	1 YR		3 YR		5 YR		10 YR	
	FUND	PEER MEDIAN						
PERFORMANCE (% PA)	4.20	4.66	7.02	7.09	7.68	7.98	9.00	8.86
STANDARD DEVIATION (% PA)	15.55	13.06	10.17	8.23	8.64	6.90	7.54	5.91
EXCESS RETURN (% PA)	0.91	1.12	1.24	1.32	0.67	1.06	1.64	1.36
OUTPERFORMANCE RATIO (% PA)	58.33	58.33	63.89	61.11	56.67	61.67	58.33	61.67
WORST DRAWDOWN (%)	-14.58	-12.26	-14.58	-12.26	-14.58	-12.26	-14.58	-11.98
TIME TO RECOVERY (MTHS)	8	8	8	8	8	8	8	8
SHARPE RATIO	0.25	0.34	0.57	0.69	0.71	1.02	0.87	1.08
INFORMATION RATIO	0.25	0.68	0.47	0.79	0.27	0.85	0.59	0.89
TRACKING ERROR (% PA)	3.70	2.10	2.66	1.52	2.52	1.30	2.77	1.10

PRODUCT: HOSTPLUS - INDEXED BALANCED

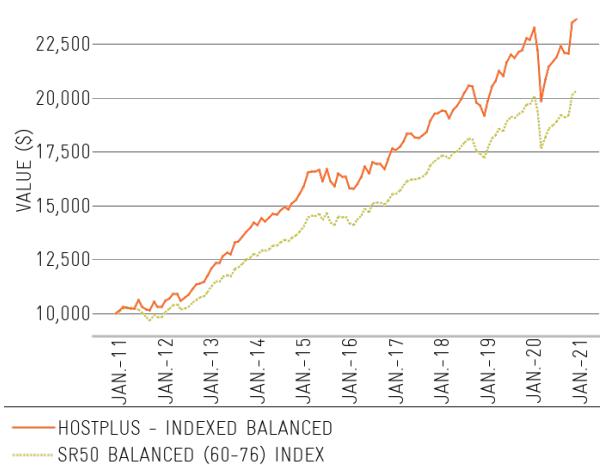
LONGSEC PEER GROUP: MULTI-ASSET - 61-80% GROWTH ASSETS - SUPERANNUATION

PRODUCT BENCHMARK: SR50 BALANCED (60-76) INDEX

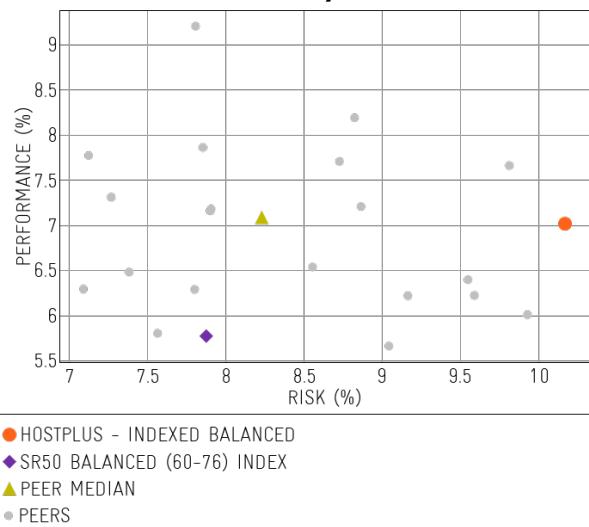
CASH BENCHMARK: BLOOMBERG AUSBOND BANK BILL INDEX AUD

TIME TO RECOVERY: NR - NOT RECOVERED, DASH - NO DRAWDOWN DURING PERIOD

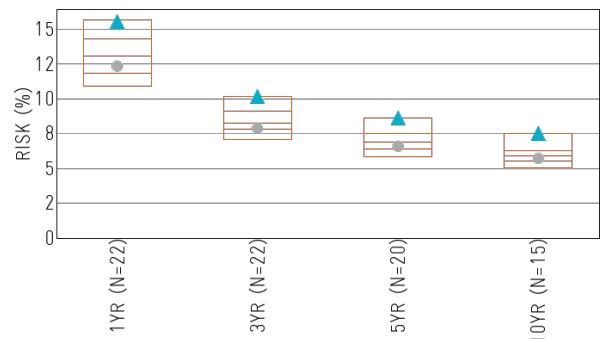
### Growth of \$10,000 over 10 years



### Risk-return chart over three years



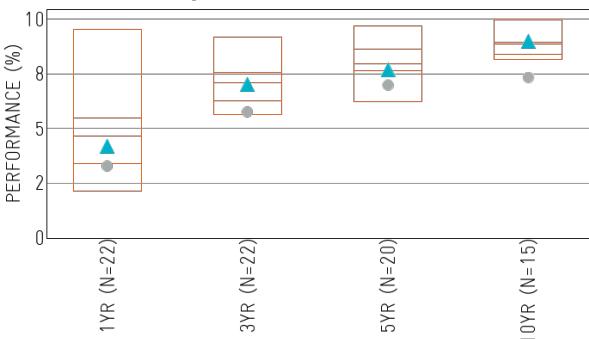
### Quartile chart — risk



▲ HOSTPLUS - INDEXED BALANCED  
● SR50 BALANCED (60-76) INDEX

N: NUMBER OF ACTIVE FUNDS

### Quartile chart — performance



▲ HOSTPLUS - INDEXED BALANCED  
● SR50 BALANCED (60-76) INDEX

N: NUMBER OF ACTIVE FUNDS

# Hostplus — Indexed Balanced

## Glossary

- Total return** 'Top line' actual return, after fees
- Excess return** Return in excess of the benchmark return
- Standard deviation** Volatility of monthly Absolute Returns
- Tracking error** Volatility of monthly Excess Returns against the benchmark (the Standard Deviation of monthly Excess Returns)
- Sharpe ratio** Absolute reward for absolute risk taken (outperformance of the risk free return (Bank Bills) / Standard Deviation)
- Information ratio** Relative reward for relative risk taken (Excess Returns / Tracking Error)
- Worst drawdown** The worst cumulative loss ('peak to trough') experienced over the period assessed
- Time to recovery** The number of months taken to recover the Worst Drawdown
- Snail Trail** A trailing 12-month relative performance and relative risk measurement over the benchmark. The trail is generated using a 12-month rolling window over the specified period

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