# ARGYLE WATER FUND

evergreenratings

AUGUST 2022

# CONTENTS

# RATING OVERVIEW

## SUMMARY & CONCLUSION

Evergreen Ratings Pty Ltd (Evergreen Ratings) has reviewed the Argyle Water Fund ("AWF", or "the Fund") and its associated feeder for Australian wholesale investors, the Argyle Water Access Fund ("AWAF", "Feeder"). It has rated the Fund as Highly Commended.

The Fund offers access to an established, diversified portfolio of Australian Water Entitlements (also referred to as water rights or water shares). The Fund's water rights are actively managed by Argyle Capital Partners Pty Ltd (Argyle, or "the Manager") through an experienced team to generate income and a potential for capital growth through the appreciation of Water Entitlements over time.

**RATING**

**HIGHLY COMMENDED**

*Refer to the final page for a description of the Ratings scale.

The Fund targets a total annual return of 10% - 14% averaged across a recommended five to seven year investment period, comprising capital growth of 7% - 11% per annum and yield of 3% - 5% per annum, with expected volatility in the range of 6% - 10% per annum.

The existing management team has over a decade of experience in deploying capital in the Australian water market. They have managed the Fund through several climate cycles from flood to drought. The Fund was established in 2012 and its track record to date shows little or no correlation with traditional asset classes, and little correlation with short term climatic conditions.

## STRENGTHS

Past performance has been strong and met target within risk limits. Stability of key persons from inception to date has ensured consistency of investment strategy, a deep knowledge of water markets and the Fund's assets. Argyle has managed other mandates for a similar period to the Fund, and these institutional clients have been stable, long-term investors. Importantly, returns are unleveraged, so no adjustment is needed to historical returns to deleverage reported investment returns. Trades in Water Entitlements and Water Allocations are reported and available to the market, if occasionally with a time lag. This enables contemporaneous unit pricing to be done monthly, and allows new and exiting investors to have confidence in the liquidity and fairness of unit pricing. Correlation to ASX Total Return Index -0.06[1], so an investment in AWF units offers a diversification benefit to many investors. The presence of several large investors in the Fund who have agreed to lock-up periods, allows the Manager greater certainty to write longer-term leases than would otherwise be the case. Increased lease income in turn increases running yield and annual distributions to members of the Fund.

## WEAKNESSES

Fees charged by the Manager are high compared to long only mutual funds, including a performance fee. Given the uniqueness of the asset class and inherent lack of scalability, this type of fee structure is more understandable and should be seen in light of the historically high net returns to investors. The uniqueness of the asset class also explains the lack of any transparent benchmark and is difficult to criticise, given the specialised nature of the Fund's investment universe. There is key person risk which is reduced through longstanding written procedures which new investment team members can learn and apply. Since the establishment of the Manager, there have been rare instances of staff leaving to establish rival firms, and the Manager has seamlessly continued to manage the assets of the Fund and maintain returns.

## DIFFERENTIATING FACTORS

Investment in the Fund offers a direct and meaningful way to ensure finite volumes of consumptive fresh water are valued appropriately and directed to their most efficient use through the Fund's active participation in Australia's world leading 'cap and trade' water markets. This consumptive water volume is allocated after allowing for minimum environmental river flows and sustainable aquifer recharge. The Argyle Water Fund is incentivised to sell its allocated water volumes each year, so ensuring annual income is derived by the Manager. An investment in the Fund will be attractive to yield-conscious investors seeking a way to contribute to progressively more efficient water use in Australia's irrigated agricultural industries. Long-term drivers of demand and supply for water are not correlated with interest rates, share markets or exchange rates.

## ISSUES TO NOTE

The tax status of the Fund changed in 2021. It is now classified as a "pass-through" trust rather than paying tax on earnings before distributions with associated franking credits. This makes it hard to reconcile gross distributions in coming periods with taxed distributions in the past.

The Manager wishes to retain the "pass through" status of the Fund by maintaining its 'closely held' status.

From August 2022 onwards, Australian wholesale investors can only invest in the Fund via a special purpose feeder, the Argyle Water Access Fund ('Feeder'). This structure offers lower management fees than a direct investment into the Fund but requires a two-year lock-up (non-redemption) period. Analysis of the Fund assumes investors subscribe via the Feeder structure.

[1] Source AWF Investor Report 30 June, 2022

The Feeder intends to provide franked distributions to Australian tax paying investors reflecting the distributions of the Argyle Water Fund, net of tax paid by the Feeder. Investors in the Feeder should consider any tax implications.

The Manager manages the Fund and a separately managed account (SMA) for an institutional investor that is also invested in water rights. This creates potential conflicts of interest such as allocating new investment opportunities and seasonal water sales between clients, however Water Entitlements and sales of Water Allocations are divisible, and Argyle has a documented policy to manage each portfolio equitably.

## ABOUT THE PRODUCT

| FUND PARTICULARS | |
|---|---|
| **Fund name** | Argyle Water Fund ABN 81 606 447 491 |
| **Feeder name** | Argyle Water Access Fund |
| **Dominant strategy** | The Fund's mandate is to invest in and actively manage Australian Water Entitlements (also known as water licenses or water rights). |
| **Fund structure** | Open-ended unit trust |
| **Fund Trustee** | The Trust Company (Australia) Limited ACN 000 000 993 |
| **Investment Manager/ Administrator** | Argyle Capital Partners Pty Ltd ABN 36 634 933 029, AR 1277504 |

| KEY ELEMENTS | DESCRIPTION |
|---|---|
| **Fund inception** | 20 August, 2012 |
| **Domicile** | Australia |
| **Legal form** | Unlisted unregistered managed investment scheme |

| KEY ELEMENTS | DESCRIPTION |
|---|---|
| **Geographic mandate** | The Fund invests primarily in Australian Water Entitlements but may also hold cash and cash-like instruments from time to time.<br>The Trustee may, from time to time to preserve member returns, close the Fund to new investments if it does not consider additional funds can be readily deployed by Argyle in the Australian Water Entitlements market.<br>Water Entitlements exist in areas around Australia, but historically over 90% of traded water rights are within in the Murray-Darling Basin (MDB). The Fund concentrates its water entitlement portfolio in the MDB. |
| **Open** | Yes, open to new Australian wholesale investors ('sophisticated retail') via a Feeder |
| **Investment timeframe** | Medium to long term (5 -7 years) |
| **Management fee** | 1.40% including GST (excluding Reduced Input Tax Credits) (RITC) |
| **Performance fee** | 17.9375% including GST (excluding RITC) of total returns net of management expenses above a performance hurdle of 8%, subject to a high-water mark. |
| **Administration fee** | 0.2842% plus GST (excluding RITC) pa of the Fund's gross asset value. The manager meets any excess operating expenses from its own resources. |
| **Expenses reimbursement** | The Manager is not entitled to reimbursement of expenses other than the Administration Fee. |
| **High water mark** | Yes |
| **Benchmark** | There is no formal benchmark.<br>In the absence of an appropriate external benchmark, Fund performance is appraised to a market capitalisation weighted index of tradeable Water Entitlements on issue in the southern Murray-Darling Basin compiled and published by Aither Pty Limited. |
| **Distributions** | The Fund aims to pay distributions annually with a yield of 2% - 4%. |

| KEY ELEMENTS | DESCRIPTION |
|---|---|
| | The Fund is treated as a flow-through trust for tax purposes as 75% or more interests in the Fund are held by the top 20 unitholders. Broadly, this means that the Trustee will not be liable to pay tax on the Fund's net income, rather the investors will be liable for tax on their respective shares of the Fund's net income.<br>If the Fund becomes a public trading trust in a future income year, the Trustee will be liable to pay tax on the Fund's net income at the corporate tax rate and certain distributions by the Fund may be taxed. The Trustee will notify members of the correct tax treatment in each year.<br>The Feeder aims to pay distributions to unit holdings representing distributions received from the Fund less any tax payable by the Feeder. Subject to the Feeder being tax paying, it intends to distribute franking credits to Australian unitholders. |
| **Funds under management** | C $530 million as at 30 June, 2022 |
| **Investment source** | Wholesale clients within the meaning of section 761G (7) of the Corporations Act 2001 and other qualifying investors permitted to invest otherwise than through a Product Disclosure Statement (PDS). |
| **Minimum investment** | $50,000 |
| **Minimal additional investment** | $10,000, or such lesser amount as determined by the Trustee |
| **Reinvestments** | Yes, investors can reinvest distributions through the Distribution Reinvestment Plan (DRP) |
| **Unit price** | Unit prices are based on the net asset value of a class divided by the number of units on issue in that class and unit prices are variable. Income is rolled up into the unit price until distributed. Any tax payable is also accrued in the unit price. The buy/sell spread is added to/subtracted from the unit price to determine the application/withdrawal price.<br>An independent portfolio valuation will be undertaken monthly by an independent valuer.<br>The unit price will generally be available within 15 days of month end. |

| KEY ELEMENTS | DESCRIPTION |
|---|---|
| **Entry fee** | Buy spread 0.5% is added to the unit price |
| **Exit fee** | Sell spread 0.5% is deducted from the unit price, plus an exit levy of 2.0%<br>Buy and sell spreads and the Exit Levy are payable to the Fund to compensate existing investors who remain in the open-ended Fund for any costs incurred by the Fund resulting from new investors entering or existing investors leaving the Fund. The buy/sell spread and exit levy (if charged) are not paid to the Investment Manager (Argyle). |
| **Applications** | Application requests can be made up to the last business day of any calendar month, or other dates as the Trustee determines, for processing on the first business day of the next calendar month. |
| **Lock-up** | 24 months from subscription. |
| **Redemptions** | Following a 24 month period, redemption requests can be made as of the last business day of any calendar quarter (subject to 60 business days' notice), or such other dates as the Trustee may determine. |
| **Address** | Level 13, 241 Adelaide Street, Brisbane Queensland 4000 |
| **Website** | https://www.argylegroup.com.au/water |



## BACKGROUND

Argyle Capital Partners Pty Ltd ('Argyle') was established in 2007 as Blue Sky Water Partners Pty Limited (BSWP), then a private company. It was founded to raise patient capital and invest long-term through the cycle to assist in the development and growth of Australia's agricultural industries. The Argyle Water Fund provides a new source of capital for irrigation farmers (via sale and lease back of water rights); water rights risk management tools via forward, spot and deferred delivery sales of water allocations; and improved market liquidity (as a non-landowner water rights owner motivated to sell water throughout the year).

BSWP was for a time part of Blue Sky Alternative Investments Limited, and has since been returned to private ownership. Argyle is an independent investment manager owned by its key personnel who are meaningfully invested in its assets under management. Since inception and under varying company names, key management has remained stable and continued to manage the assets of what was previously known as the Blue Sky Water Fund and is now the Argyle Water Fund (AWF, or "the Fund"). The AWF has continued to produce solid returns and has honoured all exit requests within its usual time period. The key persons who established the Fund in 2012 continue to manage the Fund today.

Argyle has a long and established affinity with rural Australia and a 14-year track record of managing investments in Australian water entitlements. In addition, Argyle's team has experience in agricultural investment management, irrigated agricultural industries, water investment and trading, funds management, commodity risk management, agribusiness finance and agricultural export trade.

Argyle currently manages over $1,300 million in investments including c $530 million in the Fund. Argyle also manages the Strategic Australian Agriculture Fund, an institutional fund invested since June 2017 in Australian farmland ventures, agricultural supply-chain infrastructure and water rights via the Argyle Water Fund. Argyle also manages Australian institutional investment mandates focused on water and irrigated farmland assets. As a part of these mandates, Argyle manages a $650 million portfolio of Water Entitlements separately from the Argyle Water Fund.

Argyle employs specialist investment staff, and a dedicated internal accounting and operations team, which Argyle had previously outsourced to regional agencies. Argyle has recently moved to internalise its fund administration to improve efficiency, accuracy and timeliness of investor reporting. Argyle's resulting staff increase supports the activities of the Fund and all mandates for whom Argyle manage water and agricultural assets.

## PRODUCT OVERVIEW

The Fund is an unlisted unregistered managed investment scheme. It is only available to wholesale clients as defined in section 761G of the Corporations Act 2001 (Cth). Australian 'sophisticated retail investors' may access the Fund via a special purpose feeder vehicle; the Argyle Water Access Fund. It is offered under an Information Memorandum (IM) dated August 2022. The feeder does not charge fees over and above the fees levied at the Fund level. Investors in the feeder benefit from a lower management fee than that which is levied to existing investors in the Fund, but are not able to redeem their investment for an initial 24 month period.

An investment in the Argyle Water Fund offers investors the opportunity to access an existing diversified Water Entitlements portfolio at scale, which is managed to generate income from water sales and leases to top-quartile irrigator counterparties across a range of agricultural enterprises. Investors benefit from experienced management of assets in the large number of fragmented water markets in Australia. Returns to investors comprise annual distributions and the expected long-term appreciation in the values of scarce Water Entitlements held by the Fund. The Argyle Water Fund is a unique financial product that has low or negative correlation with traditional assets, offering investors a diversification benefit as part of an overall investment portfolio.

**Why invest in water rights?**

A Water Entitlement is a perpetual and ongoing legal entitlement to access a defined share of water from a consumptive pool of a specified water resource (such as a river or aquifer). Water Entitlements are recorded in publicly accessible Government-controlled registers such as the NSW Water Register[2] and the Victorian Water Register[3]. Water Entitlements are exclusive, separate from land and legally enforceable. Water Entitlements can be bought, sold and leased. The volume of Water Entitlements on issue in each specific water resource are capped and insufficient to irrigate all available farmland. Water Entitlements are distinct to their geographic region, meaning there are many, fragmented individual markets for water rather than one large market.

A Water Allocation is the annual volume of water made available under a Water Entitlement. Water Allocations are prescribed by the relevant water authority depending on the volume of water within that defined resource. Water Allocations are typically described as a percentage of the Water Entitlement volume. Water Allocation volumes are tradeable within their specific water resource, and occasionally across inter-connected water resource regions (eg. inter-valley trade).

Ownership of Water Entitlements is heavily concentrated between governments, as holders of Water Entitlements for environmental purposes (c 25% of Water Entitlements)[4], and private farmland owners. Institutional water investors such as the Fund collectively own c 7%[5] of all Water Entitlements in the Southern Connected Basin (majority High Security) and institutional investors account for c 20% of trading in Water Allocations. The ACCC also noted that large scale irrigation enterprises including olive, citrus, grape and almond growers typically use more Water Allocations annually than represented by the extent of their own Water Entitlement holdings. These large scale water users are natural customers of the AWF, as they depend on purchasing additional Water Allocations each season to sustain their permanent crop operations.

Carry-over enables Water Entitlement Holders to defer the use of announced Water Allocations to the subsequent Water Year (July to June). Specific carry-over rules vary between jurisdictions. Carry-over is permitted in New South Wales, Victoria and South Australia to various degrees.

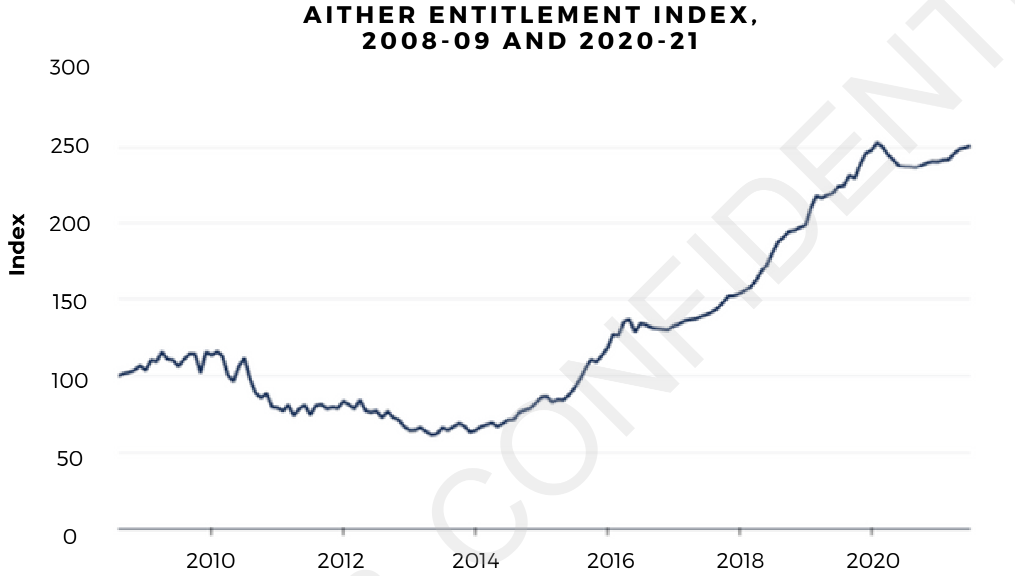
Demand-side value drivers for water prices include competition between irrigators to access scarce water as their key input for crop production; escalating global demand for food, fibre and renewable energy requiring increased access to water as a key production input; and progressive improvements in crop yields, water use efficiency and farm profitability. Supply-side value drivers for water include the impacts of changes in climate where rainfall and catchment runoff may be lesser or more irregular than historical patterns; investments in infrastructure to increase water-use efficiency; the impacts of the buy-back of Water Entitlements in the MDB which has reduced the volume of consumptive water available for irrigation relative to environmental flows; and water trading mechanisms that continue to evolve.

An active market in water rights has developed over the past 30 years with several on-line water exchanges[6], servicing a range of water users and water broker intermediaries. Argyle utilises a range of

[2] https://www.waternsw.com.au/customer-service/water-licensing/nsw-water-register#:~:text=The%20NSW%20Water%20Register%20does%20not%20provide%20information,Australian%20Taxation%20Office%20Search%20the%20NSW%20Water%20Register
[3] https://www.waterregister.vic.gov.au/
[4] ACCC Inquiry into Water Markets Final Report, Chapter 5.
[5] Source: ACCC Inquiry into Water Markets Final Report, Chapter 5.
[6] https://www.waterexchange.com.au/; https://xpansiv.com/h2ox/ ; https://www.waterfind.com.au/

market intermediaries and water exchanges to execute its strategies. It has a preference to trade directly with irrigators to better understand counterparty risks and gain insights into water usage drivers.

Information and analysis of water markets is expanding and served by a range of specialist companies. Aither Pty Ltd[7] (Aither) produce a yearly report on the state of Australia's water markets, including the Aither Entitlement Index (AEI), a widely-followed index of Water Entitlements in the Southern MDB (sMDB). The following chart shows the long-term price performance of the AEI.




Source: Aither Water Rights Report 2020-21 and 2021-22 Outlook, page 9.



Regulation of Australia's water resources is expressed in the National Water Initiative[8] (NWI), first published in 2004. The NWI has proved an enduring policy framework through successive changes of State and federal governments and periods of water scarcity and abundance. NWI is now the responsibility of the Department of Climate Change, Energy, the Environment and Water.

A review of the NWI was conducted by Australia's Productivity Commission which published a report[9] in late 2021 finding that "good progress has been made against the National Water Initiative (NWI) reform agenda highlighting the "material benefits" that has lowered average water use by households, driven more efficient use by industry, provided more water for the environment, and enabled stakeholders to better adapt to uncertainty".

[7] http://www.aither.com.au/
[8] https://www.dcceew.gov.au/water/policy
[9] https://www.pc.gov.au/inquiries/completed/water-reform-2020#report

Following a severe drought from 2018 to 2020, the Australian Competition and Consumer Commission (ACCC) also conducted an inquiry[10] into the Murray-Darling Basin water markets. The ACCC found there was a lack of quality, timely and accessible information for water market participants, and made recommendations to improve transparency and trust. ACCC found no evidence that investors exercised market power or manipulated markets to increase water prices in the Southern Connected Basin. It noted that the complex nature of Basin water markets are best understood and leveraged by professional traders and large agribusinesses with the time and knowledge to analyse and navigate them.

**Transparency in the Market for Water Rights**

Investing in water rights is well established in Australia, whereby water rights have been deliberately unbundled from land titles to foster the development of tradable water markets and encourage capped consumptive Water Allocations to be applied to their highest economic use. Analysis of Bureau of Meteorology (BOM) data[11] shows annual trading in MDB Water Allocations is estimated between $0.5 billion in wetter years and over $4 billion in drier years. BOM data suggests annual trading in Water Entitlements exceeds $5 billion annually. This level of market activity easily accommodates AWF expected turnover in Water Entitlements of 5%, or say $26 million annually.

## INVESTMENT PROCESS

Argyle employs a top-down, disciplined investment process to identify opportunities that meet its investment criteria and to construct, implement and manage towards a targeted portfolio of Water Entitlements generating annual income and anticipated capital gains. The Manager employs a largely buy and hold strategy, and expects portfolio turnover to be low at around 5% per annum.

The Fund’s Water Entitlement holdings are reviewed regularly by the Investment Committee (IC) against its targeted portfolio. A seasonal water sales strategy is formulated ahead of each Water Year (July - June) taking into account storage levels in various water resources, annual rainfall outlooks, expected Water Allocation announcements, the extent of annual crop areas planted and other seasonal influences. Argyle’s water sales strategy is monitored weekly and adjusted as conditions evolve through each Water Year.

The Manager earns income for the Fund through leasing of Water Entitlements to irrigator counterparties, typically over three to five year terms for a fixed annual rental irrespective of the volume of water allocated to those Water Entitlements. This is a key strategy to achieve targeted annual income of between 3% and 6% gross per annum.

Where Water Entitlements are not leased out, the Manager is incentivised to sell water allocated to those entitlements to generate income for the Fund. Analysis of the Fund’s Annual Reports shows that revenue from leasing (rental income) has increased from less than $300,000 in 2015/16 to over $10 million in 2020/21. This corresponds with the growth of the size of the Fund, as well as the

[10] https://www.accc.gov.au/focus-areas/inquiries-ongoing/murray-darling-basin-water-markets-inquiry/final-report

[11] Source: Bureau of Meteorology Water Information Dashboard: Water Information: Bureau of Meteorology (bom.gov.au)

success of the Manager's efforts to attract long-term investors who are less inclined to seek quarterly redemptions. That longer-term commitment allows the Fund to lease a greater proportion of its Water Entitlements safe that they will not be required to be sold in order to fund investor redemptions.

The Fund also generates income by contracting with irrigators to carry their unused Water Allocations over from one Water Year to the next so that they might be conserved and used in that following season. This allows irrigation farmers to better manage their inter-seasonal water supply and crop production risks where future Water Allocation announcements may be uncertain.

The Manager is experienced in managing trading strategies through differing climatic periods, and the Manager's key skills include determining the best mix of High Security and General Security Water Entitlements, across differing river systems such that long term income and capital growth are maximised.

## PORTFOLIO CONSTRUCTION

From the entire Australian Water Entitlements market, Argyle readily identifies an investable universe where water markets are already well established. From that investable universe, Argyle then assesses the relative attractiveness of individual Water Entitlements based on the structural attractiveness of each regional market and entitlement type, an expected 'normalised' yield (accounting for variability in Water Allocation volumes and long-term spot water prices), long-term water reliability, and the regional market's capacity to pay for Water Allocations through a range of water availability conditions. From this assessment, Argyle constructs a target portfolio, to which the Fund's portfolio is regularly reviewed to identify opportunities to reposition the Fund with an aim of optimising investment returns. It has taken Argyle over a decade to build the portfolio of water assets currently under management, and new entrants will find it hard to replicate such a diversified portfolio at this scale. Indeed, the Manager notes that future growth of the Fund may be slower to implement without breaching preferred concentration limits.

## PORTFOLIO IMPLEMENTATION

Portfolio implementation involves the successful execution of Water Entitlement acquisitions and divestments, with particular emphasis on ensuring:

- Adherence to portfolio targets, diversification and liquidity constraints;
- Price targets and disciplines are followed;
- Transaction costs are minimised;
- Due diligence is promptly completed and approved (with identified risks mitigated);
- Water Entitlement acquisition and divestment processes are seamless and completed within defined timeframes;
- Regulatory authority liaison is undertaken and queries addressed;
- Execution and transaction risk is minimised; and
- Environmental, Social and Governance (ESG) considerations are integrated into investment decisions.

The IC is the primary committee to manage and trade assets owned by the Fund. IC members are Kim Morison, Louise Kerber, Hugh Esler, Tony Tremlett and Emily Santucci. The IC is a sub-committee of the Argyle Board operating under a board approved Charter. IC has authority to approve investments and divestments of the Fund's portfolio up to $20 million. Investment decisions above this threshold are to be considered by the Board. The IC operates with a collegial approach with the objective of reaching unanimous investment decisions (however, divestment decisions may be by simple majority).

## HOW THE PRODUCT IS MANAGED

**Kim Morison - Executive Chair, Investment Director and Investment Committee Chair**
As the Managing Director of Argyle Group and its predecessor, Blue Sky Water Partners, Kim has led the development of Argyle's investment management business specialising in Water Entitlements and irrigated farmland since 2010. Under his management the business has progressively grown from less than $50 million to over $1,300 million of funds under management comprising institutional and wholesale capital sourced from Australian and global investors. Reflecting the growth of the Argyle business, Kim now fulfils the role of Executive Chair, Investment Director and Chair of Argyle's Investment Committee.

Kim is principally responsible for Argyle's Water Entitlement investments including capital raising, investment strategy and portfolio construction. He shares responsibility for deployment, annual water sales strategy and risk management with Investment Director, Louise Kerber.

Kim grew up on a wheat belt farm and pursued a career in agribusiness focused on the irrigated agricultural sector. His experience in the sector derives from several export-focused commodity trading roles including General Manager (Marketing) at CSR Sugar; joint head of the international cotton business at Macquarie Group; General Manager of Colly Cotton Marketing, a division of what was then Australia's largest cotton growing company and Australia's largest owner of Water Entitlements (Twynam Agricultural Group). He was also previously Senior Commercial Manager at Colly Cotton Limited engaged in investment analysis of irrigated farmland and supply chain infrastructure opportunities.

Kim is a Graduate of the Australian Institute of Company Directors and holds Graduate Diplomas in Applied Finance and Agricultural Economics and a Bachelor of Commerce.

**Louise Kerber - Investment Director and Investment Committee Member**
As a foundation employee, Louise joined Argyle in 2008 and has built a detailed knowledge of the operations of Australia's water markets, their regulations, and their requirements for executing and settling transactions.

In 2020, reflecting her years of experience in managing every aspect of the Water Entitlement portfolios, Louise became Investment Director, Water. Alongside Kim Morison, Louise is responsible for investment strategy, portfolio construction, deal origination, deployment, water leases and seasonal water sales.

Louise is highly proficient and experienced in dealing with all aspects of Water Entitlement and Water Allocation trading. She has developed strong relationships with leading irrigators and water brokers across South Australia, Victoria, New South Wales and Queensland. Louise is familiar with all aspects of water trading, leasing and title registration in these jurisdictions. Louise is also very experienced in investment operations with external custodians, administrators, auditors and valuers.

Prior to Argyle, Louise was Domestic Operations Manager & Grower Services Manager with seed Technology and Marketing from 2003 to 2008.

Louise holds a Bachelor of Management, University of South Australia.

**Hugh Esler - Investment Director, Agriculture and Investment Committee Member**

Hugh is jointly responsible for the management of Argyle's agriculture investments with a particular focus on irrigated farmland investments. He has over a decade of corporate and transactional experience across the agriculture, food and beverage, property and finance sectors.

Prior to joining Argyle in 2018, Hugh developed extensive transactional experience as a senior lawyer at a global law firm focusing on domestic and cross-border mergers and acquisitions, corporate advisory and governance, commercial arrangements and general contract law.

Hugh holds a Bachelor of Commerce from the University of Queensland, a Juris Doctor from Bond University, is admitted to the Supreme Court of Queensland and is a member of the Australian Institute of Company Directors.

**Tony Tremlett - Investment Director, Agriculture and Investment Committee Member**

Tony is also jointly responsible for management of Argyle's agricultural investments with a particular focus on irrigated farmland investments. Tony brings to Argyle a wealth of experience in personnel management, strategic analysis and risk management and project delivery from his 20-year military career. Tony's diverse experience includes leading complex high-risk operations, strategic analysis for Australia's Special Forces, leading project scope and cost analysis for a portfolio of Defence projects worth over $6 billion.

Tony applies his skill set to focus on our farmland operating partnerships and 'life of investment' risk management aimed at providing high assurance in the acquisition of Argyle investments.

**Emily Santucci - Chief Executive Officer (CEO)**

Emily manages the Argyle Capital Partners business and the entire team responsible for the financial and operational administration of the business and its investment funds. Emily provides high level strategic and operational oversight of infrastructure frameworks to support Argyle's funds management enterprise. This includes human resources, legal, risk and compliance, fund administration, company accounting, audit, marketing and distribution, and investor relations services. As CEO, Emily allows Argyle's various Investment Directors to focus solely on the management of investment funds and mandates.

Emily joined Argyle in 2021 as Chief Financial and Operating Officer and has further built Argyle's internal funds administration capability. She has twenty years experience gained across public practice, and the funds management, superannuation, and software sectors, with a focus on driving strategic, operational, and financial initiatives to create value for investors. Prior to joining Argyle Emily worked at Q Super, Console Group, Opus Capital and PwC.

Emily is a graduate member of the Institute of Company Directors, a Chartered Accountant (CA) and member of Chartered Accountants of Australia and New Zealand (CA ANZ).

**Todd Oakley - Investment Manager, Water**
Todd joined Argyle in 2021, having previously been General Manager at WaterExchange.com.au and prior to that was a water broker at RuralCo Water Brokers. While at WaterExchange, Todd developed intervalley trading strategies, continued his active engagement with the water broker community and introduced a number of initiatives to improve market transparency and efficiency. Todd has added to Argyle's capability to analyse, identify and execute water market opportunities (particularly in relation to intervalley trade/arbitrage). He has added new relationships with irrigators and water brokers and provided additional depth in the team administering water transactions.

Todd is responsible for water market analysis and executing the water portfolio investment strategy.

**Sarah Forrest PhD - Investment Manager, ESG**
Sarah is dedicated to developing and implementing Argyle's ESG strategy and its proprietary investment framework integrating ESG into investment selection and management.

Sarah has extensive experience developing and implementing proprietary investment frameworks. She developed this experience at a global investment bank, where she was promoted to Managing Director for co-founding and leading a team to identify long term global industry leaders by integrating ESG factors into industry and financial analysis. Sarah's career has spanned over 15 years and includes experience in ESG, sustainable finance, investment analysis, portfolio management, personnel management, communications and risk management.

Sarah holds a PhD in Chemical Engineering from the University of Cambridge and Chartered Financial Analyst certification.



## RISK MANAGEMENT & COMPLIANCE

### SYSTEMS AND PROCESSES

Management of the Fund's investments is done by senior employees of the Manager, guided by written Investment Guidelines. The Investment Committee meets monthly and has delegated authority to approve transactions up to $20 million. Above that, decisions are referred to the Argyle Board.

Day-to-day investment decisions are delegated to investment staff overseen by Mr Morison. Water trades are managed to settlement by Ms Kerber's operations team, who ensure all trades are within delegation, settled correctly and advised to relevant water registries. Short-term water sales are managed with a view to how much water is allocated and available in each region, the timing of allocation announcements, expected irrigation demand, and seasonal water use to date. The seasonal water sales strategy is reviewed and updated as market and climatic conditions dictate. The Manager reconciles Water Allocation inventories and Water Entitlement positions monthly with official registries and the Fund's Custodian.

## INVESTMENT CONSTRAINTS

| | |
|---|---|
| **Permitted Investments** | High Security / High Reliability Surface Water<br>General Security / Low Reliability Surface Water<br>Supplementary / Unsupplementary Surface Water<br>Groundwater / Aquifer |
| **Allocation Range to Each State** | NSW: 30% - 80%<br>Victoria: 20% - 60%<br>Queensland: 0% - 20%<br>South Australia: 0% - 20%<br>Western Australia: 0% - 5%<br>Tasmania: 0% - 20% |
| **Maximum Exposure to Any One Region** | 10% of the aggregate volume of Water Entitlements (in megalitres ML) in that region |
| **Maximum Exposure to Single Security Class in Any One Region** | 20% of the NAV of the Fund |
| **Maximum Exposure to Regions serviced by the Murray River** | 70% of the NAV of the Fund |
| **Expected Allocation Range to Cash** | 0% - 20% |
| **Water Entitlement Leases** | "Soft Limit" of 40% of NAV of the Fund |
| **Preferred Lease Terms** | Lease terms (tenor) of between two and five years with an option to extend on a rolling basis for successive terms.<br>Fixed annual lease payments from the lessee, indexed to CPI or other appropriate index.<br>Lease rates are a function of the capital value of the Water Entitlements at the commencement of the lease term.<br>The risk of less than 100% seasonal Water Allocations |

## RISK PARAMETERS

| | |
|---|---|
| | announced for the Water Entitlement is borne by the Lessee, and not the Fund.<br>Depending on the counterparty risk assessment, leases will be effected by either a Limited Term Transfer (LTT) of the Water Entitlement to the lessee counterparty for the period of the lease, or via regular transfers of announced Water Allocations from the Fund to the lessee (the Water Entitlement is not subject to an LTT in that case).<br>For LTT leases, Argyle will hold a power of attorney to rescind the LTT if payment is not made in full.<br>For Water Allocation transfer leases, Water Allocations are not transferred from the Fund's ownership until the lease payments are received in full (effectively mitigating counterparty settlement risk).<br>If transfers are Quarterly, the Fund will only transfer a quarter of the actual announced Water Allocation at each Quarterly period. |
| **Borrowing/Leverage** | The Fund may use short term borrowings for operating and cash management purposes up to a limit of 25% of the Fund Net Asset Value (NAV). This 25% limit applies at the time of drawing down any finance facilities. This percentage may be exceeded in the short term if asset valuations are subsequently revised after drawing down the facilities. |
| **Forward Sales** | Use of borrowings is expected to be very infrequent, and short term borrowing (for periods of up to 180 days) is permitted on an exceptional basis for the purpose of managing timing mismatches between asset acquisitions (ie deposits on Water Entitlement purchases) and investor drawdowns, redemptions, sale of assets, new contributions from investors, the completion of entitlement transactions and receipt of income from Water Allocation sales.<br>The Fund may engage in forward sales of Water Allocations expected to be announced in a future Water Year. Forward sales are permitted where the forward price negotiated is at a premium to the spot price and the buyer agrees and pays a deposit of 20% of the negotiated price to a trust account, or otherwise a broker provides a guarantee. Forward sales are not permitted more than 12 months forward unless specifically authorised by the IC. |

In regard to the low and only occasional use of leverage, Evergreen Ratings makes the point that reported returns and the volatility of returns are much more comparable with other unleveraged alternative investments, than say Private Equity or even property which routinely employ leverage. Evergreen Ratings has not sought to de-leverage reported returns for that reason.

## RISKS FACED BY INVESTORS

Investors face market risk that the value of Water Entitlements may fall and could fall dramatically. One conceivable catalyst for a fall in value of water rights would be if one of the major agribusiness sectors faced a biological disease that affected the entire industry simultaneously. Offsetting this risk is the fact that the fund sells and leases water to a range of counterparties across a range of regions and industries. It is extremely unlikely that governments would increase the supply of Water Entitlements by constructing new storage dams, and thereby reduce existing levels of environmental flows. Climate Change modelling suggests a long-term decline in water flow in MDB systems and if correct suggests long term support for Water Entitlement valuations as irrigation water supply may become more scarce.

There is a risk that trading in Water Entitlements and Water Allocations could be illiquid and cause losses for investors. Offsetting this is the fact that water trading markets have been established for almost 20 years. Australia's Bureau of Meteorology (BOM) estimated as at 30 June, 2020 the total volume of Water Entitlements on issue in Australia was 39,382 gigalitres (GL)[12]. Argyle's valuation of the entire Australian market is approximately $50 billion (of which the Fund owns Water Entitlements worth approximately $530 million, or 1% of the total market by capitalisation). Including the other water mandate managed by Argyle increases total water assets to c $1.1 billion, or say 2% of total market value for Water Entitlements. The Manager believes the Fund could double in size to $1 billion and still manage liquidity risk associated with trading water rights. See below for statistics on liquidity in trading AWF units.

The Manager has strong risk management protocols and limits in place to reduce counterparty risk in water sales and water leases. Essentially, buyers need to pay in advance before water is released by the Fund, and sellers must deliver title before the Fund will settle a Water Entitlement transaction. The lessee/irrigator and not the Fund bears the risk that the water lease may not receive 100% of the entitlement for the duration of the lease. State governments monitor irrigators in a number of sophisticated ways to ensure irrigators do not draw more water than they are entitled to (eg. NSW Natural Resources Access Regulator[13]). Counterparty risk is reduced by the natural tendency by irrigators to prioritise payments for Water Allocations as their most essential irrigation farming input.

Alongside the Fund, Argyle manages another water mandate on behalf of an Australian superannuation fund client (Separately Manager Account). Where the SMA and the Fund are acquiring the same region/type/class of security, Argyle endeavours to treat each mandate equally and indifferently. Argyle has a clear set of guidelines with respect to co-investment protocols and Water Allocation strategy. All Water Entitlements investment opportunities are allocated between portfolios on a pro-rata basis according to the availability of capital for deployment. Water Entitlements are divisible and can be acquired and divided between portfolios if necessary. Water

[12] Bureau of Meteorology Australian Water Markets Report 2019-20.

[13] https://www.nrar.nsw.gov.au/

Allocation sales are allocated on a pro-rata basis according to relative portfolio size and resulting Water Allocation inventories in specific water resource regions. In Evergreen Rating's experience this type of allocation policy is fair and not unusual.

The Manager uses the presence of large institutional investors in the Fund, who have agreed to lock-up periods, to write longer-term leases[14] which underpin income, yield and distributions for the benefit of all Fund investors.

Given the size of Australian water markets, it is likely that from time to time circumstances may arise where the Fund and other portfolios managed by Argyle may be counterparties in the acquisition or disposal of Water Entitlements and/or Water Allocations. In these circumstances, a crossing trade is permitted subject to the transactions being conducted at arm's length and at market values documented:

- In the case of Water Allocations by third party market vendors (water brokers or on-line water broker portals); and
- In the case of Water Entitlements by an independent valuation current for the period.

Prior to such crossing trades, the Manager must provide relevant information and notice to the Trustee such that it can exercise its right of veto in accordance with the written Argyle Investment Guidelines.

## VALUATION

The monthly return to unitholders is based on income earned by Water Allocation sales or Water Entitlement leasing activities as well as changes in the valuation of the Fund's Water Entitlement assets.

An independent valuer is appointed (currently Colliers International) to provide valuations of the Fund's assets on a monthly basis. Valuations are on the basis of no Water Allocation attached to the Water Entitlements (that is, on a 'dry' basis). Water Entitlements that are subject to a lease are valued according to an agreed method which takes into account the effect of the encumbrance of the lease.

The Manager applies the same valuations to all assets under management including the Fund and its other water mandate.

Unit pricing is determined by reference to the independent valuation of the Fund's assets. Previously, an external administrator was engaged to account for the Fund, however since May 2022 this function is performed by the Manager's internal fund accounting team. This change was agreed by the Trustee to facilitate greater efficiency, accuracy, timeliness and continuity of service to unitholders that was compromised by previous external contractors. A review of Argyle's fund accounting process is conducted by the Fund's auditor on a quarterly basis.

As the market for water is quite liquid and trades are centrally reported, unit pricing by appraisal seems to present low risks of inaccurate pricing. The open-ended nature of the Fund means incoming and exiting members cause actual cash flows to rise and fall, and may prompt actual trades in the market by the Manager to accommodate these. Given the Fund's 10 year history the risk of inaccurate pricing seems low.

## COMPLIANCE

The Fund is governed by an independent

[14] Weighted Average Lease term c 18 months at the time of writing

Trustee. The Fund's assets, including Water Entitlements and bank accounts are held and controlled by a Custodian for the benefit of the Fund. The Fund is audited annually. The Manager's internal processes are subject to an annual process audit (GS007). A related entity of the Manager holds Australian Financial Services Licence 420 509.

Asset registration is undertaken by the Custodian or the manager for the portfolio depending on the type of asset acquired. All Water Entitlements acquired by the Fund are registered in the name of the Custodian.

Argyle is responsible for monitoring compliance of the portfolio against investment outcomes. This includes compliance for both Water Entitlement trades and Water Allocation trades. This review is undertaken on a monthly basis to enable reporting of any breaches.

Prior to the completion of a purchase or sale of Water Entitlement, or the sale of Water Allocation, the Manager must:

- Verify executed deals against investment guidelines and approval documentation;
- Verify instructions to Custodian regarding settlement of trades; and
- Review Contract Notes and Government forms.

On a monthly basis as part of the end of month reporting, Argyle obtains statements from various State Water Authorities outlining the volume of Water Entitlements held by the Fund, and the volume of allocation remaining for that Water Year applicable to the Fund's Entitlements. In July each year Argyle obtains a Title Verification of each Water Entitlement held by the Fund for the valuer to validate holdings.

Evergreen Ratings has seen copies of Annual Reports for the Fund for the years ending 2016, 2017, 2018, 2019, 2020 and 2021, all of which have unqualified reports from the external auditor (Deloitte Touche Tohmatsu).

Water users are monitored to ensure they do not draw more water than their rightful limit by State governments, who use remote sensors and other sophisticated methods to ensure compliance. These regulators can turn off and lock-out irrigators' pumps if necessary.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) ISSUES

Argyle has appointed an experienced ESG Manager, Sarah Forrest PhD, who has over 15 years' experience in ESG integration and sustainable finance. (See Key People).

Argyle actively manages a broad range of ESG factors such as water, climate variability, soil and plant health, energy, chemicals, waste, biosecurity, labour force, workplace health and safety (WHS), local community engagement as well as food safety and quality. Argyle has a five-year ESG and Responsible Investment Strategy focusing on the following areas:

- Climate change adaptation;
- Modern slavery; and
- Workplace health and safety.

Argyle supports the water governance frameworks outlined in the 2004 National Water Initiative (NWI), the 2007 Water Act and the 2012 Murray Darling Basin Plan (MDB Plan, or the Basin Plan). Argyle actively participated in the ACCC's review of the MDB water markets (2019-2021) contributing materials and explanations of water market activities. Since 2010 it has actively encouraged state governments to improve the transparency of information published in relation to Water Entitlement and Water Allocation trades.

Increasingly Argyle monitors its irrigator client base to ensure customers are not in breach of state water regulations and are adopting various industry best management practice regimes depending on their specific enterprise.

If using a water broker, Argyle does not conduct trades other than via members of the Australian Water Brokers Association who are compliant with its Code of Conduct.

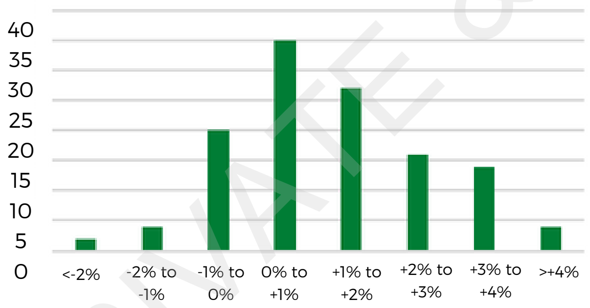
Argyle is a signatory to the UN Principles for Responsible Investment.

## TRACK RECORD ANALYSIS

### PERFORMANCE ANALYSIS

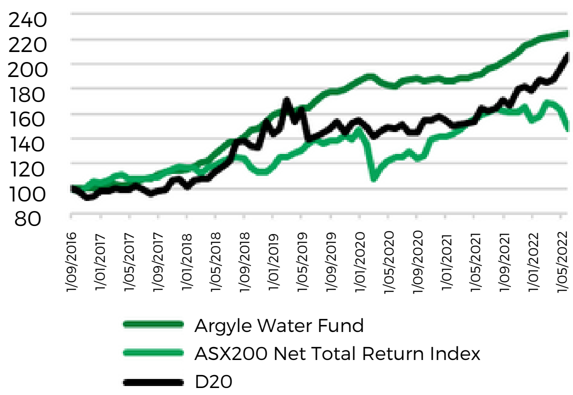
From inception return is 16.29% pa, with annualised volatility of 5.79%[15]. As shown in the charts below, monthly returns are overwhelmingly positive with very few negative outliers. The value of $100 invested in the Fund over the past six years has outperformed both the ASX Net Total Return Index and Duxton Water Limited (D2O), which was ASX-listed in September 2016.

AWF MONTHLY RETURN DISTRIBUTION




Source: AWF Investor Report

VALUE OF $100 INVESTED IN SEP 2016




Source: AWF Investor Report, ASX

### BENCHMARK

There is no formal benchmark, however, the Manager compares Fund performance to a market capitalisation weighted southern Murray-Darling Basin Water Index published by Aither. Performance is also benchmarked against the ASX 200 Accumulation Index and the performance of the pure-play ASX-listed Duxton Water Limited (D2O). Given the highly specialised nature of the Fund, this type of peer analysis is a reasonable

[15] AWF Investor Report 30 June, 2022

way to monitor performance. In the table below titled Peer Analysis, Evergreen Ratings has shown the total shareholder returns on D2O shares, including dividends and capital gains/losses, rather than D2O returns based on internally assessed NAV.

## PEER ANALYSIS

| | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|---|---|---|---|---|---|---|
| **Yield** | 3.35% | 1.52% | 4.79% | 3.47% | 2.47% | 1.97% |
| **Capital Growth** | -0.29% | 26.05% | 19.08% | 7.70% | 2.76% | 14.74% |
| **AWF Total Return** | **3.06%** | **27.57%** | **23.87%** | **11.17%** | **5.23%** | **16.71%** |
| **RBA Cash Rate** | 1.53% | 1.51% | 1.49% | 0.67% | 0.15% | 0.18% |
| **ASX 200 Net Return Index** | 13.73% | 12.67% | 11.22% | -7.92% | 27.53% | -6.69% |
| **Duxton Water Limited (D2O)** | -0.91** | 15.30% | 17.95% | 6.33% | 11.46% | 25.91% |
| **Aither Southern Murray-Darling Basin Water Index** | 4.2% | 28.9% | 23.9% | 6.0% | 5.8% | N/A |

** D2O 2016/17 partial year



## FUNDS UNDER MANAGEMENT (FUM) AND SCALABILITY

Analysis of AWF Annual Reports demonstrates that AWF unitholders have been able to buy/sell units with reasonable liquidity, as shown through the value of units bought/sold annually. This fluctuates across years, and the Manager states they have been able to accommodate flows into and out of the Fund as and when received. Very large new subscriptions are managed through progressive drawdowns to mitigate 'cash drag' on returns to existing unitholders. This is also managed through pre-purchase of Water Entitlements using the Fund's debt facility which is repaid on receipt of the expected capital inflow. Evergreen Ratings is confident the Manager should be able to offer continuing reasonable liquidity to investors. Analysis of the past six years data shows the percentage of units in the Fund bought and sold compared to units on issue has ranged between 10% and 56%.

Over the past decade Argyle has progressively built the Fund's Water Entitlement holdings equating to current portfolio of c 125,000 megalitres. Argyle is conscious that future expansion of the Fund will need to be carefully managed to avoid overpaying for Water Entitlements and to maintain a well-diversified portfolio of assets.

### FEES

The Information Memorandum is directed to investors who would apply for units in the Argyle Water Access Fund (Feeder), for minimum application and minimum holdings of at least $50,000. The Feeder invests into the Argyle Water Fund. This Rating Review is concerned with details applying to investors holding Feeder units.

Management Fee: Argyle charges a Management Fee of 1.40% for investment via the Argyle Water Access Feeder. This represents an approximate 0.5% discount to the standard Management Fee, but with a corresponding 24 month lock-up period applied to investors via the Feeder.

Performance Fee: Argyle charge 17.9375% inclusive of the net effect of GST on total returns, net of management costs, over 8% per annum before tax, subject to a high water mark. This fee structure is expensive compared to more traditional funds such as long only equity funds, and is more in line with Private equity funds.

The Fund charges buy and sell spreads, and may change an Exit Levy:

- Buy spread 0.5%;
- Sell spread 0.5%;
- Exit Levy 2.0%

**Other Mandates and Differential Fees**

The Fund's IM notes as a risk the potential conflicts raised as Argyle manages the AWF and other mandates that invest in Water Entitlements via separately managed accounts. Evergreen Ratings believe the Manager's policy to apportion trades between those separate portfolios based on their relative holdings is reasonable.

Investors with larger amounts to invest in the Water Fund may be able to negotiate a lower Management Fee, but are likely to be subject to material lock-up arrangements (eg. five-year non redemption period).

## TRANSPARENCY & REPORTING

The Manager has provided Evergreen Ratings with the required information on which to write this report, and in a transparent fashion. Evergreen Ratings has cross-checked this information with original sources including state water registers, waterexchange.com.au, ACCC report into water markets and the Productivity Commission's own inquiry.

### REPORTING TO CLIENTS

Investors received a Monthly Argyle Water Fund Investor Report, monthly statements of their unit holdings and returns from the Registry and annual tax and year-end statements.
The Fund publishes an Annual Report that is also available to Fund investors.

# THIRD PARTY ADVISORS & SERVICE PROVIDERS

| SERVICE | COMPANY |
|---|---|
| **Investment manager** | Argyle Capital Partners Pty Ltd |
| **Compliance** | Argyle Capital Partners Pty Ltd ABN 36 634 933 029, AR 1277504,<br>Argyle Securities Pty Limited holds AFSL 420 509 |
| **Fund auditor** | Deloitte Touche Tohmatsu |
| **Legal adviser** | Talbot Sayer |
| **Fund administrator** | Argyle Capital Partners Pty Ltd |
| **Registry** | One Registry Services Limited |
| **Trustee** | The Trust Company (Australia) Limited ACN 000 000 993, AFSL 235 145 |
| **Custodian** | Perpetual Corporate Trust Limited |
| **Valuer** | Colliers International |

# RATINGS SCALE

**HIGHLY COMMENDED**

We have **high confidence** in this investment product.

This is a Fund or Investment Product that has scored consistently very well across all areas of Evergreen Ratings' research and analysis framework. As a result, we believe the Fund has a very high probability of meeting its objectives.

It is appropriately designed, with appropriate fees and has sufficient, high quality systems and resources, including risk management and corporate governance, to manage an appropriate outcome.

**COMMENDED**

We have **confidence** in this fund manager or investment product.

This is a Fund or Investment Product that has scored consistently well across most areas of Evergreen Ratings' research and analysis framework. As a result, we believe the Fund has a high probability of meeting its objectives.

It is reasonably well designed, with fees more or less in line with the nature of the product and its peers. The Manager has sufficient, quality systems and resources, including risk management and corporate governance, to manage an appropriate outcome.

**SATISFACTORY**

We have **some confidence** in this investment product.

While this is a Fund or Investment Product that has scored well in some areas of Evergreen Ratings' research and analysis framework, it did not score as well in other areas important to achieving a good investment outcome.

As a result, Evergreen Ratings believes it has a reasonable chance of meeting its investment objectives.

**NOT APPROVED**

We have **little confidence** in the investment product

This is a Fund or Investment product that did not score well across most areas of Evergreen Ratings' research and analysis framework. There is a lack of identifiable strengths across some or all of product design, fees, systems and governance, therefore placing doubt on the likelihood of the fund or product achieving its investment objectives.

**NOT RATED**

This fund manager or investment product has been **screened out**. Evergreen Ratings has either (i) conducted a preliminary review of the investment product and has identified material or structural flaws or (ii) the Manager has elected to not confirm some elements of the research process requisite in the ratings protocol to release the research report.

# DISCLAIMER & DISCLOSURE

This report, dated 12 August 2022, expires when the initial offer closes or after 12 months or if there are any material changes in relation to the information contained in this report or any disclosure or offer document issued in relation to this offer. This report was not prepared for inclusion in any offer document and investors must only rely on information contained in the offer document and other associated information. We reserve the right to change its opinion, ratings and/or withdraw the report at any time on reasonable grounds.

Evergreen Ratings Pty Ltd (ABN 91 643 905 257) ('Evergreen Ratings') is Authorised Representative 001283552 of Evergreen Fund Managers Pty Ltd trading as Evergreen Consultants (ABN 75 602 703 202, AFSL 486275). The group of companies is known as 'Evergreen'. Evergreen is authorised to provide general advice to wholesale clients only. The report is only available to wholesale clients.

Any advice provided in this report is general advice only and does not consider the objectives, financial situation or particular needs of any particular person. It is not a recommendation to purchase, redeem or sell this particular product (Product). Before making an investment decision the reader must consider his or her financial circumstances or seek personal financial advice on its appropriateness. The reader should read the offer document for the Product before making any decision about whether to acquire the Product.

This report is intended to assist the reader in evaluating the Product. It is not intended to serve as a substitute to the reader exercising their own independent judgment and the reader should not seek to rely exclusively on this report in assessing the Product for their own purposes.

Evergreen Ratings receives a fee for the preparation of this Report, from either the fund manager, issuer or distribution partner of the Product. The fee received is not linked to the outcome of this report. Evergreen does not hold the financial product referred to in this document.

Evergreen Ratings uses a formal methodology for the assessment of funds. This methodology considers both qualitative and quantitative factors. A copy of the methodology is available upon request.

Evergreen Consultants provides investment consulting services including model management, approved product lists and other financial advice. Any potential Conflict of Interest is managed through our Conflict of Interest Policy, a copy of which is available at https://evergreenratings.com.au/

This report is current as at the date of issue. Evergreen Ratings assumes no obligation to update the document following publication. The information contained in this report has been prepared in good faith and is believed to be reliable at the time it was prepared. No representation, warranty or undertaking is given or made in relation to the accuracy or completeness of the information presented in this report. Evergreen Ratings reserves the right to withdraw the document at any time and discontinue future coverage of the Product. Financial conclusions, ratings and advice are reasonably held at the time of completion of the report but subject to change without notice.

This document is for the exclusive use of the person to whom it is provided by Evergreen Ratings and must not be used or relied upon by any other person without the consent of Evergreen Ratings. Except for any liability which cannot be excluded, Evergreen Ratings, its directors, officers, employees and agents disclaim all liability, whether direct or indirect for any error or inaccuracy in, misstatement or omission from, this document or any loss or damage suffered by the reader or any other person as a consequence of relying upon it.

Past performance is not an indication of future performance.

Evergreen Ratings has been paid a fee to produce this report. The report has been authorised by Angela Ashton on 12 August 2022.