



# Euree A-REIT Securities Fund

This report has been prepared for financial advisers only



**Superior**

August 2023

# INTRODUCTION

## Key Principles

SQM Research considers (but is not restricted to) the following key review elements within its assessment:

1. Business profile - product strategies and future direction
2. Marketing strategies and capabilities, market access
3. Executive Management / Oversight of the investment management firm
4. Corporate Governance / fund compliance / risk management
5. Investment team and investment process
6. Fund performance, investment style, market conditions, investment market outlook
7. Recent material portfolio changes
8. Investment liquidity
9. Investment risks
10. Fund/Trust fees and expenses

## Currency of Reports

This Research Report is current as at the date on the report until it is replaced, updated or withdrawn. SQM Research reports are generally valid for a term of approximately 12 months but may be replaced, withdrawn or changed at any time as judged appropriate by SQM Research.

## Star Rating\*

Investment products are awarded a star rating out of a possible five stars and placed on the following website:  
[www.sqmresearch.com.au](http://www.sqmresearch.com.au)

Star Rating*	Description	Definition	
4½ stars and above	Outstanding	<b>Highly suitable for inclusion on APLs</b> <i>SQM Research believes the Fund has considerable potential to outperform over the medium-to-long term. Past returns have typically been quite strong. Product disclosure statement (PDS) compliance processes are of a high-calibre. There are no corporate governance concerns. Management is extremely experienced, highly skilled and has access to significant resources.</i>	High Investment grade
4¼ stars	Superior	<b>Suitable for inclusion on most APLs</b> <i>SQM Research considers the Fund has substantial potential to outperform over the medium-to-long term. Past returns have tended to be strong. PDS compliance processes are high-quality. There are no material corporate governance concerns. Management is of a very high calibre.</i>	High Investment grade
4 stars	Superior	<b>Suitable for inclusion on most APLs</b> <i>In SQM Research's view, the Fund has an appreciable potential to outperform over the medium-to-long term. Historical performance has tended to be meaningful. PDS compliance processes are strong. There are very little to no corporate governance concerns. Management is of a high calibre.</i>	High Investment grade
3¾ stars	Favourable	<b>Consider for APL inclusion</b> <i>SQM Research concludes the Fund has a moderate potential to outperform over the medium-to-long term. Past performance has tended to be reasonable. Management is experienced and displays investment-grade quality. There are no corporate governance concerns, or they are of a minor nature.</i>	Approved
3½ stars	Acceptable	<b>Consider for APL inclusion</b> <i>In SQM Research's view, the potential for future outperformance in the medium-to-long term is somewhat uncertain. Historical performance has tended to be modest or patchy. Management is generally experienced and capable. SQM Research has identified weaknesses which need addressing in order to improve confidence in the Manager.</i>	Low Investment grade
3¼ stars	Caution Required	<b>Not suitable for most APLs</b> <i>In SQM Research's opinion, the potential for future outperformance in the medium-to-long term is very uncertain. Historical returns have tended to be disappointing or materially below expectations. PDS compliance processes are potential substandard. There are possible corporate governance concerns. Management quality is not of investment-grade standard.</i>	Unapproved
3 stars	Strong Caution Required	<b>Not suitable for most APLs</b> <i>In SQM Research's opinion, the potential for future outperformance in the medium-to-long term is unlikely. Historical performance has tended to be unacceptable. There may be some material corporate governance concerns. SQM Research has a number of concerns regarding management.</i>	Unapproved
Below 3 stars	Avoid or redeem	<b>Not suitable for most APL inclusion</b>	Unapproved

Event-driven Rating	Definition
<b>Hold</b>	<i>Rating is suspended until SQM Research receives further information. A rating is typically put on hold for a period of two days to four weeks.</i>
<b>Withdrawn</b>	<i>Rating no longer applies. Significant issues have arisen since the last report date. Investors should consider avoiding or redeeming units in the fund.</i>

\* The definitions in the table above are not all encompassing and not all individual items mentioned will necessarily be relevant to the rated Fund. Users should read the current rating report for a comprehensive assessment.

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This advice will not take into account you, or your clients, objectives, financial situation or needs and will not be provided in respect of any other financial products. Accordingly, it is up to you and your clients to consider whether specific financial products are suitable for your objectives, financial situations or needs.

**Report Date: 28 August 2023**

<b>Summary</b>	<b>2</b>
Fund Summary	3
SQM Research's Review & Key Observations	3
Strengths of the Fund	4
Weaknesses of the Fund	4
Other Considerations	4
Key Changes Since the Last Review	4
<b>Investment Process &amp; Portfolio Construction</b>	<b>5</b>
Investment Process Diagram	5
Process Description	5
<b>Corporate Governance / Business Strategy</b>	<b>10</b>
Key Counterparties	10
Parent Company	10
Investment Manager / Fund Manager	10
Responsible Entity	10
Management Risk	10
Funds under Management (FUM)	11
<b>Management &amp; People</b>	<b>12</b>
Investment Team	12
Meeting Schedule	12
Remuneration and Incentives	13
<b>Product Features - Fees</b>	<b>14</b>
Management Fee	14
Performance Fee	14
<b>Quantitative Analysis</b>	<b>15</b>
<b>Risk Constraints and Limits</b>	<b>16</b>
<b>Glossary</b>	<b>17</b>

**SQM Rating** ★★★★★

*Superior. Suitable for inclusion on most APLs.*

<b>Fund Description</b>	
Fund Name	Euree A-REIT Securities Fund
APIR code	OMF1896AU
Asset Class	AREITs (Australian Property)
<b>Management and Service Providers</b>	
Fund Manager	Euree Asset Management Pty Ltd
Responsible Entity	One Managed Investment Funds Limited (OMIFL)
<b>Fund Information</b>	
Fund Inception Date	14 August 2023
Fund Size	-
Return Objective (per PDS)	The Fund aims to outperform the S&P 300 A-REIT Accumulation Index by 1.5% p.a. (after fees) over rolling 3-year periods whilst also aiming to achieve a balance between growth in the value of the Units as well as income from the investment.
Internal Return Objective	At least Benchmark return over rolling 12 month periods
Risk Level (per PDS)	Very High
Internal Risk Objective	Maximum Tracking Error of 10%
Benchmark	S&P/ASX 300 A-REIT Accumulation Index
Number of stocks/positions	Minimum 10 - Maximum 20
Fund Leverage	Nil
Portfolio Turnover	0%
Top 10 Holdings Weight	0.0%
<b>Investor Information</b>	
Management Fee	0.85%
TCR (Total Cost Ratio)	N/A
Buy Spread	0.25%
Sell Spread	0.25%
Performance Fee Rate	Nil
Minimum Application	\$10,000
Redemption Policy	Daily
Distribution Frequency	Quarterly- 31 March, 30 June, 30 September and 31 December.
Investment Horizon	3 years+
Currency Hedging Policy	N/A

SUMMARY

Fund Summary

Description

The **Euree A-REIT Securities Fund (the "Fund")** provides investors with an actively managed, **relatively high conviction, concentrated exposure** to predominately Australian listed real estate investment trusts (A-REITs) and real estate related securities. The Fund's portfolio of A-REITs is exposed to a broad range of real estate assets/sectors, including but not limited to residential, retail, commercial, and industrial.

The objective of the Euree A-REIT Securities Fund is to generate an after-fee return of 1.5% above the S&P/ASX 300 A-REIT Accumulation Index over rolling 3-year periods, and with a lower level of volatility than the Index.

Euree adopts a Top-Down/Bottom-Up approach. Fundamental analysis focuses on "bottom-up" research to fully understand the key factors that drive a securities performance, both historic and into the future and which enables Euree to make informed forecasts of a securities' future earnings and cash generation.

Euree adopts a "**benchmark unaware**" approach to portfolio construction with Individual security exposure levels derived as a result of the level of conviction based on a combination of value and liquidity issues.

The Fund is structured as an open-ended unlisted registered managed investment scheme.

Fund Rating

The Fund has achieved the following rating:

Star Rating	Description	Definition	Investment Grading
4.00 stars	Superior	Suitable for inclusion on most APLs	High Investment Grade

SQM Research's Review & Key Observations

About the Manager

Euree Asset Management Pty Ltd (EAM), ABN 40665390241, AFSL 546248, was incorporated in 2023. It is **80% owned by STA Investments and 20% by Sequoia Financial Group (ASX: SEQ)**.

Euree Asset Management is an investment advisor to **3 Funds**: Growth and Balanced Multi-Asset Funds and an A-REIT Securities Fund. These funds are designed to address investors' needs for sustainable, strong income and high capital growth, drawing on internally and externally generated research to structure a multi-

asset portfolio that forms the core of an investor's needs. A combination of listed equities, fixed interest, Australian property, Alternate assets and cash make up the portfolio.

Investment Team

The analysis and coverage of the (54) stocks in Euree's investment universe are split between **Winston Sammut** and Peter Milios. Winston Sammut, as Portfolio Manager, is ultimately responsible for all investment decisions for the Fund.

Winston Sammut is an investor with over **40** years of experience in investment markets and the investment management industry, having previously worked for companies including Commonwealth Bank, Ausbil, Folkstone, and Charter Hall. He's had a background across domestic as well as international equity and bond markets, before specialising in the Australian Listed Real Estate markets and having managed one of the top-ranking REIT Funds for 17 years.

**John Krause** is a former senior institutional investment manager and financial markets professional; he brings over 40 years of experience in financial markets, funds management and product development to the **Committee**.

*Considering the size/tenure of the PM team and the investment process, **SQM Research believes that the Key Person risk (in Mr Sammut) is 'high'**.*

1. Investment Philosophy and Process

Investable Universe

The Euree A-REIT Securities Fund's investment universe is comprised of those securities that have "Real Estate" GICS Industry Classification. The Benchmark Index comprises **30** stocks with a (current) total market capitalisation of circa \$125 billion.

Euree's menu of investable securities comprises **54** securities (30 Index and 24 ex-index) with a current market capitalisation of circa **\$150 billion**.

Philosophy / Process / Style

Euree's process can be described as an actively managed, fundamental, **relatively high conviction, concentrated approach to AREITs** investing.

Research focus is initially driven by the **Top-Down** view formulated at the **Property Investment Committee** level. Euree adopts a proprietary ranking model and individual securities' financial/valuation models. It accesses inputs from external sources (Asset consultants, Bloomberg,



brokers) for its top-down perspectives and internal sources (team members).

In the broader Euree business, it has engaged **Atchison** as its Asset Consultant, and the property team has access to Atchison's input. Bloomberg also provides extensive research and data which is available to the team.

*The process is covered in detail later in the report.*

## 2. Performance & Risk

### Return Objective

The return objective stated in the PDS is: "The Fund aims to outperform the S&P 300 A-REIT Accumulation Index by 1.5% p.a. (after fees) over rolling 3-year periods whilst also aiming to achieve a balance between growth in the value of the Units as well as income from the investment".

The Fund's benchmark, as stated in the PDS, is the S&P/ASX 300 A-REIT Accumulation Index.

### Length of Track Record

**The Fund has just been launched (14 August 2023). In the absence of any returns data, SQM Research has not provided any analysis of the Fund's risk and return profile (in this report). That said, as an internal exercise, SQM Research has looked at and considered the lead Portfolio Manager's (Winston Sammut – Property Director) capability, track record, and performance whilst he was at previous Fund Managers (and were also rated by SQM Research).**

### Risk Objective

The Fund's PDS states that the risk level of the Fund is "Very High".

### Strengths of the Fund

- A robust investment process.
- Mr Winston Sammut, with an industry experience of 40+ years, is one of the most seasoned investors in the A-REITs sector.
- The team is well-staffed in the context of the concentrated AREITs sector, and Mr John Krause also brings a lot of experience and expertise to the team.
- Mr Sammut, in his previous roles at different firms, has built a track record of outperformance over the long term, compared to both the benchmark and the peer group.

### Weaknesses of the Fund

- The Euree business is new, and just like other start-up firms, the business risks can be higher than established businesses.
- The Key Person risk (in regards to Mr Sammut) is 'high'.

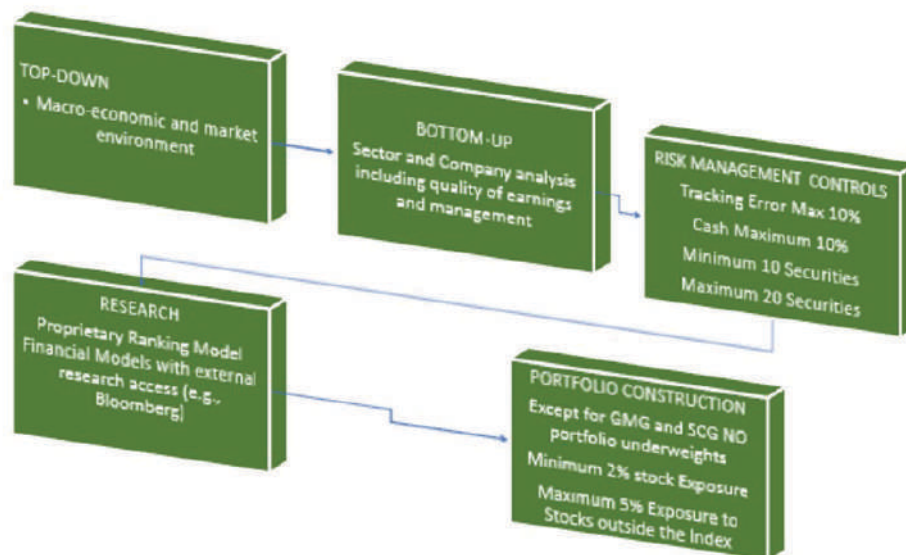
### Other Considerations

- The Fund does not have a track record – it has just been launched (14 August 2023).
- As always, SQM Research strongly advises the Financial Advisers and the Investors to read all relevant documents related to the Fund, including, but not limited to, the PDS/IM, TMD, and Fund Updates, amongst others.

### Key Changes Since the Last Review

- This report is an inaugural review.

Investment Process Diagram



**Euree A-REIT Securities Fund**  
A proven, robust and repeatable investment process

Process Description

**Investment Process**

**Research and Portfolio Construction Process**

**Idea Generation**

The Euree A-REIT Securities Fund's investment universe is comprised of those securities that have "Real Estate" GICS Industry Classification. The Benchmark Index comprises **30** stocks with a (current) total market capitalisation of circa \$125 billion.

Euree's menu of investable securities comprises **54** securities (30 Index and 24 ex-index) with a current market capitalisation of circa **\$150 billion**. The team constantly monitors markets, broker research, as well as individual securities in the investment universe and market updates with a view to identifying opportunities to add value.

Any aspect which is likely to have an impact (either positive or negative) is raised and discussed.

**Research**

Research focus is initially driven by the **Top-Down** view formulated at the **Property Investment Committee** level. For example, if the Top-Down view is that the portfolio should have an overweight bias to the Retail sub-sector and have regard to a maximum of 20 stock restrictions, research efforts are focused on identifying the "**best of breed**" security/securities to be exposed to with a Zero weighting assigned to the "worst of breed".

Euree adopts a proprietary ranking model and individual securities' financial/valuation models. It accesses inputs from external sources (Asset consultants, Bloomberg, brokers) for its top-down perspectives and internal sources (team members).

## Investment Process

### Research and Portfolio Construction Process

...continued

In the broader Euree business, it has engaged **Atchison** as its Asset Consultant, and the property team has access to Atchison's input. **Bloomberg** also provides extensive research and data which is available to the team.

The stocks are exposed to the following GICS Sub-Industry classifications:

<b>Airport Services</b>
<b>Diversified REITs</b>
<b>Health Care REITs</b>
<b>Industrial REITs</b>
<b>Managers &amp; Developers</b>
<b>Office REITs</b>
<b>Residential REITs</b>
<b>Retail REITs</b>
<b>Specialised REITs</b>

### Security Research / Stock Selection

Having covered Euree's Top-Down approach, which encapsulates industry and sector preferences, Euree's **proprietary Ranking Model** is used as a means of initial identification of specific securities.

Euree's focus then transports to the greater in-depth analysis of individual security. Euree maintains **valuation models** of its menu of securities, which are then applied having regard but not limited to aspects such as gearing (LVR), earnings and distribution growth, asset backing, etc.

Euree ranks securities in its universe in a proprietary ranking matrix that includes the following quantitative and qualitative components:

- Asset Quality
- Property Sub-sector exposure
- Debt Management
- Equity Management
- Earnings Stability
- Trust
- Knowledge
- ESG

Team members will also attend property tours organised by the REITs as well as undertake asset and REIT management teams, usually organised at Euree's request. A register of these visitations is maintained.



## Investment Process

Research  
and Portfolio  
Construction  
Process

...continued

## Portfolio Construction

Euree uses a disciplined investment process combining in-depth fundamental research with portfolio construction and risk controls aimed at **adding consistent value over time**. Preference is given to those A-REITs with **property rental streams** as well as securities with **some portion of earnings from property development or funds management**.

Euree adopts a **Top-Down/Bottom-Up** approach. Fundamental analysis focuses on “bottom-up” research to fully understand the key factors that drive a security performance, both historic and into the future. This enables Euree to make informed forecasts of a securities' future earnings and cash generation.

Euree adopts a “**benchmark unaware**” approach to portfolio construction with Individual security exposure levels derived as a result of the level of conviction based on a combination of value and liquidity issues.

The portfolio is constructed to achieve a well-diversified outcome across a number of traditional and newly established property sub-sectors as well as geographic domestic locations.

A ranking model is used to determine where Euree's research efforts are directed. The model takes into consideration a number of factors, including property sub-sector exposure and asset and management quality.

The Investment Committee is charged with determining the portfolio bias for exposure to the various property sub-sectors.

In consultation with the analyst, the Portfolio Manager will construct the Portfolio by determining individual security weightings and is ultimately responsible for performance.

The minimum exposure to security in the Euree portfolio is 2%. With regards to ex-index stock, the maximum exposure is 5%. Exposure between the minimum of 2% and the maximum of 5% is determined by the level of conviction. The higher the conviction, the higher the exposure, as demonstrated in the following table:

Exposure Level	
2.0%	Minimum
2.5%	Sound Conviction
3.0%	Strong Conviction
3.5%	Strong Conviction
4.5%	Very Strong Conviction
5.0%	Very Strong Conviction

The Property team (Winston Sammut, Peter Milios and John Krause) have regular interaction over the course of a week either in person, by email, phone or Zoom meetings).

Winston Sammut (PM) and Peter Milios (Analyst) are in constant contact in the office on a daily basis, discussing market activity, portfolio ideas and research matters. Mr Sammut has the ultimate responsibility for portfolio construction and exposures.

## Investment Process

Research  
and Portfolio  
Construction  
Process*...continued***Sell Discipline**

**Price targets** are set as a function of Euree's analysis when introducing security into the portfolio. This price is generally based on an **18-to-24-month outlook**.

Market prices of all Euree's security menu are monitored on a continuous live basis. Should security reach its target price within a shorter time frame, Euree would take a number of factors into consideration, such as whether the target has been reached as a result of a blanket upward move by the overall market or whether it has reached its price target due to reasons specific to that security only.

At that stage, a decision would be made as to its value status relative to the sector before selling the stock or ascribing a new higher target price.

Reduction of a portfolio exposure may occur when a securities actual exposure breaches the exposure target in place. Having regard to keeping portfolio turnovers low, Euree would not look to reduce holdings if the variation from its target exposure is less than 1%. However, were the portfolio exposure of a security with a target weight increases more than 1%, in the absence of any stock-specific reason for that increase, Euree would look to rebalance the exposure back to its original target.

**Risk Management**

Euree measures risk through **Portfolio Tracking Error**, having regard to the High Conviction and Index unaware strategy embraced by Euree. Constant monitoring of Tracking errors and reporting this metric to the Investment Committee and the Fund RE, if requested, on a monthly basis to ensure that it sits below Euree's stated maximum of 10%.

Euree maintains a portfolio tracking error constraint/limit of 10%. It is expected that the actual tracking error, which is constantly monitored, will sit around the 3% to 6% level. Any breach is immediately reportable to Internal Compliance, the IC as well as the RE and must be rectified within 2 business days. A Breach Register is maintained.

A Corporate Governance issue may well trigger a review. A deviation away from its stated strategy would lead to a review, which may well result in a sell-down.

Euree uses the IRESS trading and portfolio module, which has a PRE and POST trading module for operational risk management. For example, in the case of Euree's A-REIT Fund, with regards to the PRE compliance module, it would only allow a BUY trade to be restricted to the GICS sector classified securities. It would not allow trades to be placed on a stock that sits outside the approved list of securities.

**Portfolio Characteristics****Portfolio Biases/Preferences**

Investments are restricted to ASX-listed or soon-to-be-listed (within 6 Months) A-REITs, property-related securities, including ASX-listed property developers and fund managers.

There will be **no exposure to derivatives**, and the Fund will **not be geared**.

Having regard to Euree's stated capacity limit of 1% of the underlying index (S&P/ASX 300 A-REIT Index, which currently sits around \$ 125 billion), this equates to a capacity limit of \$ 1.25 billion.

## Investment Process

### Research and Portfolio Construction Process

#### *...continued*

Given it is a startup, this figure is a long way from being a perceived issue. However, whilst the \$1.25bn is the stated limit maximum capacity, Euree will review its capacity limit as and when it gets to \$500m to ensure that they are able to add value from exposure to those securities with a market cap below \$1b.

An investment universe larger than the underlying benchmark index of 30 stocks provides additional opportunities to add value. Euree undertakes extensive proprietary research on approximately 54 stocks covering a broad range of Real Estate Investment Trusts and property-related stocks, which include developers and property fund managers.

In the past, similar type mandates managed by Euree's portfolio manager have had an affinity for **non-index exposures** in the **small to mid-cap** range as a means of generating alpha. This approach is expected to be a feature of the Euree A-REIT Securities Fund and is regarded as a point of differentiation compared to other A-REIT products on offer.

In terms of the split between Index and non-index exposures, it is expected that around 70%/75% of the portfolio will comprise index securities, and 25%/30% of the portfolio will comprise non-index securities.

#### **Portfolio Turnover and Active Share**

Portfolio turnover is expected to be in the 30% to 50% range. Based on prior long-term history when managing a similar product, turnover sat at under 40%.

Investment decisions are based on adopting a Buy and Hold approach as opposed to short-term trading strategies. Holding periods are expected to be at least 18 months to 2 years. However, on the basis that there is no material change to Euree's outlook on the property sub-sector, asset and management quality, and rental growth expectations, a longer holding period would result.

#### **Liquidity**

The Fund has the ability to hold up to 10% in cash. However, it will generally sit at around 3% to 5% in order to allow for flows (redemptions) when required.

With regards to liquidity issues of individual securities, the Fund will not invest in a security whose market capitalisation is below \$50m.

#### **Leverage**

This Fund does not employ direct leverage (through borrowing by the Fund) **or** economic leverage (through the use of derivatives).

## Key Counterparties



## Parent Company

Euree is **80%** owned by STA Investments and **20%** by Sequoia Financial Group (ASX: SEQ).

## Investment Manager / Fund Manager

**Euree Asset Management Pty Ltd ("Euree")** is the Investment Manager for the Fund. Euree is a boutique asset manager with offices in Sydney and Melbourne that uses its expertise across all asset classes to manage both **direct and multi-asset** portfolios.

Euree aims to employ its expertise to create value and generate attractive returns for Investors. The Investment Manager's AFSL authorises them in respect of wholesale clients only, and accordingly, they are not able to deal with retail clients. Euree's expertise covers many asset classes, including Equities, Fixed Interest, Property, Commodities, and Alternate Assets, including Private Equity and Venture Capital. Euree's team has over 40 years of experience in the industry.

Euree's dedicated compliance and risk team ensures that the investments are not only well-researched but that they also comply with all Australian and International guidelines. Euree is the Investment Manager of **3** Managed Investment Schemes: the Euree Multi-Asset Balanced Fund, the Euree Multi-Asset Growth Fund and The Euree A-REIT Securities Fund.

## Governance

### Responsible Entity

The Board of Directors of the Responsible Entity (**One Managed Investment Funds Limited**) consists of **3** directors, **none** of whom are independent. SQM Research prefers the inclusion of independent members on the Board of Directors – it is a meaningful way to enhance governance and oversight. Board members have an average of **28.3** years of industry experience.

The Responsible Entity's **Compliance Committee** is composed of **3** members, **2** of whom are independent. The Chair **is** independent. SQM Research views independence in a RE oversight body such as the Compliance Committee as a strong and favourable factor in Fund governance. Compliance Committee members have an average of **32.0** years of industry experience.

### Management Risk

Funds management businesses rely on the operational capabilities of key counterparties. A critical element is the ability of the Responsible Entity to monitor operational performance and to meet the regulatory and statutory responsibilities required. For any investment fund, there is a risk that a weak financial position or management performance deterioration of key counterparties

could temporarily or permanently compromise their performance and competency. This can adversely affect financial or regulatory outcomes for the Fund or associated entities.

*Based on the materials reviewed, SQM Research believes that the Manager and associated key counterparties are appropriately qualified to carry out their assigned responsibilities. Management risk is rated as 'moderate to high'.*

## Funds under Management (FUM)

### FUM for Fund under Review (\$mill)

The Fund has just been launched (14 August 2023).

### Distributions

Distributions will occur on a **quarterly** basis, subject to the availability of distributable income. As a general comment, in a scenario where the Fund's realised losses and expenses exceed income in a distribution period, the Fund may elect not to make a distribution during that time.

Name	Responsibility / Position	Location	Years at Firm	Years in Industry
Alex Edmonds	CIO	Sydney	3.5	8.0
Winston Sammut	Property Director	Sydney	0.0	43.0
Peter Milios	Analyst	Sydney	1.0	2.0
John Krause	Property and Macro Economics (Contractor)	Sydney	0.0	40.0

### Investment Team

The analysis and coverage of the (54) stocks in Euree's investment universe are split between **Winston Sammut** and Peter Milios. Winston Sammut, as Portfolio Manager, is ultimately responsible for all investment decisions for the Fund.

Winston Sammut is an investor with over **40** years of experience in investment markets and the investment management industry, having previously worked for companies including Commonwealth Bank, Ausbil, Folkstone, and Charter Hall. He's had a background

across domestic as well as international equity and bond markets, before specialising in the Australian Listed Real Estate markets and having managed one of the top-ranking REIT Funds for 17 years.

**John Krause** is a former senior institutional investment manager and financial markets professional; he brings over 40 years of experience in financial markets, funds management and product development to the **Committee**.

### Meeting Schedule

The table below shows regular meetings that form an essential part of the overall process.

Meeting	Agenda	Frequency	Participants
<b>Meeting 1</b>	Euree Asset Management	Monthly	<b>Alex Edmonds</b> - Macro, Asset Allocation, Investment Strategy Portfolio Construction, Risk Management and Portfolio and Performance Review. <b>James Hird</b> - Macro, Asset Allocation, Investment Strategy Portfolio Construction, Risk Management and Portfolio and Performance Review. <b>Garry Crole</b> - Macro, Asset Allocation, Investment Strategy Portfolio Construction, Risk Management and Portfolio and Performance Review. <b>Winston Sammut</b> - Asset Allocation, Investment Strategy Portfolio Construction, Risk Management and Portfolio and Performance Review.
<b>Meeting 2</b>	Euree A-REIT Securities Fund	Monthly	<b>Winston Sammut</b> - Investment Strategy, Sector Research, Security Research,Portfolio Construction, Risk Management and Portfolio and Performance Review. <b>Peter Milios</b> - Sector Research, Security Research, Portfolio Construction <b>John Krause</b> - Investment strategy, Risk Management, Sector Research.
<b>Meeting 3</b>	Euree A-REIT Securities Fund	Weekly	<b>Winston Sammut</b> - Markets, Sector and Security Research, <b>Peter Milios</b> - Markets, Sector Research, Security Research <b>John Krause</b> - Debt markets.
<b>Meeting 4</b>	Euree A-REIT Securities Fund	Daily - Ad Hoc as and when necessary	<b>Winston Sammut</b> - Markets, Sector and Security Research, <b>Peter Milios</b> - Markets, Sector Research, Security Research.

*SQM Research believes the practice of constant communication and the broad-based inclusion of team members in decision-making is a vital ingredient to the success of the process. Interactive peer review and collaboration across a tightly knit group of experienced investors will likely make the best use of their combined intellectual property and shared history.*

### Remuneration and Incentives

Portfolio Manager Winston Sammut will be the Fund's first investor in a similar fashion to that which was the case at the previous product of which he was investment manager. Going forward, all distributions, when paid, will be reinvested in the fund by Mr. Sammut.

A staff ESOP plan will be developed after year 1 of operation. It is intended to have key staff linked to the fund's success through equity.

*SQM Research believes remuneration in the form of firm equity and client-focused performance bonuses act as strong incentives for optimising staff engagement, retention, and productivity. The intention (and SQM believes the effect) is to align staff performance with client and shareholder objectives. It focuses on the customers' needs and medium to long-term results.*

Fees and Costs	Fund	Peer Avg
Management Fee (% p.a.)	0.85%	0.73%
Expense Recovery / Other Costs (% p.a.)	N/A	–
Performance Fee (%)	–	–
Total Cost Ratio TCR (% p.a.)	–	0.75%
Buy Spread (%)*	0.25%	0.21%
Sell Spread (%)*	0.25%	0.21%

\* This spread is the difference between the Fund's application price and withdrawal price and reflects transaction costs relating to the underlying assets.

### Management Fee

The management fee includes GST and is net of any applicable Reduced Input Tax Credits (RITC).

### Performance Fee

The Fund does not charge a performance fee

*SQM Research observes that:*

- *The Fund management fee is 12 basis points higher than the peer group average.*
- *The Total Cost Ratio (TCR) (if it is the same as management fee for the 1st year) is expected to be 10 basis points higher than the peer group average.*



The Fund has just been launched (14 August 2023). In the absence of any returns data, SQM Research has not provided any analysis of the Fund's risk and return profile (in this report). That said, as an internal exercise, SQM Research has looked at and considered the lead Portfolio Manager's (Winston Sammut – Property Director) capability, track record, and performance whilst they were at previous Fund Managers (and were also rated by SQM Research).

The table below outlines limits on the Fund's asset allocation and other risk parameters:

<b>Fund Constraints and Risk Limits</b>	
<b>Constraint or Risk Limit</b>	<b>Permitted Range or Limit</b>
<b>Constraint or Risk Limit 1</b>	Minimum Number of stocks 10
<b>Constraint or Risk Limit 2</b>	Maximum Number of stocks 20
<b>Constraint or Risk Limit 3</b>	Maximum exposure to an Ex-Index stock of 5%
<b>Constraint or Risk Limit 4</b>	Tracking Error constraint of 10%
<b>Other Constraints</b>	
<b>Maximum exposure to single security</b>	5% for ex Index stocks
<b>Maximum exposure to single stock</b>	5% for ex Index stocks
<b>Maximum exposure to single sector</b>	N/A
<b>Maximum exposure to a single country</b>	Only ASX listed or soon to be listed securities
<b>Maximum exposure to geographic region</b>	Domestic exposure only
<b>Limit for Holdings Not in Benchmark</b>	5% exposure maximum for ex index stocks
<b>Size, Capacity, Turnover</b>	
<b>Estimated Capacity Limit for Fund/Strategy</b>	1% of Benchmark Index
<b>FUM - Strategy</b>	Review at \$500m
<b>Firm-wide FUM for this Asset Class</b>	Review at \$500m

**Drawdown**

A drawdown tracks the path of the Fund's accumulated NAV (with dividends reinvested). It is measured over the period of a peak-to-trough decline and the subsequent recovery back to that previous peak level. The total return over that entire period is, of course, zero. The metric of interest, the drawdown itself, is quoted as the percentage change between the peak and the trough over that period. Funds typically have multiple drawdowns of varying size and length over their lifetime. The table above shows how many drawdowns have occurred and their average peak-to-trough size.

**Alpha**

SQM defines **Alpha** as the excess return compared to the Benchmark and is calculated as

$$\text{Alpha} = \text{Fund Return} - \text{Benchmark Return}$$

**A General Note on Distributions for Managed Funds**

The Responsible Entity of a Managed Fund will provide for a regular schedule of distributions, such as monthly/quarterly/semi-annual or annual. This is subject to the Fund having a sufficient distributable income. The official total distributable income available to pay to investors is determined for the period of that Fund's financial year. By distributing the net taxable income of the Fund to investors each year, a Fund itself should not be liable for tax on its net earnings.

If a Fund makes distributions more frequently than once over the financial year, those distributions will be based on estimates of the distributable income for that distribution period. The final total amount of distributable income available for passing on to investors can only be calculated after the close of the financial year, based on the Fund's taxable income for that year.

If the total distributions a Fund pays out exceed total taxable income for that particular financial year, the excess amount may be treated as a return of capital rather than income. This will possibly have tax implications for the investor.

Due to the considerations outlined above, there may be periods in which no distributions are made, or a Fund may make additional distributions

A Fund's ability to distribute income is determined by the performance of the Fund and general market conditions. Accordingly, there is no guarantee that a Fund will make a distribution in any distribution period.

**Total Cost Ratio (TCR)**

Managed Investment Schemes: The TCR for Managed Investment Schemes, Exchange Traded Products, and Investment Bond funds is an addition of the Investment Management Fees and Costs (including admin fees), Performance Fee Costs, and the impact of dollar-based fees.

Superannuation funds: The TCR for Superannuation and Pension funds is an addition of the Investment Management Fees and Costs (including admin fees), Performance Fee Costs, Administration Fees and Costs, the impact of dollar-based fees and a deduction of Super OTC Derivative Costs.

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