



**SQM**  
RESEARCH

# Euree Multi-Asset Balanced Fund

This report has been prepared for financial advisers  
and wholesale clients only



**Favourable**

May 2024

# 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

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**Report Date: 31 May 2024**

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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**SQM Rating** ★★★★★

*Favourable. Consider for APL inclusion.*

<b>Fund Description</b>	
Fund Name	Euree Multi-Asset Balanced Fund
APIR code	OMF2231AU
Asset Class	Multi-Asset
<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	\$55m
Return Objective (per PDS/IM)	The Fund will invest in a mixture of asset classes to form a multi-asset portfolio with the aim to earn Investors a return of CPI + 3.0% over rolling 7-year periods
Internal Return Objective	At least Benchmark returns over rolling 12-month periods
Risk Level (per PDS/IM)	Medium to High
Internal Risk Objective	Under 10% Volatility
Benchmark	CPI + 3.0%
Number of stocks/positions	Fund-of-Funds; between 12-35 investments
Fund Leverage	No Leverage
Portfolio Turnover	Not Applicable
Top 10 Holdings Weight	Not Applicable
<b>Investor Information</b>	
Management Fee	Balanced: 1.25% p.a.
TCR (Total Cost Ratio)	Balanced: 1.60% p.a. (Estimate) (Refer to the fee section & the PDS)
Buy Spread	0.25%
Sell Spread	0.25%
Performance Fee Rate	10.25%
Minimum Application	\$10,000
Redemption Policy	Daily- Generally paid into account within 7 days
Distribution Frequency	Quarterly - 31 March, 30 June, 30 September and 31 December
Investment Horizon	7 Years
Currency Hedging Policy	50%/50% Equities & 100% unhedged for Alternatives

## SUMMARY

### Fund Summary

#### Description

The **Euree Multi-Asset Balanced Fund (the "Fund")** is managed by Euree Asset Management, catering to investors seeking both **sustainable income** and **capital growth**.

The investment strategy centres on active asset allocation across a diversified spectrum, encompassing **equities, fixed interest, property, alternative assets, and cash**. The Fund adheres to a mix of top-down and bottom-up approaches, aiming to outperform internal benchmarks while maintaining lower volatility.

The portfolio is strategically designed based on a blend of internal and external research, with tactical asset allocation exploiting short-term valuation discrepancies. The approach is underpinned by a belief in an active approach to asset allocation as the path to building and preserving wealth, with an emphasis on leveraging sector expertise and embracing liquid alternatives.

The Fund targets a return of **CPI + 3.0% p.a.** over a rolling 7-year period. The Fund's risk profile stated in the PDS is medium to high.

Euree Asset Management's approach blends the advantages of **passive and active** positions within each asset class, capitalising on market inefficiencies for optimal risk-adjusted returns. Through strategic asset allocation and a dynamic selection of managers with strong risk and return metrics, the Fund aims to position itself advantageously in both efficient and specialised markets. Additionally, the incorporation of alternative assets not only acts as a risk management tool but also serves as a separate alpha driver. Euree Asset Management's strategy is characterised by its active, multi-asset allocation approach, combining top-down and bottom-up methodologies, sector expertise, and a commitment to leveraging liquid alternatives for a robust investment offering. The fund does not employ tactical currency hedging positions and holds circa 50% hedging position in international equities and a 100% unhedged position in alternative assets.

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
3.75 stars	Favourable	Consider for APL inclusion	Approved

**Previous Rating: 3.75 Stars (Issued August 2023)**

### 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 the investment manager for **3 Funds**: Euree Multi-asset Balanced Fund Euree Multi-Asset Growth Fund and an A-REIT Securities Fund.

The Fund is designed to address investors' needs for sustainable income and 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

Euree Asset Management's investment team is led by **James Hird** (MD & Chair of Investment Committee), **Alex Edmonds** (CIO) and Winston Sammut (Property Director), with other key team members for the Fund John Krause (Investment Strategist) and Peter Milios (Analyst).

Euree has also contracted Atchison Asset consultants to act as its integrated asset expert. Contributing to Strategic Asset Allocation, Tactical Asset Allocation, and Selection of Managers and is a part of the Investment committee meetings. While the investment committee is ultimately responsible for the investment decision, Atchison holds the casting vote on all tied decisions in the IC meetings.

The business remains a **start-up**, and the strategies are in a very early phase, so there is some risk around the longevity of the Fund. However, given the flows since inception the risk is not significant in the short term.

The strategy for Fund has been developed so that they are not reliant on a single person, and so **SQM believes that the Key Person risk is 'low/moderate'**.

## 1. Investment Philosophy and Process

### Investable Universe

As a multi-asset fund, the Fund can invest in all broad asset classes. The Fund can invest in Australian-domiciled managed funds as well as Listed Investment Companies/Trusts and Exchange Traded funds that are traded on the ASX.

### Philosophy / Process / Style

The Euree Multi-Asset Balanced Fund's target is to achieve a return of CPI+ 3.0% over a rolling 7-year time period. The Fund uses the FSC Standard Risk measures and is classified as Medium-to-High. The Fund, therefore, aims to limit negative return years to no greater than 4 over a 20-year timeframe for the Balanced Fund.

Along with CPI return targets stated in the PDS, they have built an internal index based on **SAA** targets to provide attribution and look to outperform their internal index whilst keeping volatility lower than the index as well. The Investment Manager is of the belief that an active approach to asset allocation over a broad range of asset classes is the best way for investors to build wealth and stay invested.

The Fund is built on the premise that:

- A mix of passive and active positions is optimal for each asset class. This is determined based on a number of factors that include the efficiency of a market, the availability of high-quality passive investment vehicles, and the cost of active management
- Sector expertise can exploit inefficiencies in highly specialised markets, such as Property, Emerging Markets, Alternative Investments or markets where there are inadequate passive instruments to provide broad market exposure
- Liquid Alternatives are an underutilised tool for both return and risk management, especially with advised retail clients. Euree has capabilities within Alternatives to be able to allocate a larger allocation within each portfolio whilst managing risks such as complexity risk and management fees
- Strategic Asset Allocation will account for the majority of returns for the portfolio, and therefore, the Fund utilises both internal and external research to come to agreements on SAA as well as when to tilt away from the neutral SAA targets to collect short-term alpha and/or reduce risk exposure

The Fund is a **Fund-of-Funds** strategy, with a portfolio across a broad range of asset classes to achieve target performance.

- The Fund achieves this by employing a Strategic Asset Allocation framework that optimises asset allocation to accomplish the desired return and risk targets over the defined investment period. The Fund will also employ Tactical Asset Allocation tilts in order to exploit short-term relative valuation differences between asset classes
- The Fund will look to use funds that have exhibited a history of strong risk and return metrics relative to their peers and a benchmark and will look to increase exposure to active managers in inefficient markets and decrease active exposure in the efficient markets
- The Fund uses alternative assets as both a risk mitigation tool as well as a return driver, and a large, allowable range of alternatives enables the Fund to strategically utilise liquid and illiquid alternatives

The Manager employs a top-down approach to portfolio construction. Firstly, looking at return expectation and correlation of asset classes, formulating a Strategic Asset Allocation and then conducting due diligence on fund managers and investment vehicles to fill that allocation. The Fund does employ macro in its Dynamic/Tactical tilts but is predominately driven by top-down SAA allocation and will, over time, revert back to the SAA.

## 2. Performance & Risk

### Return Objective

The return objective stated in the PDS is: "...aim to earn Investors a return of CPI + 3% over rolling 7-year periods."

### Length of Track Record

The Fund was launched on 14 August 2023. Therefore, insufficient data is available for analysis.

### Risk Objective

The PDS states that the risk levels of the Fund is: Medium to High.

## SUMMARY

### Strengths of the Fund

- The Fund employs a Multi-Manager Fund-of-Funds approach to portfolio construction. That provides good diversification benefits and the ability to use good quality underlying Funds/Managers.
- Using both tactical asset allocation and alternative assets allows the Manager to position the portfolio as per their market views.
- The use of a third-party Investment Consultant to advise the investment committee brings investment expertise. The Atchison SAA and investment process is robust.
- The combination of active and passive solutions enables market inefficiencies to be taken advantage of whilst reducing costs where alpha opportunities are less likely.

### Weaknesses of the Fund

- The Euree business is new, and just like other start-up firms, the business risks are higher than established businesses.
- The investment decision-making is committee-based without an experienced multi-asset Portfolio Manager. Given the team is new, their ability to work together is also untested.
- A material proportion/allocation of the Funds will go into passive/index strategies, which somewhat limits the ability of the Funds to generate outperformance (vs. the relevant asset class indices) via active management/selection of Fund Managers and securities. That said, alpha can be generated via the active strategies and the AA process.
- The Fees are significantly higher than the peer average. The buy/sell spread is also higher than the peer average.
- The Management Fees are expensive relative to Multi-Asset Funds. The additional performance fee is somewhat unusual in this type of solution, making the total cost at the higher end for Multi-Asset Funds. The buy/sell spread is also high and likely to be higher than the weighted average buy/sell cost of the underlying portfolio.

### Other Considerations

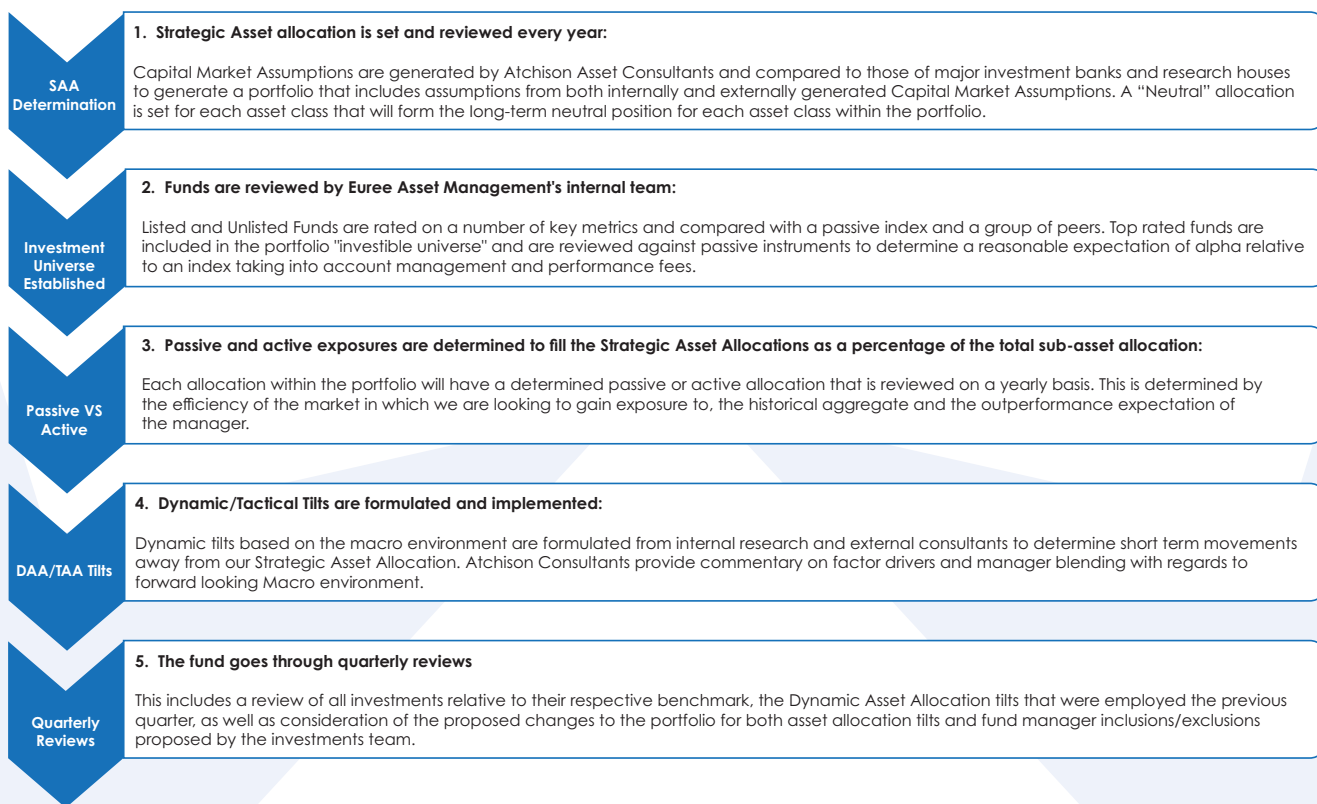
- The Fund does not have a meaningful track record – having been launched (14 August 2023).

- As always, SQM Research strongly advises the Financial Advisers and Investors to read all relevant documents related to the Fund, including, but not limited to, the PDS/IM, TMD, and Fund Updates, amongst others.
- The Fund's exposure to A-REIT is through the internally managed Euree A-REIT Securities Fund, which is rated 4.00 Stars by SQM Research.

### Key Changes Since the Last Review

- No material changes to the investment process.
- There has been a change in staffing with the departure of the Peter Bolton, Strategist.

### Investment Process Diagram



### Process Description

Investment Process	
<p><b>Research and Portfolio Construction Process</b></p>	<p><b>Research</b></p> <p>EAM uses both primary paid research through its relationship with <b>Atchison Asset consultants</b> and <b>third-party research</b> through relationships with Oxford Economics, True Insights, JP Morgan and Jarden Securities.</p> <p>EAM operates under the banner of an internal Investment Committee.</p> <p>EAM employs Atchison Consultants to sit on the committee as well as provide the following research and services:</p> <ul style="list-style-type: none"> <li>• Strategic Asset Allocation using their proprietary capital market assumptions. This informs the 'neutral' position for all asset classes based on simulations conducted by Atchison</li> <li>• Dynamic Asset Allocation tilts using proprietary internally developed macro indicators</li> <li>• Stress testing through liquidity events</li> <li>• Risk testing, such as simulation of volatility and VAR testing</li> <li>• Performance Attribution analysis, both Asset-based and Factor-based</li> <li>• Fund manager recommendations, including blending</li> <li>• Fund manager performance monitoring</li> </ul>



## Investment Process

Research  
and Portfolio  
Construction  
Process*...continued*

## Portfolio Construction

**1. Strategic Asset Allocation is set and reviewed every year:**

Atchison provides an initial Strategic Asset Allocation review document that is put to the EAM IC. This is compared against the outlook of Investment Banks and Research houses both in Australia and globally in order to test the **Atchison Long-Term Capital Market Assumptions** against that of 3<sup>rd</sup> party providers.

The portfolio is put through **stress testing** based on 30 years of past performance, as well as **forward-looking asset class return and volatility assumptions**, to come to a determination on SAA.

**2. Fund Manager Filtering, Selection and Ongoing Monitoring:**

Each position in the portfolio is monitored on an ongoing basis against similar funds to assess performance **relative to peers** and a **passive benchmark** alternative.

The EAM team uses LSEG Refinitiv and Refinitiv API to track key fund performance metrics that are updated on a daily basis and monitored on a weekly basis by the CIO and Analyst team.

- Deviations from a benchmark or poor relative performance to peers as measured by metrics including tracking error, Sharpe and Information Ratio are highlighted via the terminal and automated spreadsheets developed by EAM through the Refinitiv API data feed
- Each month, during an Investment Committee meeting, these metrics are shared, and an opinion is made on whether the Fund should be monitored more closely, and contact will be made with the Manager to discuss underperformance
- Funds that consistently show underperformance and cannot justify this through communication with EAM will be sold down, with a more suitable fund being selected to replace it. If there is no suitable fund available, passive exposure will be implemented

Along with quantitative measures of performance, EAM also monitors **qualitative** measures to assess fund managers, including:

- Tenure of staff
- Staff changes
- Internal attitude towards risk
- Recognition and process for addressing investment biases

The Manager believes that fund managers who are able to retain talent, pass on intellectual capital through an organisation and recognise their flaws and biases are in a better position to consistently deliver performance over longer periods of time.

EAM aims to invest with fund managers for the long term to minimise transaction fees and rely on these qualitative factors to assist investment decisions.

**Investment Process**

**Research and Portfolio Construction Process**

*...continued*

**3. Active VS Passive exposures – a probability-weighted approach:**

The attitude towards passive and active exposures is predominantly dictated by the **efficiency of the market** looking to gain exposure. Markets that are less efficient offer a higher dispersion of return probabilities and the potential for alpha to be generated through active management.

Research suggests that equity markets such as small caps and emerging markets are less efficient, with the median outperformance being higher for active managers relative to a passive position.

EAM uses this **probability-based** approach to formulate decisions to have a higher allocation to passive instruments, such as ETFs and Index Funds, in the efficient markets and a higher allocation to active managers in the inefficient markets.

The chart below outlines Euree Asset Management's attitudes toward specific asset classes based on market efficiency, excess return expectation and ease of indexing (a proxy for efficient passive exposure):

Asset Class	Market Efficiency	Excess Return Expectation	Ease of Indexing	EAM allocation tilts
US Large Cap Equity	High	Low	High	Seek Majority Passive
US Small Cap Equity	Moderate	Moderate	Moderate	Core-Satellite approach
Non-US Developed Shares (Inc Aus)	Moderate	Moderate	Moderate	Core-Satellite approach
Aus Small Cap Equity	Moderate/low	Moderate	Moderate	Seek Majority Active
Emerging Market Shares	Moderate/low	Moderate	Moderate	Seek Majority Active
Core Bonds (Gov/Inv Grade Credit)	High/Moderate	Low/Moderate	Moderate	Core-Satellite approach
Emerging Market Bonds	Moderate	Moderate	Low	Seek Majority Active
High Yield Credit (sub inv grade)	Low	Moderate	Low	Seek Active
Hedge Funds	Low	High	Low	Seek Active
Private Equity	Low	High	N/A	Seek Active
Real Estate (Direct)	Low	High	N/A	Seek Active

**4. Investment Committee Processes Dynamic/Tactical Tilts and Manager Blending:**

During each step of the process, the investment decisions are pushed up through internal or external channels to the investment committee.

The investment committee is made up of **four members of Euree Asset Management** and **one external consultant from Atchison Asset Consultants**.

The below staff are current members of the EAM investment committee:

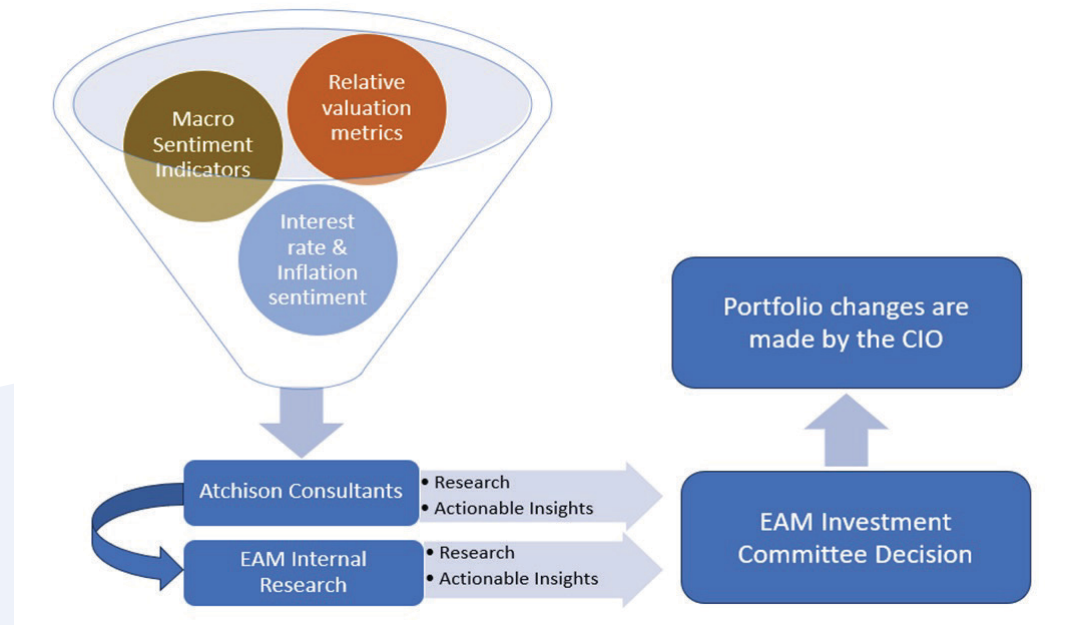
- James Hird (CEO & Managing Director)
- Garry Crole (Non-Executive Director)
- Winston Sammut (Property Director)
- Alexander Edmonds (Chief Investment Officer)
- Atchison Consultant Member – Currently, either Jake Jodlowski or Kevin Toohey

**Investment Process**

**Research and Portfolio Construction Process**

*...continued*

The investment decision process pertaining to the Dynamic/Tactical Asset allocation tilts and manager blending advice taken to the Investment Committee is as follows:



The above process emphasises both **internal and externally generated research and insights** to inform the active changes to the portfolio.

A **quarterly report** is produced by Atchison Consultants on their Dynamic/Tactical Tilt recommendations. This is supplemented by monthly insights produced by the internal staff of EAM and research from relationships with Research Institutions.

EAM **Internal Research** is generated by **John Krause and Alexander Edmonds**:

Atchison Consultants provide recommendations on manager blending based on macro factors that could benefit specific sub-asset classes, e.g. Value vs. Growth.

**5. EAM Multi Asset fund quarterly reviews:**

The EAM team, in collaboration with Atchison Consultants, will go through quarterly performance reviews for all EAM funds, including performance metrics, return attribution (both asset and factor attribution), Tactical/Dynamic tilt recommendations and any fund omissions/inclusions for the previous quarter.

The CIO will put any proposed changes to the Investment Committee and pass on the recommendations from Atchison regarding any future proposed tactical or dynamic tilts.

**Manager Selection**

• **Investment Process – Manager Selection**

The investment objective for each multi-manager configuration per asset class reflects the specific requirements based on the modelling performed to meet investment objectives and SAA of each multi-asset MIT.

## Investment Process

### Research and Portfolio Construction Process

*...continued*

The investment and risk objectives for each asset class model, as well as appropriate benchmarks, the investible universe and the desired investment management fee budget, are formulated, monitored by the IC and IM, and ratified by the IC.

The clearly formulated investment objectives form the basis of the allocation between appointed investment strategies/fund managers and research modelling conducted by the IM and Asset Consultant.

### Managed Funds Research & Selection

The IM, with assistance from the Asset Consultant, maintains an **Approved Product List (APL)** monitoring system to assist in the selection, management, and monitoring of:

- Australian-domiciled managed funds
- Listed Investment Companies (LICs)
- Exchange Traded Funds (ETFs)
- Platform cash accounts
- Bank deposits

The Asset Consultant has formulated an approach that monitors the performance and risk measurement of each standalone investment strategy and provides a report to the IM based on quantitative analysis and, when requested, supported by qualitative analysis.

Investment strategies deemed suitable for the MITs that consistently perform on a risk-adjusted basis are short-listed for Euree investable APL per asset class and sub-asset class.

### APL Monitoring

Monitoring on a quarterly basis (June, September, December, and March) all Unlisted Managed Funds, ETFs and LICs, including:

- Performance against benchmark index and peer group
- Identify the underperformance of products
- Provide recommendations for additions and removal of products from the APL
- Change of independent investment rating

The Asset Consultant will monitor products on APL based on an Alpha Test, Risk Adjusted Return Test, Factor Test and Qualitative review. Investment monitoring and selection are assessed on four key criteria based on the investment's performance, risk-adjusted metrics and factor analysis.

### Investment Manager Investible Universe & Selection

The Asset Consultant searches for investment managers across the universe that they deem "**best of breed**" by style, monitoring and screening, initially using the above **quantitative APL monitoring** system.

Following the quantitative analysis and evaluation process, preferred investments by asset class and sub-asset class are short-listed.

## Investment Process

### Research and Portfolio Construction Process

*...continued*

**Qualitative analysis** is subsequently performed to assist in the confirmation of an investment manager's ability to add value against their style and peer group rather than the broader index.

The aim is to identify highly skilled investment managers adhering to a specific investment style. Thus, suitable investment strategies are selected for each asset class and sub-asset class and approved to the Approved Product List (APL) based on their specific style/strategy and expected contribution to the overall multi-asset portfolio (and asset class) risk and return as defined by the IC.

- **Investment Process – Manager Blending**

Individual investment strategies within each asset class and sub-asset class are chosen to **optimise** the **diversification** benefits within the asset class.

Also, the Asset Consultant assesses their ability to add to investment performance (after investment management fees and before tax) in conjunction with their specific style and the overall state of the economy as it moves through four stages in a cyclical pattern:

- Expansion
- Peak
- Contraction
- Trough

The selected investment products will employ strategies that have different styles and are complementary to each other.

At the same time, the allocation between sub-investment managers within the asset class model is actively monitored to ensure that at the total Portfolio level, any potential alpha is not completely diversified away by taking insufficient risk or through redundancy.

At the Fund level (e.g., Growth and Balanced), the portfolios are constructed with the aim of meeting specific active **return targets** based on the Portfolios' respective investment objectives. While it is very difficult to predict future returns for any particular sub-investment manager, let alone for a composite of investment managers, the IM recognises that it is necessary to take a known level of active risk to ensure a reasonable probability of being able to meet the active return targets.

Therefore, the IM has set an **active risk target** to equal what is necessary to meet each Fund's return target based on the assumption that an information ratio between 0.6 and 1 can be achieved.

The IM is of the belief that these active risk targets provide a reasonable probability of being able to meet the respective return targets while not being overly excessive such that it would compromise the performance consistency objective.

## Investment Process

### Research and Portfolio Construction Process

...continued

### Sell Discipline

Sub-investment managers are generally terminated due to reasons of concern stemming from:

- Change of investment strategy or asset allocation
- Lack of competitiveness relative to other offerings available
- Occurrence of a serious event such as the resignation of key investment personnel, significant change in investment strategy, etc.

Any decision to terminate a sub-investment manager is ratified by the IC meeting and must be accompanied by a Report that details the rationale for terminating a sub-investment manager and any associated impact on the MITs.

### Risk Management

EAM's risk management framework encompasses **downside risk metrics** as well as **factor risk metrics** to constantly monitor the overall portfolio risks taken within the funds. The main framework for assessing risk is based on an Assets approach relative to a factor-based approach. However, they are cognizant of the risk factor exposures within the portfolios.

Risk management in portfolio management involves a structured process to ensure exposure to various asset classes and individual securities is carefully monitored and controlled. Hard limits are established on asset exposures as outlined in the product disclosure statement, with a factor overlay employed to understand the inherent risks in the strategy. Over time, asset exposure is expected to revert to the Strategic Asset Allocation (SAA). Stock exposure specifics are not applicable in this context.

The trading and portfolio management is facilitated through LSEG Refinitiv Workspace, which includes pre- and post-trading functionalities for listed trades. Managed fund investments are directed by the Chief Investment Officer (CIO) and executed by the Responsible Entity, with oversight from the Head of Risk and Compliance. Portfolio holdings are monitored using data from fund managers, and LSEG Refinitiv ensuring appropriate diversification and adjustments to prevent excessive concentration in any single fund or asset class.

Sector and country exposures are similarly managed, with a particular focus on mitigating risks from geopolitical events. Exposure to politically sensitive countries is monitored using LSEG Refinitiv, and consultations with political analysts may be sought when necessary. Credit quality of underlying assets is assessed by individual fund managers and reviewed through LSEG Refinitiv's look-through portfolio function. Tracking error, portfolio changes, turnover, and the overall risk/return profile are regularly monitored using internally developed systems, LSEG Refinitiv and Atchison. Cash exposure is checked daily by the CIO, and while direct leverage is not utilized, caution is exercised regarding leverage in underlying funds.

### Material Risks

Material risks which are associated with the Fund include:

**Related Party Investment Risk:** There is risk that related party investments are not select on merit and provide a worse outcome than alternative solutions available in the market.

**Investment Process****Research  
and Portfolio  
Construction  
Process***...continued*

**Market Risk:** Asset prices can fluctuate as a result of factors such as economic conditions, government regulations, market sentiment, local and international political events and environmental and technological issues. Market risks may have different impacts on each asset class and investment style.

**Liquidity Risk:** The fund's underlying investment may not provide the desired liquidity in times of stress where there unusually high redemption requests. This reflects that the underlying assets may at times be less liquid than the unit redemption frequency.

**Currency Risk:** The Fund does not hedge 100% of its foreign currency exposure arising from investments in overseas markets; therefore, the returns may be affected by movements between the other currencies and the Australian dollar.

**Fund risk:** Risks specific to the Fund include the risk that the Fund could terminate (including before the recommended minimum term or at the bottom of the investment cycle) and that the fees and costs payable by the Fund could change. There is also a risk that investing in the Fund may give different results than investing directly because of income or capital gains accrued in the Fund and the consequences of investments and withdrawals by other Investors.

**Investment Manager Risk:** Risk associated with the investment manager's ability to anticipate market movements and manage risks effectively. This risk also applies to the underlying managers that the Fund has exposure to.

**Interest Rate Risk:** Changes in interest rates can have a positive or a negative impact directly or indirectly on investment values and/or returns on securities in which the Fund invests. The capital value or income of a security held by the Fund may be adversely affected by interest rate movements. High levels of inflation and rising interest rates may adversely affect the Fund, including by reducing the amount the Fund has available to distribute as income to Investors.

**Credit Risk:** Investment in credit securities or fixed income instruments carry credit risk. This may include adverse events associated with the issuer, or market developments leading to a downgrade in the securities market value.

**Economic Risk:** Adverse effects on investments due to downturns in general economic conditions.

**Income Risk:** Distributed income may be impacted by interest rate fluctuations, earnings declines in companies exposed through underlying managers and rents paid on property exposure in the portfolio.

**Regulatory Risk:** Changes in government policies, regulations, and taxation laws can affect investment values.

**Investment Process****Research and Portfolio Construction Process***...continued***Portfolio Characteristics****Portfolio Biases/Preferences**

Managed funds, ETFs and Listed Investment Trusts and Companies.

**Portfolio Turnover and Active Share**

The turnover for the portfolio is expected to be lower than 30%.

This will most likely be lower in the first two years of the Fund, as fund managers are assessed over an appropriate timeframe to reduce or omit them from the mandate.

The expected timeframe to assess managers is roughly 3 years, given that no significant changes to the return, style, volatility or team members for that fund.

**Liquidity**

The Fund will hold a maximum of 20% illiquid vehicles as per PDS, being that the Fund is a Simple Managed Investment Scheme.

The Fund's need for liquid investments is outlined in the capacity limit supporting documentation.

**Leverage**

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

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## 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

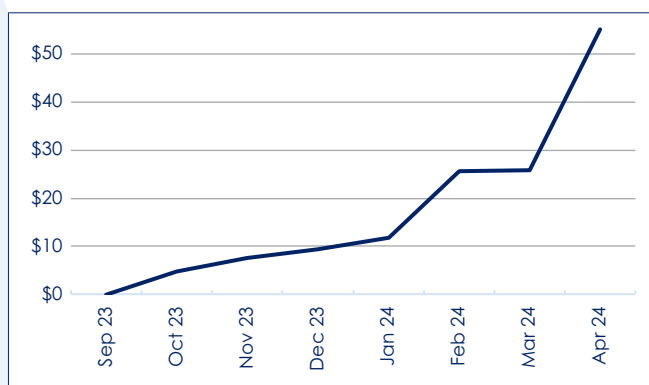
Funds management businesses rely on the operational capabilities of key counterparties. A critical element is the ability of the Responsible Entity to monitor operational performance and to meet the regulatory and statutory responsibilities required. For any investment fund, there is a risk that a weak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



### Distributions

Distribution Amount - cents per unit		
Distribution Date	Distribution CPU	Unit price* \$
Dec-23	0.50	\$1.0334
Mar-24	0.00	\$1.0848

Distributions 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	1	9
Winston Sammut	Property Director	Sydney	1	44
Peter Milios	Analyst	Sydney	1	2
John Krause	Strategist	Sydney	1	41
James Hird	CEO	Melbourne	1	11
Garry Crole	Investment Committee	Melbourne	1	38

## Investment Team

EAM's investment team is led by **James Hird** (MD & Chair of the Investment Committee) and, **Alex Edmonds** (CIO), and **Winston Sammut** (Property Director). Supported by Investment Strategist John Krause and Analyst Peter Milios.

Euree Asset Management (EAM) is 20% owned by Sequoia Financial Group and, therefore, has access to many of its resources, including Analysts, Compliance, HR, and its **375** Financial advisors who sit under the **Sequoia** banner.

EAM has also contracted **Atchison** Asset Consultants to act as its integrated asset expert, contributing to Strategic Asset Allocation, Tactical Asset Allocation, and Selection of Managers and is a part of the Investment Committee meetings. Atchison holds the casting vote on all tied decisions in the IC meetings.

The workload for internal analysts/market strategists is split between macroeconomic reporting that may influence the asset allocation within the Fund, as well as fund manager research. The specific split between these two tasks is determined by the current needs of the CIO.

## Staffing Changes

Departures			
Date	Name	Responsibility	Reason for Departure
01-Dec-23	Peter Bolton	Strategist	Consulting Business Sold
01-Mar-24	Mark Phillips	Compliance	Retirement
Additions / Hires			
Date	Name	New Responsibility	Previous Position / Employer
01-Mar-24	Justin Harding	Compliance	WT Financial

*SQM Research observes that the levels of investment experience are sound. The size and nature of staff turnover are not an issue of concern, in SQM's view.*

## Remuneration and Incentives

The team is paid a fixed salary with the potential for a bonus based on total group profit. The company offers key personnel an Employee Share Scheme as additional remuneration on top of their salary. Employee Share scheme entitlement vesting periods are determined through a time component and a performance component with individual KPI's as well as group KPI's included in the vesting. Group KPI's are subject to review in extraordinary circumstances. Staff are also entitled to a bonus based on group performance, this is

determined by the board and is based on seniority and the positions relative contribution to the group profit.

The performance of each underlying fund is a positive contributor to the individual fund managers' remuneration package but is at the board of directors' discretion in the profit share agreement. This is particularly important to not influence manager decisions coming up to periods where performance fees would be payable. Fund managers' compensation and performance

is assessed against various benchmarks that use volatility and VAR as a key metric. This ensures that the manager is not taking excessive risk in the fund to gain personally.

*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.	1.25%	0.54%
Expense Recovery/Other Costs % p.a.	–	–
Performance Fee %	10.25%	–
Total Cost Ratio TCR % p.a.	1.60%	0.54%
Buy Spread %*	0.25%	0.09%
Sell Spread %*	0.25%	0.09%

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

\*\* Peer average is based on data provided by SQM's data provider. SQM is not responsible for any errors or omissions.

### Management Fee

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

### Performance Fee

There is a performance fee charged as follows:

- Performance fee of 10.25% of the amount by which the Fund's performance exceeds the hurdle rate of 7% p.a.
- Including GST and the impact of RITC (Reduced Input Tax Credit)
- The fee is accrued daily and (if applicable) paid to the Manager semi-annually
- The fee is adjusted for any prior accumulated negative performance fee. Underperformance in a previous performance period must be made up for before a performance fee is payable. This creates a permanent high-water mark.

#### *SQM Research observes that:*

- *The Fund's management fee is 71 basis points higher than the peer group average.*
- *The Total Cost Ratio (TCR) is 106 basis points higher than the peer group average.*

The Fund was launched on 14 August 2023. In the absence of sufficient returns data, SQM Research has not provided any analysis of the Fund's risk and return profile (in this report).

**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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