

Candriam Sustainable Global Equity Fund

APIR: AAP0001AU

Update of Information – 9 June 2021

Ausbil Investment Management Limited (ABN 26 076 316 473 AFSL 229722) (Responsible Entity, Ausbil, Ausbil Investment Management, we), as responsible entity of the Candriam Sustainable Global Equity Fund (ARSN 111 733 898) (Fund) has amended the following disclosure on how we invest your money.

1. amended the quantitative investment process apply a uniform portfolio construction methodology across the Fund's investment universe and no longer a best-tracking-portfolio in the Pacific region.
2. amended the examples of controversial activities to include tobacco, thermal coal, electricity generation and conventional & unconventional oil and gas extraction.

1. Quantitative investment process

The change will allow Candriam to use a global integrated quantitative factor model rather than the previous sector specific factor models. The Fund's investment objective and strategy remain unchanged.

Accordingly, the information under the heading "The quantitative investment process" on pages 2 to 3 of the Additional Information Guide dated, 28 June 2019, should be deleted and replaced with the below text.

The quantitative investment process

The exponential growth of financial information available to investors makes it increasingly difficult to identify and take advantage of investment opportunities in a fully objective and exhaustive fashion. Moreover, behavioural finance research shows that investors are often influenced by emotions and unconscious biases, which harm the effectiveness of their investment strategies. In order to exploit these inefficiencies and take advantage of the investment opportunities that arise, Candriam's quantitative equity team has developed a purely quantitative bottom-up stock-picking approach based on companies' published financial data, analyst information and market-related data (price, volume, short interest, etc).

a) Identification of alpha drivers and alpha factors

Stock-selection models are based on a diversified combination of alpha factors that belong to different alpha drivers/styles (valuation, quality, analyst sentiment, momentum, etc.) allowing for optimal risk diversification. An alpha factor is a metric-or attribute-sorted portfolio of stocks that is expected to separate winning stocks from losing stocks (e.g. book-to price, accruals, EBITDA-to-EV). The team has constructed a database of factors intended to manage risk and drive returns. All factors have been designed by the team itself and many have proprietary characteristics that are the result of several years of empirical research.

b) Model development

Using the database of factors as input, the quantitative team has developed a tailor-made stock selection model for each sector within each region reflecting the different economic and structural characteristics of each sector. The quantitative team employs a consistent and diversified, factor-based, weighting methodology that was developed in-house.

Contacts

Responsible Entity

Ausbil Investment Management

Toll Free
1800 287 245

Phone
+61 2 9259 0200

Fax
+61 2 9259 0222

Mail
Ausbil
GPO Box 2525
Sydney NSW 2001

Email
contactus@ausbil.com.au


Website
www.ausbil.com.au

Administrator

National Australia Bank

Fax
1300 072 387

Mail
Ausbil Investment Management Limited
GPO Box 804
Melbourne VIC 3001



Each sector model consists of a weighted combination of alpha factors. The weighting of factors is the result of historical back testing, simulation and, above all, risk-controlled optimisation in order to construct the most optimal factor composition for each individual sector in each region taking into account a whole set of risk/return related features. The objective is to generate a high, and above all, stable return spread (relative to the sector performance). Additional evaluation criteria that are considered during the optimisation process include the turnover a factor requires to generate its alpha, the correlation between factors, possible drawdowns and the avoidance of the risk of overfitting the data (that is, the model describes noise/random error instead of a real economic relationship).

c) Portfolio construction and management

The quantitative scores generated by the stock picking model are applied to the SRI universe by taking into account specific SRI objectives and risk limits to obtain a model portfolio of SRI compliant companies that is likely to outperform their respective market. Portfolios are rebalanced monthly.

In order to distinguish between the alpha generated by the SRI screening process (sustainable alpha) and the alpha generated by the quantitative models (financial alpha), a “Best-Tracking- Portfolio” for the three regions, i.e. North America, Europe and Asia-Pacific, is constructed. This portfolio invests in equities from the eligible sustainable universe and displays the lowest risk versus the benchmark MSCI World Index.

The quantitative team determines the final investment portfolio of the Fund by systematically and directly implementing the model portfolio while taking into account relevant liquidity criteria.

2. Update to controversial activities

We have updated the examples of the controversial activities that will be assessed as controversial activities to include such activities tobacco, thermal coal, electricity generation and conventional & unconventional oil & gas extraction.

Accordingly, the heading and information under the heading “c) Assessment of the exposure to armaments-related and other controversial activities” on page 2 of the Additional Information Guide dated, 28 June 2019, should be deleted and replaced with the below text.

c) Assessment of the exposure to controversial activities

This step consists in evaluating a company’s involvement in the controversial activities such as the armaments industry, adult content media, alcohol, gambling, genetic modifications, nuclear power, animal testing, activities exercised in oppressive regimes, tobacco, thermal coal, electricity generation and conventional & unconventional oil & gas extraction.

Further information

For updated information about the relevant fund, please contact your financial adviser, visit our website www.ausbil.com.au or call our client services team on 1800 287 245 (toll free) or +61 2 9259 0200, during Sydney business hours.

We will also send you a copy of the updated information free of charge upon request. If a change is considered materially adverse we will issue a supplementary PDS or a replacement PDS and AIG (if applicable).

Important notes

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