

# Private Wealth Investment Research and Due Diligence Client Disclosure Document

## Introduction to Private Wealth and our Investment Research

Westpac Private Wealth supports our clients with a bespoke investment offering for self-directed wholesale clients, known as Global Investment Services (**GIS**). As a key foundation to this offering, Private Wealth has its own in-house Private Wealth Investment Team (**PWIT**) that are responsible for market analysis, research and sourcing investments, globally. The PWIT operate within an investment due diligence framework and defined policies when conducting investment research and due diligence. This has been developed to assist Private Wealth meet its legal and regulatory obligations when preparing research reports for wholesale clients. Regulatory obligations include the **Regulatory Guides** referenced in section 3.

This Client Disclosure Document provides an overview of Private Wealth's expertise, methodology and approach when preparing research reports (**Publications**) for the asset classes we cover. It also outlines how Private Wealth manages potential, actual or perceived conflicts of interest.

Private Wealth makes Publications available to self-directed wholesale clients. Information contained in this document applies to those Publications that fall within the definition of a 'research report' or 'sell-side research' in accordance with the Regulatory Guides. Not all material or commentary written and published by Private Wealth will necessarily be considered a 'research report' or 'sell-side research'. Publications may include general advice and an express or implicit recommendation about an investment theme or investment product. Publications that fall within the scope of the framework will also be identified in the Publication.

## 1. About the Private Wealth Investment Team (PWIT)

The PWIT is led by the Chief Investment Officer and is comprised of several investment analysts. Team members must be suitably experienced and qualified (as determined by Private Wealth leadership) to be allowed to: (1) conduct due diligence on investment opportunities, in accordance with PWIT's investment due diligence framework, and (2) prepare Publications on investment opportunities issued to clients. Required experience and qualifications can include:

- Direct and relevant industry experience
- RG 146 accreditation
- Tertiary qualifications across commerce, finance, accounting, business, engineering, economics, management and energy/mineral economics, and
- Chartered Accounting (CA) or Chartered Financial Analyst (CFA) qualifications.

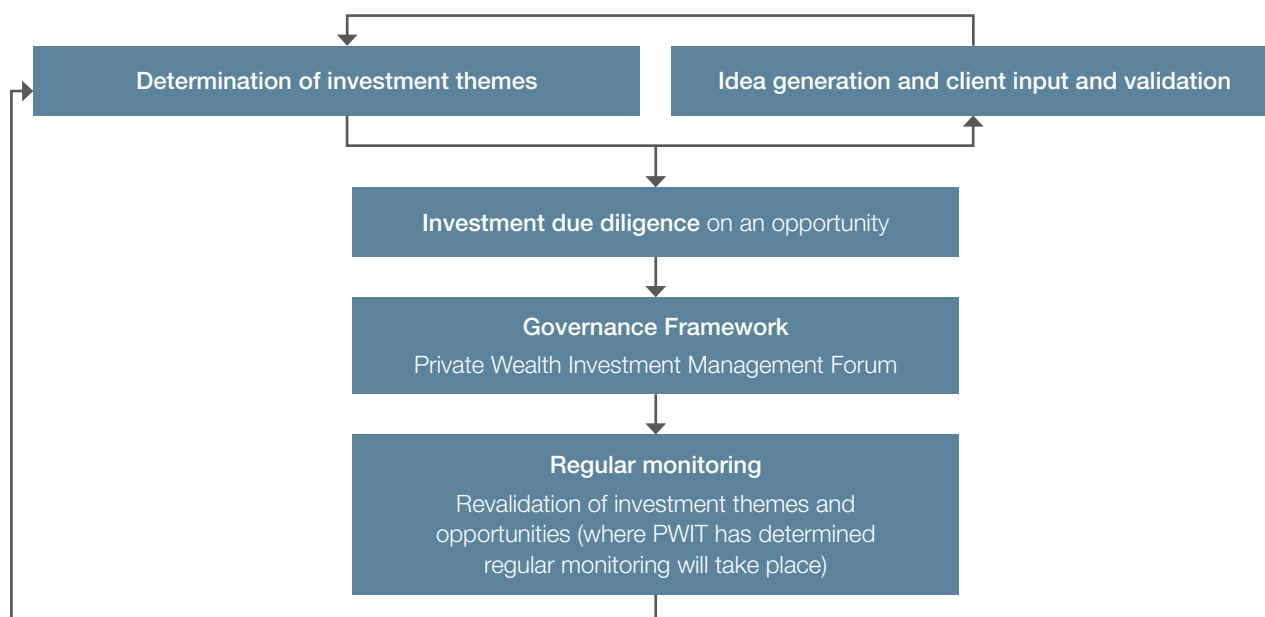
Due to the unique nature of PWIT's thematic approach and given that the team does not cover a set list of securities, PWIT generally does not rotate analysts. The background and experience of the PWIT investment analysts is provided in Private Wealth client collateral.

### Investment Approach and Due Diligence Framework

The PWIT takes a thematic approach to select and monitor investment opportunities based on alignment with certain medium-term investment themes. PWIT's medium term thematic assessment is neither short-term or tactical. An investment due diligence framework has been developed accordingly (see diagram below). Theme determination and investment selection is based on a range of factors including:

- PWIT's assessment of the structural soundness of the investment opportunities
- Market conditions
- Feedback from clients regarding their areas of investment interest.

## Investment Selection Framework



The thematic and macroeconomic analysis undertaken employs a range of analytical techniques. PWIT generally does not utilise, update or back-test any proprietary models to calculate macroeconomic forecasts. PWIT may use research sourced from within the Westpac Group as well as from external research providers. These research providers can be used for input into thematic and macro-economic analysis, as well as research on specific asset classes, sectors and/or securities. When utilised, assessment and validation of such research is at the discretion of the PWIT, with selection underpinned by the investment experience and industry knowledge of the PWIT. Research providers are held to a high standard and typically are required to hold a very strong track record and experience.

As a result of this framework, PWIT selects investment themes and monitors their outlook over a multi-year period. This guides the selection of investment opportunities, and those offered to clients are subject to ongoing oversight. Such oversight may include formal regular monitoring/ongoing due diligence by the PWIT, with insights communicated to clients via periodic Publications.

## 2. Asset Class Coverage (Research)

PWIT covers a wide range of asset classes, with coverage of each asset class subject to differing methodology and requirements. The asset classes covered may change at any time. Research on IPOs and capital raisings are not within scope of Publications produced by the PWIT.

### Managed Investment Schemes or Managed Funds (MIS)

PWIT conducts research on a variety of managed fund solutions, managed investment schemes or similar investment structures and vehicles (MIS) that are managed by asset management firms domiciled both domestically and globally. These MIS may span several investment asset classes, including equities, fixed income, currencies, commodities, property, private equity, venture capital and private debt.

### Listed Securities (ETFs)

PWIT conducts research on exchange traded securities and funds (ETFs), incorporating relative value analysis. The primary form of analysis is centred on ETFs aligned with an investment theme.

We do not cover listed equities.

### Other Asset Classes

PWIT may conduct research on other asset classes including:

- **Fixed interest and credit:** credit and relative value analysis on a variety of fixed interest and credit issuers, instruments and structures within the realm of both listed and unlisted investment opportunities,
- **Currencies:** various currencies, including the Australian and US dollars, Japanese yen, euro and British pound sterling,
- **Commodities:** various commodities, including iron ore, gold and crude oil, and
- **Property:** fundamental and relative value analysis on property and property-related instruments.

## 2.1 Investment Framework - selecting investment opportunities

Once PWIT selects investment themes, investment opportunities are sourced to give clients the opportunity to leverage the investment thematic drivers over a medium-term. The PWIT is unconstrained (with respect to investment and economic parameters) in the identification of those thematic led investment opportunities and undertakes thorough analysis and due diligence of each potential investment opportunity.

### 2.2.1 MIS

If the investment opportunity is an MIS, PWIT will make a recommendation and seek approval under Private Wealth's Investment Governance Framework (IGF)<sup>1</sup>. Following approval, the investment opportunity and PWIT Publications can be provided to wholesale clients. Fees charged as part of GIS are typically agnostic of the MIS and are associated with the work done to identify, originate, select and monitor an investment on an ongoing basis.

#### Methodology and Due Diligence

Generally, the PWIT assesses a new MIS investment opportunity by considering:

- **The portfolio management/investment team:** The relative skill, applicability and usefulness of active management or an actively managed solution, for the individual asset(s) or asset class
- **Relative risk/reward:** The relative risk, reward and pricing of the individual asset(s) or asset class
- **Risks:** The relative investment risks, structural risks, liquidity risks, legal risks and tax risks (where applicable) of the individual asset(s) or asset class
- **Fundamentals and drivers:** The underlying fundamentals and structural drivers of the individual asset(s) or asset class which includes an assessment of the business and operational risks, with a focus on the major paradigm shifts that are defining the risk and opportunity.

Furthermore, the PWIT will also consider a range of criteria when conducting due diligence on any specific MIS. This includes.

- Composition, qualifications, experience, track record, historical investment performance and reputation of the investment team/manager
- Risk management, operational and business framework of the MIS/investment manager, as well as its legal and organisational structure
- Assets under management and capacity of the MIS/investment manager, plus the level and composition of its investor base.

The analysis and outcomes of this due diligence process will determine the preferred MIS investment opportunities to express a particular investment theme. This will also include the recommended investment fund structure referenced in the Publication. PWIT's use and application of the overall investment due diligence framework (see Section 1) for an approved MIS is subject to a self-assessment process, which is typically conducted annually.

### 2.2.2 ETFs

Such investment opportunities are identified and selected by the PWIT and approved by the Chief Investment Officer. Though assessment of ETFs does not follow the same IGF process as an MIS, new ETF related research (specifically changes to an investment rating) is disclosed to the IGF.

Like MIS, ETF research and Publications are also subject to a self-assessment process.

<sup>1</sup> IGF consists of a sales forum, business readiness forum and a formal approval committee.

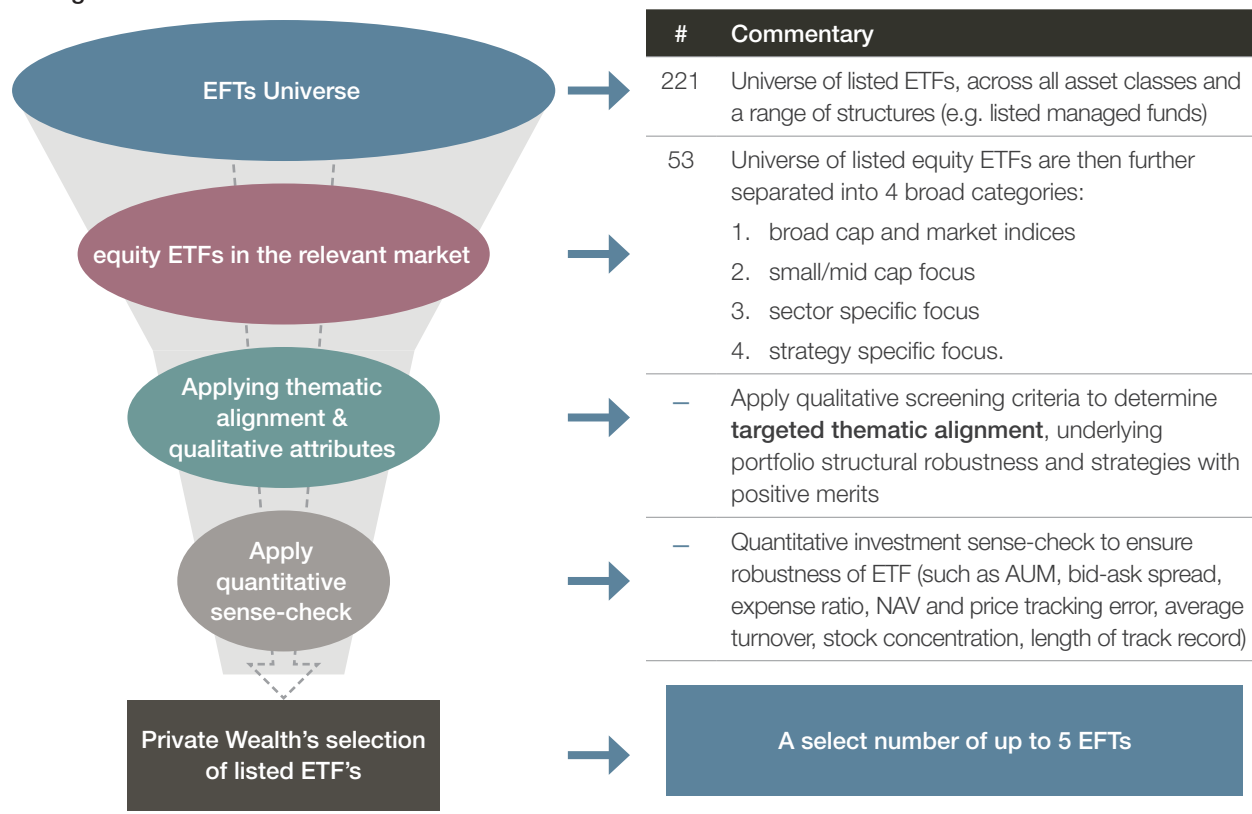
### Methodology and Due Diligence

In conducting ETF analysis, PWIT can make use of a variety of methodologies and analytical frameworks depending on the sector, issuer type and structure.

- PWIT may conduct its own analysis
- PWIT may consider or refer to published equity ratings and views provided by other sources such as Westpac Institutional Bank, other Westpac Group entities and external research providers.

Generally, the PWIT assesses a new ETF investment opportunity as follows:

### Filtering of the Traded Products Universe



### Private Wealth's qualitative considerations for listed ETFs

Attributes we seek	Attributes we avoid
Strong thematic alignment	LICs and listed managed funds
Targeted and concentrated approach to expressing an investment theme	Broad based beta exposure that doesn't offer investor utility
Quality of the index relative to ETF strategy	Complex strategies with multiple quant-based rules
Complement to other selected ETFs	ETFs with limited track record
Suitable rebalancing frequency	ETFs which overlap or have similar attributes to another selected ETF
	ETFs with unintended concentration

### 2.2.3 Other Asset Classes

In providing analysis or due diligence, PWIT can make use of a variety of methodologies and analytical frameworks, depending on the asset class, sector, issuer type and structure.

#### Fixed interest and credit

- The main factors to be considered as part of the credit analysis relate to financial, industry, business, liquidity, event and legal risks, together with the relative value of the security.

#### Currencies

- PWIT will typically follow a consistent process that considers three important drivers: fundamental (such as interest rate differential), technical (such as long-term investment flows) and liquidity (such as central bank flows).
- Additionally, there is consideration of other drivers including, but not limited to, key economic data and market conditions.

#### Commodities

- PWIT analysis, views and recommendations will be based on, but not limited to, fundamental, technical and liquidity drivers.
- Additionally, there is consideration of other drivers including, but not limited to, key economic data and market conditions.

#### Property

- PWIT may follow a broad framework in analysing and conducting due diligence on property and property-related instruments. PWIT will identify and assess property opportunities by considering sector conditions and selecting an experienced manager. PWIT's analysis will focus on the experience of the real estate investment manager, and their management of the underlying property portfolio.
- The due diligence process will typically focus on the robustness of the real estate investment manager's assessment of the underlying opportunities, which includes the underlying real estate sector, the quality of the tenant, and the property itself.

## 2.3 Rating of Investment Opportunities

PWIT may use an explicit rating system in Publications:

- **For MIS:** High Conviction, On Watch or No Conviction (see Appendix, Table 1.1)
- **For ETFs:** Constructive or Not Constructive (see Appendix, Table 1.2).

When an MIS investment opportunity is initially offered to clients, it is generally recommended with a conviction status according to the rating system following approval under the IGF. Subsequent changes to the rating may also be subject to approval under the IGF. PWIT will inform Private Wealth clients of any change in conviction level and the underlying drivers of it through client update Publications.

For ETF Publications aligned with an investment theme, a 'Constructive' or 'Not Constructive' rating may be provided on the investment theme and/or ETF itself, with these ratings qualified within the Publication. A change to a rating within a Publication is reviewed under the IGF. For any Publications not using an explicit rating, an express or implicit recommendation in relation to the investment opportunity may be conveyed by the Publication. Such Publications may also reflect research produced on other asset classes being fixed interest and credit, commodities, currencies and property.

Publications may also refer to external research or ratings providers, with ratings reflective of those external ratings systems (for example, for credit-related instruments, published credit ratings from Standard and Poor's, Fitch Ratings and/or Moody's).

## 2.4 Publications

Any material issued by PWIT that contains an implicit or explicit recommendation regarding a financial product or class of financial products and is widely distributed, will be considered a research publication. Examples may include:

- investment ideas and product offerings (potentially including recommendations)
- regular and one-off due diligence updates
- thematic and macroeconomic publications
- client presentations (in-person and web based) and pre-recorded videos.

Publications are made available and accessible via the secure client website but may be distributed by other means.

Upon distribution, clients have access to the complete Publication (not just an extract or summary). The PWIT will ensure all Publications are of adequate quality, based on the scope of analysis and adherence to an analytical investment approach and methodology.



## Publication Content

Publications containing PWIT's analysis, views and investment recommendations are provided on a general advice basis. When providing investment recommendations, PWIT will ensure that the views and opinions are based on reasonable grounds. This is satisfied through PWIT's ongoing due diligence on the relevant investment in accordance with PWIT's investment due diligence framework.

The basis for the recommendations (be it a summary or full detail of the basis for recommendation), are included within the Publication. Publications are factually based and overlaid with PWIT's analysis and opinions.

### Review of Publications and ceasing coverage

Publications are subject to, and will be reviewed in accordance, with internal procedures. This includes peer and independent review within the PWIT and Private Wealth's Global Investment Services team, and may also be reviewed by Westpac Group Legal, Risk and Compliance.

A decision to cease coverage of an investment opportunity or Publication will be made by the PWIT, and may cease if:

- The investment opportunity no longer aligns with the investment theme,
- The PWIT no longer holds conviction in the investment opportunity,
- There are no longer any or only a few clients invested in the investment opportunity,
- There is deemed to be insufficient interest in the investment opportunity.

Ceasing coverage will typically coincide with a rating change to "No Conviction" (MIS) or "Not Constructive" (ETF, and/or the underlying thematic), and will be communicated to clients via the relevant client update Publication.

Private Wealth maintains lists of investment opportunities (split into MIS and ETFs) that have been the subject of a Publication, together with the relevant rating. Upon request, Publications and historical ratings will be made available to clients, for 12 months following issuance of a Publication, however this period may be subject to change.

## 2.5 Monitoring

Generally, quarterly performance reviews are conducted by Private Wealth (including within the IGF process) to assess if the ongoing performance of researched investments are meeting their objectives, consistent with ratings applied by the PWIT.

**MIS:** PWIT has an established framework for the ongoing and active monitoring, review and assessment of each approved MIS investment opportunity, according to the following principles.

- MIS are subject to regular monitoring and are generally formally reviewed on a quarterly basis.
- Monitoring generally includes a meeting or meetings with the investment manager, to gain insights and information for an assessment/review.
- Ongoing monitoring is usually a minimum of quarterly frequency, and includes engagement with the investment managers. As part of that process, PWIT will table concerns and potential shortcomings and suggest possible enhancements (if required) to the investment managers' investment process.
- A MIS may be reviewed out of cycle - for example, if a significant event impacting the MIS occurs (e.g., a resignation or change in Portfolio Manager, or a change in a key term of the MIS).
- PWIT will express conviction levels on a regular basis following review of each MIS.
- Regular Publications regarding each MIS are prepared by PWIT and provided to invested clients, for the purpose of updating clients on aspects such as the investment manager's investment process, the progress, performance, outlook, areas of focus and link to investment theme, of the MIS and investment manager. Such Publications are typically produced quarterly but is at the discretion of the PWIT. Furthermore, the PWIT may, in its sole discretion, elect to not provide such updates, if stated in the Publication.

**ETFs:** are subject to regular monitoring to validate the investment thesis. This includes review of:

- Thematic alignment (each ETF continues to align to an investment theme),
- Thematic drivers (the underlying drivers of the investment theme),
- Structural changes (changes to the structure or strategy of the ETF), and
- Underlying ETF constituents (market conditions and company announcements of underlying ETF constituents, to identify any changes which may impact the alignment of an ETF to an investment theme).

This regular monitoring is to be expressed via PWIT prepared Publications, to periodically update clients. These are to be produced at least twice annually. If stated in the Publication, the PWIT in its sole discretion may elect to not provide such updates.

**Other Asset Classes:** For these asset classes (fixed interest and credit, commodities, currencies and property), PWIT will not ordinarily undertake regular monitoring or provide associated regular Publications.

However, the PWIT may do so in its sole discretion if it determines there would be interest and value to our client base on a broad scale. In such circumstances, the Publication will clearly note that regular monitoring will be undertaken. Regular monitoring will not be performed unless specifically stated in the Publication.

## 2.6 Conflicts of Interest

### **Business Structure and Controls**

Private Wealth and the PWIT have established a business structure and risk controls which aim to manage potential, actual and perceived conflicts of interest and meet relevant legal and regulatory obligations (including the Regulatory Guides).

Private Wealth may at times suspend or restrict Publications, updates to Publications or coverage of investment opportunities to ensure that legal and regulatory requirements are met, including if there is (or potentially is) a conflict of interest that will impact the Publications or coverage.

### **Conflicts Disclosures**

All actual and potential conflicts of interest will be disclosed in Publications in a prominent and specific manner – to the extent it provides readers (clients) with meaningful and clear disclosures that could be viewed as affecting the independence of the analysis. These can be either business or personal conflict disclosures.

#### **Business disclosures<sup>2</sup>**

- if the Westpac Group has, or is likely to have (in the near future), a material equity interest in any of the financial products the subject of the research
- whether Private Wealth or the Westpac Group is to receive any benefit from the Publication, or from any issuer of financial products the subject of the research. Note this should generally not be the case
- assistance provided by any issuers of financial products that are the subject of the research, or
- details of any known associations or relationships between Private Wealth or the Westpac Group and the issuer including if we have provided an underwriting service, provision of investment banking activities, or making a market in the issuer's securities.

#### **Personal disclosures**

- any interest in a financial product that is the subject of the research, held by the analyst(s) who authored the Publication, or
- whether the analyst who authored the Publication is aware of any other information, fact or circumstance in relation to the subject matter of a Publication that may create a potential conflict regardless of its materiality.

Additionally, some disclosures are captured within an analyst declaration prior to Publication release. This includes that the research is based on objective analysis and verifiable facts (reasonable grounds), does not contain inside information specifically relating to the investment, that is the subject of the Publication, and the research has not been influenced by any other part of the Westpac Group. Members of the PWIT are also subject to Westpac's Personal Account Dealing Policy which is designed to mitigate the risk of staff misusing information for personal gain.

### **Remuneration Conflicts**

Private Wealth does not receive any fees or payment from third party investment providers i.e. MIS, that have their investment opportunities offered to wholesale clients of Private Wealth. If any fee is ever received for distribution of an investment security e.g., primary hybrid transactions, it will be disclosed to clients receiving that investment opportunity.

### **Analyst Remuneration and Conduct**

PWIT analysts are remunerated through a salary and bonus structure. The bonus is discretionary based on several factors, including the individual's performance and the results of the Westpac Group. Neither salary or bonus compensation is based on sales outcomes or client investment activity in a certain financial product(s) nor a specific view or recommendation expressed in a Publication about an issuer or financial product.

All staff within Private Wealth's Global Investment Services team, including PWIT, are subject to internal Westpac Group restrictions relating to personal account dealing activities. This is to ensure the fair and equitable distribution of information to Private Wealth clients, to assist in ensuring information barriers are maintained and the management of potential conflicts of interest and material non-public information. Furthermore, all members of PWIT are prohibited from engaging in any external activities that would interfere with their duties, contractual or otherwise to Private Wealth, or that create an actual, potential or perceived conflict of interest.

<sup>2</sup> These are titled Disclosures and General Disclosures in the Publications.

### 3. Regulatory Guides

This Client Disclosure Document supports Private Wealth's compliance with the following regulatory obligations:

- ASIC Regulatory Guide 79: Research report providers: Improving the quality of investment research,
- ASIC Regulatory Guide 264: Sell-side research, and
- ASIC Regulatory Guide 181: Managing conflicts of interest.

### Appendix

**Table 1.1 MIS Conviction Ratings**

Conviction levels for MIS Assessment	Interpretation	Action
<b>High conviction</b>	Meets the standards we look for in portfolio management expertise	Regular due diligence to be conducted
<b>On watch</b>	Meets the standards we look for in portfolio management expertise, however showing some areas of weakness	Regular due diligence to be conducted, centred on assessing whether the identified areas of weakness are temporary and rectifiable
<b>No conviction</b>	Does not meet the standards we look for in portfolio management expertise	Regular due diligence will continue for a period of 6 months after a change in conviction to "no conviction"

**Table 1.2 Thematic ETF Publication Rating and assessment criteria**

Rating	Assessment criteria and outlook
<b>Constructive</b>	Core fundamental attributes of theme/ETF, including macroeconomic/industry factors, issuer management, structural, constituent quality, addressable market, external factors and valuations are on balance <b>positive</b>
<b>Not constructive</b>	Core fundamental attributes of theme/ETF, including macroeconomic/industry factors, issuer management, structural, constituent quality, addressable market, external factors and valuations are on balance <b>negative</b>

#### Things you should know

The information in this publication is current as at 14 December 2023 unless stated otherwise.

This publication is only for distribution to wholesale clients as defined under s 761G of the Corporations Act 2001 (Cth). This publication and any information in it must not be made available to any retail client. This information is only for distribution in Australia and should not be forwarded to any other person.

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