Portfolio Change Alert

1 June 2021

Weinberg – Managed Accounts

Kapstream Absolute Return Income Fund Removal

Funds	Change	Rating	APIR Code
Kapstream Absolute Return Income Fund	OUT	Approved	HOW0052AU
Franklin Australian Absolute Return Bond Fund - I Class	IN	Recommended	FRT0028AU

***** Applicable for 'Conservative', 'Moderate' and 'Balanced' portfolios *****

Rationale for change

Zenith has been advised of the impending departure of Nick Maroutsos, Global Head of Bonds and Co-Portfolio Manager, who will leave Kapstream effective 1 Oct 2021. Maroutsos was a member of Kapstream's three-person Investment Committee and a senior member of the investment team. In addition to other key investment personnel departing the business in 2020 (former founder Kumar Palghat and former Head of Credit Raymond Lee), Zenith's Research team now believes there has been a material vacuum of experience and quality, which has resulted in a lowered conviction in the Fund. This coincides with the Fund's disappointing peer relative performance, particularly over the last 12 months.

Accordingly, we are replacing the Fund with the Franklin Australian Absolute Return Bond Fund. Zenith's Research Team maintains higher conviction in the investment team's ability to deliver consistent outperformance with limited and infrequent drawdowns. In Zenith's view, Franklin Templeton's portfolio construction approach is robust, with multiple sources of return a key attractive feature. This has ultimately resulted in the Fund consistently achieving its investment objective and ranking in the top quartile of its peer group since its inception (January 2015).

The change is applicable to all portfolios listed above and will be effective as of 1 June 2021.

Franklin Australian Absolute Return Bond Fund

The Fund, managed by Franklin Templeton Investments (Franklin Templeton), provides investors with an exposure to Australian fixed interest, complemented by a suite of global exposures across currency, duration, investment grade and high yield corporate debt. The Fund employs a flexible mandate and an investment process that draws on the 'best ideas' from across Franklin Templeton's global fixed income network. Zenith's conviction in the Fund has increased, with attractive return outcomes reflecting the differentiated investment process that effectively harnesses the broader resources of the Franklin Templeton platform.

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