

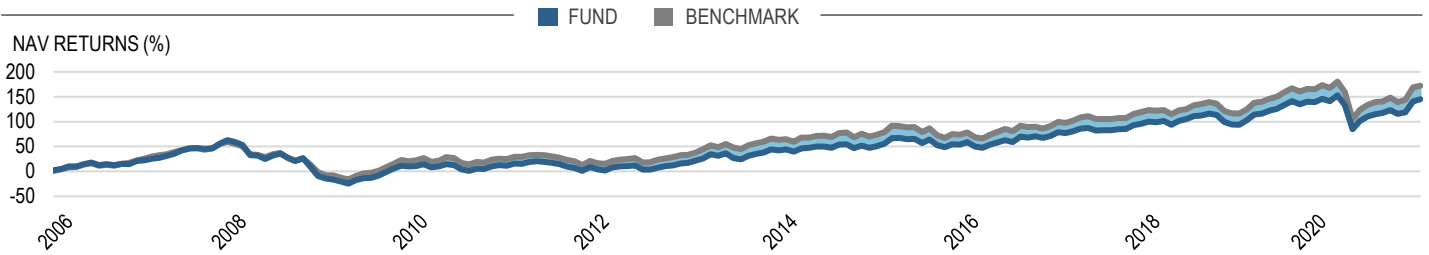
# ACADIAN WHOLESALE AUSTRALIAN EQUITY FUND

DECEMBER 2020

The Acadian Wholesale Australian Equity Fund strategy seeks to maximise risk-adjusted, long-term returns by investing in stocks listed on the Australian Securities Exchange while carefully controlling portfolio risk and transaction costs. The option aims to outperform the S&P/ASX 300 Accumulation Index over rolling four year periods before fees and taxes.

<b>APIR Code</b>	FSF0787AU
<b>Inception Date</b>	15 November 2005
<b>Management Cost</b>	0.81%
<b>Buy / Sell spread</b>	0.10 / 0.10%
<b>Exit Unit Price</b>	1.2974
<b>Product Size</b>	\$200.5 million
<b>Benchmark</b>	S&P / ASX 300 Accumulation Index

## CUMULATIVE PERFORMANCE



## PERFORMANCE

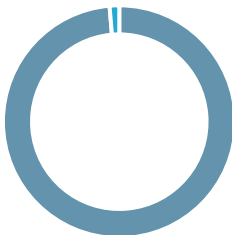
	FUND (NAV)	BENCHMARK	VALUE-ADDED VS. BENCHMARK
One Month Return	1.9	1.3	0.6
Three Month Return	13.7	13.8	-0.1
Year-to-Date Return	1.6	1.7	-0.1
One Year Annualized Return	1.6	1.7	-0.1
Three Year Annualized Return	7.0	6.9	0.1
Five Year Annualized Return	9.1	8.8	0.3
SINCE INCEPTION ANNUALIZED RETURN	6.1	6.9	-0.8

## TOP TEN HOLDINGS

	% OF PORTFOLIO
COMMONWEALTH BANK OF AUSTRALIA	8.3
BHP GROUP LTD	6.1
CSL LTD	6.0
AUSTRALIA & NEW ZEALAND BANKING GROUP LTD	4.3
NATIONAL AUSTRALIA BANK LTD	3.3
WESTPAC BANKING CORP	3.0
FORTESCUE METALS GROUP LTD	2.8
WESFARMERS LTD	2.6
GOODMAN GROUP	2.4
RIO TINTO LTD	2.3
NUMBER OF SECURITIES	156
% OF PORTFOLIO FOR TOP 10 CURRENT HOLDINGS	41.1
% OF NON-BENCHMARK PORTFOLIO HOLDINGS	1.8

## CURRENT POSITIONING - REGION

ABSOLUTE



AU/NZ	97.9%
NAM	1.3%

## CURRENT POSITIONING - SECTOR

ABSOLUTE



FIN	25.8%
MAT	22.5%
HTH	11.4%
DIS	7.3%
IND	6.8%
REI	6.7%
TCH	5.6%
STP	4.6%
COM	4.5%
ENR	3.6%
UTL	0.4%

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# ACADIAN WHOLESALE AUSTRALIAN EQUITY FUND

## QUARTERLY REVIEW

### Fund Performance and Activity

The portfolio returned 13.84% for the quarter (gross of fees) versus a 13.79% return for the S&P/ASX 300 Accumulation Index<sup>1</sup>. Stock selection contributed to return, while sector allocations were negative.

Key sources of positive active return included stock selection in financials, a combination of stock selection and an overweight position in materials, and stock selection in health care. Leading advances within these sectors respectively included a position in ASX, a holding in Fortescue Metals Group, and an investment in Cochlear. Detractors included stock selection in information technology, stock selection in consumer discretionary, and stock selection in consumer staples.

Leading declines within these sectors in turn included a position in Data#3, a holding in Collins Foods, and an investment in A2 Milk.

### Key Holdings<sup>2</sup>

#### Positive

Our overweight to Fortescue Metals Group was rewarded with 20 basis points of active return. Share prices rose 43% over the period on strong demand for iron ore from China. In November, the Australian iron ore company posted upbeat annual financial results. Highlights included record first quarter operating performance and year-over-year improvements in net profits after tax.

#### Negative

Our overweight to Data#3, a leading Australian IT services and solutions provider, cost the portfolio 18 basis points of active return. Share prices fell 14% over the quarter as investors rotated out of pandemic winners on vaccine-induced enthusiasm. The potential eradication of COVID-19, and a not-to-distant return to normalcy, may reduce reliance on technological innovations needed to support a remote workforce.

### Market Review

The S&P/ASX 300 Accumulation Index gained on vaccine-induced enthusiasm, up 13.8% over the fourth quarter. Risk assets rallied, and equity markets rotated away from pandemic winners, such as online retail, healthcare, and home improvement, and towards the most beaten-down segments, including energy, hotels, airlines, and financials. Relative to Q3, performance rebounded across most of Australia's largest sectors, most dramatically in energy and financials. Health care remained the exception and declined 2% quarter-over-quarter. Energy was the best performing sector (26.1%), followed by financials (22.8%), whereas utilities was the worst (-5.4%).

Commodity prices surged on vaccine progress and on hopes of a not-to-distant return to normalcy. Most notably, energy prices surged, spiking 15% in December alone. Non-energy commodities gained as well, led by metals and minerals. Iron ore prices also advanced, most remarkably in December, as China's economy continued to heat up. A gradual recovery is underway across most of Australia; however, the revival is expected to be uneven across states and sectors. Employment growth was strong over the quarter, particularly in October. Still, the rebound was uneven with a strong rebound in mining, manufacturing and retail trade jobs, and lacklustre gains in the most severely impacted industries, such as arts, recreation, and hospitality.

### Outlook and Strategy

Australia's economic outlook has improved, largely on hopes of a vaccine-induced revival. Australia is well-poised for an early recovery, due to its effective containment of the pandemic alongside strong fiscal and monetary support. In December, the OECD revised its 2020 GDP growth estimates for Australia to -3.8% for 2020, whereas the RBA projects a more optimistic 5% for 2021. The post-COVID-19 revival is apt to be uneven across states and sectors and contingent upon vaccine efficacy, distribution, and take-up rates. Australia is less reliant on a vaccine than many of its OECD counterparts to secure a full and durable recovery as it demonstrated proficiency in controlling outbreaks prior to the vaccine. The re-emergence of cases in Victoria in August was a set-back; however, containment measures were eased in mid-October, spurring a recovery in the private sector. While the vaccine holds out the promise of a return to normalcy, many hurdles remain. Until a viable vaccine is widely disseminated, the pandemic will continue to impose economic strains as sporadic, and potentially sizable, outbreaks are likely to continue.

Sustained and well-targeted policy responses remain critical to ensuring a full and durable recovery with minimal long-term scarring. The fiscal response has been strong, totaling 11.2% of GDP, and consisted of tax relief for households and business, hiring subsidies, support payments, and infrastructure spending. A potential headwind is the unwinding of fiscal support in 2021, which may be accompanied by an uptick in business liquidations and unemployment. Accommodative monetary policy has cushioned the blow from the crisis, and the Reserve Bank of Australia (RBA) has vowed to remain accommodative in the near-term. The RBA has reduced its policy rate and three-year Australian government bond yield target to 0.1%. In addition, it implemented a quantitative easing program. The global economic revival will influence Australia's growth trajectory. China's infrastructure-led revival may help sustain commodity exports and mining investment; however, Beijing's plan to reduce its reliance on Australian products and iron ore is a headwind. Also, should the vaccine stem the tide of rising infections, Australian would benefit from a resurgence in inbound tourism, accelerating the recovery of some of the most severely impacted industries.

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<sup>1</sup>Portfolio Benchmark: S&P/ASX 300 Accumulation Index. <sup>2</sup>Top contributing/detracting individual positions over the period as measured by basis point impact. \*Price change over the period in locally stated terms. Colonial First State Investments Limited is the responsible entity for this fund, ABN 98 002 348 352 AFS Licence 232468. Please refer to the latest Product Disclosure Statement available on the following website <http://www.colonialfirststate.com.au> for the terms and conditions of investing into the fund. The information provided has been prepared by Acadian from our internal records. It is not intended to replace the official records of your account that you receive directly from the custodian. You are encouraged to compare the information provided to you by Acadian to that provided by the custodian and to contact us with any questions. The specific countries, sectors, and individual stocks discussed herein are non-exclusive and are provided as representative of the portfolio's performance during the period. For a complete list of markets, sectors, and stocks in which the portfolio was invested during the period and the performance of each, please contact Acadian. Please note that Acadian's system of portfolio attribution uses certain estimates and assumptions and the calculations provided herein are based upon Acadian's internal records and not those maintained by the Custodian. Additional details about our method of calculation will be furnished upon request. Reference to the benchmark is for comparative purposes only and is not intended to indicate that the portfolio will or did contain the same investments as the benchmark. This review contains confidential information of Acadian Asset Management LLC. Market conditions are subject to change. Past performance is no guarantee of future returns.

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