

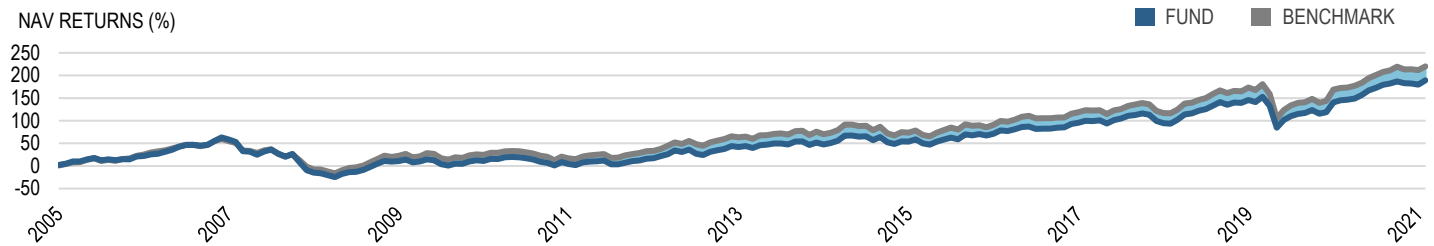
# ACADIAN WHOLESALE AUSTRALIAN EQUITY FUND

DECEMBER 2021

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>	1.4938
<b>Product Size</b>	\$212 million
<b>Benchmark</b>	S&P / ASX 300 Accumulation Index

## CUMULATIVE PERFORMANCE



## PERFORMANCE

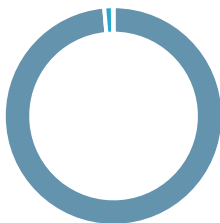
	FUND (NAV)	BENCHMARK	VALUE-ADDED VS. BENCHMARK
One Month Return	3.4	2.7	0.7
Three Month Return	2.3	2.2	0.1
Year-to-Date Return	18.1	17.5	0.6
One Year Annualized Return	18.1	17.5	0.6
Three Year Annualized Return	14.3	14.0	0.3
Five Year Annualized Return	10.1	9.9	0.2
SINCE INCEPTION ANNUALIZED RETURN	6.8	7.5	-0.7

## TOP TEN HOLDINGS

	% OF PORTFOLIO
COMMONWEALTH BANK OF AUSTRALIA	7.1
CSL LTD	5.9
BHP GROUP LTD	5.6
NATIONAL AUSTRALIA BANK LTD	4.8
AUSTRALIA & NEW ZEALAND BANKING GROUP LTD	4.3
MACQUARIE GROUP LTD	4.1
TELSTRA CORP LTD	3.0
WESTPAC BANKING CORP	2.8
GOODMAN GROUP	2.6
WESFARMERS LTD	2.3
NUMBER OF SECURITIES	143
% OF PORTFOLIO FOR TOP 10 CURRENT HOLDINGS	42.5
% OF NON-BENCHMARK PORTFOLIO HOLDINGS	3.3

## CURRENT POSITIONING - REGION

ABSOLUTE



AU/NZ	97.8%
NAM	1.3%
UK	0.1%

## CURRENT POSITIONING - SECTOR

ABSOLUTE



FIN	26.5%
MAT	20.8%
HTH	10.8%
IND	7.8%
REI	7.4%
DIS	7.1%
TCH	5.6%
ENR	4.1%
STP	4.1%
COM	3.9%
UTL	1.2%

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# ACADIAN WHOLESALE AUSTRALIAN EQUITY FUND

## QUARTERLY REVIEW

### Fund Performance and Activity

The portfolio returned 2.5%<sup>1</sup> for the quarter (gross of fees) versus a 2.2% return for the S&P/ASX 300 Accumulation Index. Gains realised from stock selection were joined with positive payoffs from country allocations.

Key sources of positive active return included a combination of stock selection and an underweight position in financials, a combination of stock selection and an underweight position in consumer staples, and stock selection in real estate. Leading advances within these sectors respectively included a position in Westpac Banking, a holding in GrainCorp, and an investment in Charter Hall Group. Detractors included stock selection in industrials, a combination of stock selection and an overweight position in energy, and stock selection in materials. Leading declines within these sectors in turn included a position in McMillan Shakespeare, a holding in Whitehaven Coal, and an investment in Fortescue Metals Group.\*

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

#### Positive

Our overweight exposure to Graincorp Ltd., a leading agribusiness and food-ingredients processor, was rewarded with 17 basis points of active return. Share prices rose 30% over the quarter, boosted by a major strengthening grain prices due to attractive supply and demand dynamics. In addition, GrainCorp acquired a 15% stake in Hone, an AgTech startup company, that analyzes grain quality, soil carbon, and many other agricultural products and inputs. This strategic move would better position the companies to develop technology with high quality testing capabilities.

#### Negative

Our overweight exposure to Clinivel Pharmaceuticals Ltd., a global biopharmaceutical company, cost the portfolio 24 basis points of active return as share prices plummeted 37% over the quarter. Despite overall positive company developments, share prices fell, likely influenced by the recent downgrade from Jefferies Australia Pty Ltd. alongside lackluster sector performance.

### Market Review

In the fourth quarter of 2021, the S&P/ASX 300 Accumulation Index advanced 2.2%. Optimism lessened on the economy's rapid rebound from coronavirus-induced setbacks earlier this year as fears accelerated that the rapidly spreading Omicron variant would destabilize the recovery. Still, Australia's COVID-19 case count remains low by global standards, largely due to high vaccination rates and the country's effective test-and-trace regime. The country's vaccination rollout campaign was under attack by some, and in November, divisive opinions on vaccine mandates erupted into protests. Australia also pivoted to a new COVID-19 containment plan which focuses on the intensive care case count rather than broad infection rates. The strong rebound in Australia's labour market suggests that the economy is trending in a positive direction. December's job report surprised to the upside with actual job numbers eclipsing forecasts. Inflation, which was already running hot, continued to climb, fueled by relentless supply chain disruptions, rising employment costs, and elevated commodity prices. Further powering inflation was rising world food prices which hit ten-year highs over the quarter. While inflation in Australia has increased, it remains low in underlying terms and relative to that seen in many other countries. The Reserve Bank of Australia continued to downplay the threat of inflation and remained steadfast in maintaining accommodative monetary conditions. At the December meeting, the Board decided to maintain the cash target rate at 10 basis points and to purchase \$4 billion a week in government securities until at least mid-February 2022.

From a sector perspective, materials (+12.7%) was the best performing sector, boosted by outperformance in the mining industry as well as the recovery in iron ore prices as anxieties about China's property market and Evergrande abated. Utilities (+11.4%) was the second-best performing sector, driven by strong gains in key constituents, likely reflecting investors anticipation of higher electricity prices in the coming months. Real estate (+10.1%) was also a top performer as Australian housing prices continued their year long climb, rising an additional one percent in December to end the year up 22%, the sharpest rise in three decades. Record low interest rates facilitated the ascent; however, momentum weakened on demand headwinds including affordability constraints and negative interstate migration. Energy (-7.5%) was the worst performing sector, dragged down by fuel shortages, which drove up gas, coal, and oil prices. Information technology (-4.6%) was also a bottom performer, largely on expectations of rising yields.

### Outlook and Strategy

A turbulent recovery from the pandemic continues to unfold. Momentum appears poised to accelerate further on the further easing from the recent lockdowns. Sharing this view, the OECD projects real GDP growth at 3.8% for this year and 4.1% for 2022. The anticipated recovery in the labour market coupled with the potential unwinding of household savings and the recent bump in government support could drive household consumption. In addition, reopening international borders will likely be a tailwind for exports and tourism. Still, the economic recovery is fraught with challenges and unpredictable cross currents, most notably the trajectory of COVID-19, deteriorating trade relations with China, and broadening inflation. A key risk to the outlook is the worsening health situation due to COVID-19. Uncertainty remains regarding the Omicron's virulence and lethality. It remains likely that subsequent coronavirus outbreaks could trigger renewed mobility constraints. The Reserve Bank of Australia acknowledged that the Omicron strain represents a new source of uncertainty for the near-term outlook; however, it does not expect it to exert a substantive or long-term effect on economic activity. The Reserve Bank of Australia's Governor Philip Lowe acknowledged the downside risks that the new variant of concern represents yet he also anticipates positive economic momentum through the remainder of the summer underpinned by less restrictive containment measures and mobility constraints. The trade dispute with China remains a notable downside risk. If it intensifies, China could broaden the reach of its tariffs and restrictions on Australian exports. Additionally, inflation is expected to build and broaden. Core inflation is projected to trend upward as global supply-chain issues persist and wage pressures accelerate as labour market conditions improve. Ultimately, the pace of the revival remains uncertain; however, will be shaped by national health conditions, policy response, and the severity of confinement measures.

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