

# ACADIAN WHOLESALE AUSTRALIAN EQUITY FUND

SEPTEMBER 2023

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>	1.3834
<b>Product Size</b>	\$164 million
<b>Benchmark</b>	S&P / ASX 300 Accumulation Index

## PERFORMANCE

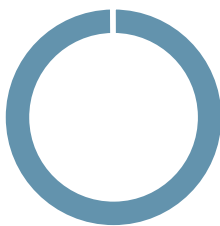
	FUND (NAV)	BENCHMARK	VALUE-ADDED VS.BENCHMARK
One Month Return	-2.9	-2.9	0.0
Three Month Return	-0.4	-0.8	0.4
Year-to-Date Return	2.4	3.5	-1.1
One Year Annualized Return	11.7	12.9	-1.2
Three Year Annualized Return	10.9	10.8	0.1
Five Year Annualized Return	6.6	6.6	0.0
Ten Year Annualized Return	7.9	7.4	0.5
SINCE INCEPTION ANNUALIZED RETURN	6.2	6.8	-0.6

## TOP TEN HOLDINGS

	% OF PORTFOLIO
BHP GROUP LTD	10.6
COMMONWEALTH BANK OF AUSTRALIA	6.8
AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED	4.8
CSL LTD	4.6
NATIONAL AUSTRALIA BANK LTD	3.2
MACQUARIE GROUP LTD	3.1
WOODSIDE ENERGY GROUP LTD	2.7
WESTPAC BANKING CORP	2.6
ARISTOCRAT LEISURE LTD	2.4
RIO TINTO LTD	2.1
NUMBER OF SECURITIES	139
% OF PORTFOLIO FOR TOP 10 CURRENT HOLDINGS	42.9
% OF NON-BENCHMARK PORTFOLIO HOLDINGS	1.8

## CURRENT POSITIONING - REGION

ABSOLUTE



<span style="color: #0070C0;">■</span> AU/NZ	97.9%
<span style="color: #00AEEF;">■</span> NAM	0.1%
<span style="color: #666666;">■</span> UK	0.1%

## CURRENT POSITIONING - SECTOR

ABSOLUTE



<span style="color: #669933;">■</span> FIN	26.6%
<span style="color: #999933;">■</span> MAT	26.1%
<span style="color: #666666;">■</span> IND	9.0%
<span style="color: #999999;">■</span> HTH	8.2%
<span style="color: #999999;">■</span> DIS	6.6%
<span style="color: #0070C0;">■</span> ENR	6.0%
<span style="color: #800000;">■</span> REI	4.2%
<span style="color: #0000FF;">■</span> COM	3.8%
<span style="color: #00AEEF;">■</span> TCH	3.5%
<span style="color: #333333;">■</span> STP	3.0%
<span style="color: #999933;">■</span> UTL	0.9%

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## QUARTERLY REVIEW

### Fund Performance and Activity

The Portfolio returned -0.38%, 11.71%, 6.63% and 7.90% net of fees for the quarterly, 1-,5-, and 10-year periods, versus returns of -0.84%, 12.92%, 6.61% and 7.39% for the S&P/ASX 300 Accumulation Index. Gains realised from stock selection were offset to a degree by negative payoffs from sector allocations.

Key sources of positive active returns included a combination of stock selection and an underweight position in health care, stock selection in materials, and stock selection in financials. Leading advances within these sectors respectively included a position in Cochlear, a lack of exposure to Allkem, and an investment in ANZ Group Holdings. Detractors included a combination of stock selection and an underweight position in consumer discretionary, a combination of stock selection and an overweight position in information technology, and stock selection in real estate. Leading declines within these sectors in turn included a position in Wesfarmers, a holding in WiseTech Global, and an investment in Charter Hall Retail REIT.\*

### Key Holdings<sup>1</sup>

#### Positive

Our overweight to Cochlear Ltd, a provider of implantable hearing solutions for children and adults, was rewarded with 13 basis points of active return as share prices gained 11.4% over the quarter. The company has been benefiting from increased sales of its cochlear implant units across both the developed and the emerging markets on the back of improved clinical capacity and a rise in COVID catch-up surgeries. It now expects its FY24 underlying net profit to increase by 16-23% from FY23.

#### Negative

Our overweight to Qantas Airways Ltd, a provider of air transportation services, cost the portfolio 14 basis points of active return as share prices slumped 20.7% in the period. The company continues to be impacted by post-COVID supply chain and resourcing challenges that have resulted in a high number of cancellations and delays. Numerous lawsuits and reputational challenges remain as other major headwinds for the company.

### Market Review

Australian equities (S&P/ASX 300 Accumulation Index) declined 0.8% in Q3 2023 due to weakened economic data from China and Europe, hawkish rhetoric from central banks and a notable surge in bond yields. The Reserve Bank of Australia (RBA) did not hike the rate even once during the quarter, leaving it at a record high of 4.10% by quarter-end, to gauge the impact of previous rate hikes on the economy. While annual inflation passed its peak, it remained above the RBA's target, and the board remains committed to bringing it back to the 2-3% range. The central bank believes that future hikes will depend on how the inflation outlook changes. It also expects CPI inflation to continue declining and be back within its target range in late 2025. Notably, services inflation remains elevated, with both fuel and rent prices ticking higher at a clipping pace. Goods price inflation eased and is expected to cool further over the next few months on soft global and domestic demand. Australia's manufacturing-sector woes continued in the third quarter, with the manufacturing PMI declining to 48.7 by end-Q3 due to a sharp fall in new orders. Australian consumer sentiment soured during the quarter and remained close to its worst level since the pandemic due to falling household savings and expectations of further central-bank tightening. On the labour-market front, data released in August showed that the number employed fell by 2,600, with a decline in those looking for part-time jobs while those seeking full-time opportunities increased by the end of the reporting period. However, the unemployment rate remained stable at 3.7%.

From a sector perspective, energy (+11.63%) was the largest contributor and consumer discretionary (+5.55%) the second largest. Healthcare stocks (-8.96%) fell the most during the period.

### Outlook and Strategy

Globally, most economies continued to grow despite a range of headwinds, including high rates and persistent inflation. This growth has not been equally distributed, however, with Germany in a modest recession, and China struggling to regain its former footing. Inflation continued to soften in many major economies but remained well above central banks' targets. In the U.K., the decline has been particularly sharp, with inflation falling to 6.2% in August from 6.9% the month before. In the euro area, inflation ticked lower in August, falling to 5.2% from 5.3% in July. In the U.S., however, surging gas prices lifted inflation to 3.7% in August, up from 3.2% the month before. As a group, emerging markets started raising interest rates sooner and thus have more room to cut rates to stimulate growth. Europe's declines in inflation coincide with an apparent end of rate hikes. The European Central Bank raised rates in September to 4%, the highest level in the ECB's quarter-century of existence but indicated that may be enough. For its part, the Bank of England held rates steady at its latest meeting – the first such outcome after two years of increases. The Federal Reserve kept rates unchanged at its September meeting but currently projects one further rate hikes this year. Whether interest rates have already reached their peak or still have further to go, they are expected to fall from their current, "restrictive" level at a pace much slower than that at which they rose. Oil prices rose steadily through the quarter as OPEC supply cuts began to bite. West Texas Intermediate crude stood below \$70 at the beginning of July; it now trades in the \$90 range. Meanwhile, the Reserve Bank of Australia (RBA) expects the growth of the Australian economy to remain below trend in the quarters ahead. On the other hand, high inflation is likely to continue weighing on real incomes and household savings. The central bank also expects unemployment rate to increase to 4.5% late next year. The RBA has maintained its stance that it will tackle rising price in the country through a tight monetary policy while stimulating economic activity through careful investments.

<sup>1</sup>Top contributing/detracting individual positions over the period as measured by basis point impact. \*This should not be considered a recommendation to buy or sell any specific security. Colonial First State Investments Limited ("CFS") is the responsible entity for this fund, ABN 98 002 348 352, AFS Licence 232468. You can find the target market determinations (TMD) for this fund at [www.cfs.com.au/tmd](http://www.cfs.com.au/tmd), which include a description of who a financial product might suit. You should also read the relevant Product Disclosure Statement (PDS) and Financial Services Guide (FSG) carefully, assess whether the information is appropriate for you, and consider talking to a financial adviser before making an investment decision. You can get the PDS and FSG at [www.cfs.com.au](http://www.cfs.com.au) or by calling CFS on 13 13 36. 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. Attribution data is gross of fees.

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