

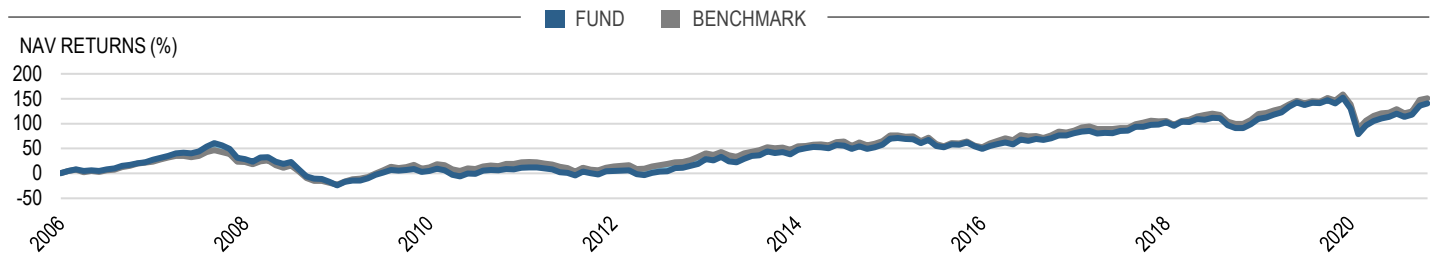
# ACADIAN WHOLESALE AUSTRALIAN EQUITY LONG SHORT FUND

DECEMBER 2020

The Acadian Wholesale Australian Equity Long Short Fund seeks to maximise risk-adjusted, long-term returns by investing in undervalued stocks and short selling overvalued 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.

**APIR Code** FSF0789AU  
**Inception Date** 27 February 2006  
**Management Cost** 0.75%  
**Buy / Sell spread** 0.15/0.15%  
**Exit Unit Price** 1.3068  
**Product Size** \$112.9 million  
**Benchmark** S&P / ASX 300 Accumulation Index

## CUMULATIVE PERFORMANCE



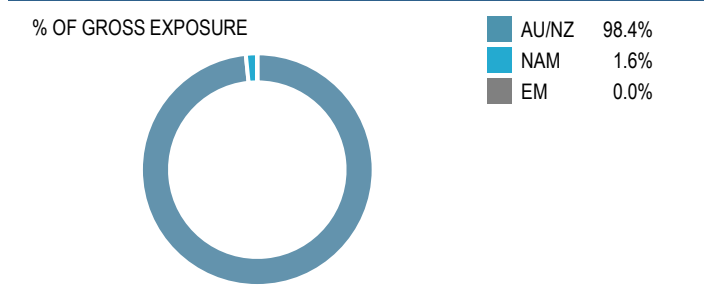
## PERFORMANCE

	FUND (NAV)	BENCHMARK	VALUE-ADDED VS. BENCHMARK
One Month Return	1.8	1.3	0.5
Three Month Return	12.7	13.8	-1.1
Year-to-Date Return	-0.1	1.7	-1.8
One Year Annualized Return	-0.1	1.7	-1.8
Three Year Annualized Return	6.8	6.9	-0.1
Five Year Annualized Return	8.2	8.8	-0.6
SINCE INCEPTION ANNUALIZED RETURN	6.1	6.4	-0.3

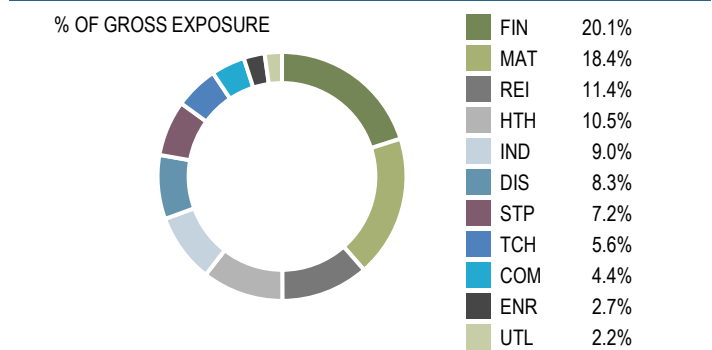
## TOP TEN HOLDINGS

	% OF PORTFOLIO
COMMONWEALTH BANK OF AUSTRALIA	8.4
BHP GROUP LTD	5.6
CSL LTD	5.5
AUSTRALIA & NEW ZEALAND BANKING GROUP LTD	4.4
WOOLWORTHS GROUP LTD	3.0
NATIONAL AUSTRALIA BANK LTD	3.0
FORTESCUE METALS GROUP LTD	2.9
GOODMAN GROUP	2.8
WESTPAC BANKING CORP	2.7
COLES GROUP LTD	2.5
NUMBER OF SECURITIES	170
% OF PORTFOLIO FOR TOP 10 CURRENT HOLDINGS	40.9
% OF NON-BENCHMARK PORTFOLIO HOLDINGS	7.8

## CURRENT POSITIONING - REGION



## CURRENT POSITIONING - SECTOR



This strategy is accessible through a fund. 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. Returns that include the most recent month are preliminary. All returns are calculated on an annualised basis using exit price to exit price with distributions reinvested, net of management costs, transaction costs. All return calculations exclude any individual taxes payable by the investor and all other fees and rebates disclosed in the relevant product disclosure statements available on our website or by calling us. The 'distribution' component is the amount paid by the way of distribution, which may include net realised capital gains. Portfolio holdings are subject to change and should not be considered a recommendation to buy or sell individual securities. Reference to the benchmark is for comparative purposes only and is not intended to indicate that the Fund will contain the same investments as the benchmark. Investors have the opportunity for losses as well as profits. Past performance is no guarantee of future results. Past performance may differ significantly from future performance due to market volatility. Index Source: Copyright © 2021, Standard & Poor's Financial Services LLC. All rights reserved.

# ACADIAN WHOLESALE AUSTRALIAN EQUITY LONG SHORT FUND

## QUARTERLY REVIEW

### Fund Performance and Activity

The Fund returned 12.77% for the quarter (gross of fees), underperforming the S&P/ASX 300 Accumulation Index by 1.02%. Stock selection and sector allocations detracted from returns.

Key sources of negative active return included stock selection in consumer discretionary, information technology and consumer staples. Leading declines within these sectors respectively included a position in JB Hi-Fi, a holding in Data#3, and an investment in McPherson's. Contributors included stock selection in financials, industrials and real estate. Leading advances within these sectors in turn included a lack of exposure to ASX, a holding in McMillan Shakespeare, and a net short position in Centuria Industrial REIT.

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

#### Positive

- Our opportunistic exposure to Regis Healthcare yielded 29 basis points of active return. Share prices of the Australia-based provider of aged care services plummeted 81% over the quarter. The decline was directionally aligned with a general rotation away from pandemic winners, including healthcare; and deepened by funding pressures on the residential aged care sector which impacted occupancy rate, revenues, and costs. A fire in one of the residential aged care sites also generated downward pressure on share prices.

#### Negative

- Our overweight holding in A2 Milk cost the fund 28 basis points in active return. Share prices fell 18.5%\* as the company experienced a number of challenges resulting from COVID-19 and the associated containment measures. This included lower than anticipated sales to retail dairies in Australia, primarily due to reduced tourism from China and international student numbers. The prolonged Stage 4 lockdown in Victoria resulted in a contraction more significant than expected. While the disruption in the daigou channel predominantly affected infant nutrition sales, it also adversely impacted sales in other nutritional segments.

### Market Review

Australian equities 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.

<sup>1</sup>Top contributing/detracting individual positions over the period as measured by basis point impact. \*Portfolio Benchmark: S&P/ASX 300 Accumulation Index. Price change in locally state 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.

## WANT MORE INFORMATION?

### If you are a Financial Adviser or Wholesale Client:

Please contact Mark Mukundan, VP, Product and Wholesale Markets – 0411 615 685 or contact Acadian on (02) 9093 1000 or email us at [australiaclientservice@acadian-asset.com.au](mailto:australiaclientservice@acadian-asset.com.au)

### If you are a Personal Investor or Retail Client:

Speak with your Financial Adviser about the suitability of our products, in light of your investment needs, objectives and financial situation. Please read the product disclosure statement (PDS) for the Fund issued by Colonial First State Investments Limited (ABN 98 002 348 352, AFSL 232468) before making an investment decision. You can download the PDS from <https://www3.colonialfirststate.com.au/personal/resources/pds.html> or contact Colonial on 13 18 36 (8am to 7pm Sydney time)

This material has been prepared by and is issued by Acadian Asset Management LLC and Acadian Asset Management (Australia) Limited, collective referred to in this material as Acadian. This material is directed at persons who are professional, sophisticated or wholesale clients and has not been prepared for and is not intended for persons who are retail clients and must not be reproduced or transmitted in any form without the prior written consent of Acadian. This material contains general information only. It is not intended to provide you with financial product advice and does not take into account your objectives, financial situation or needs.

Before making an investment decision, you should consider whether this information is appropriate in light of your investment needs, objectives and financial situation. Total returns shown for the Fund or any Portfolio have been calculated using exit prices after taking into account all ongoing fees and assuming reinvestment of distributions. Past performance is no indication of future performance. Past performance may differ significantly from future performance due to market volatility. The product disclosure statement (PDS) for the Acadian Wholesale Australian Equity Long Short Fund, FSF0789AU (Fund) issued by Colonial First State Investments Limited (ABN 98 002 348 352, AFSL 232468) (CFSIL) should be considered before making an investment decision. CFSIL is a subsidiary of the Commonwealth Bank of Australia (Bank). The Bank and subsidiaries thereof do not guarantee the performance of the Fund or the repayment of capital by the Fund. Investments in the Fund are not deposits or other liabilities of the Bank or its subsidiaries, and investment-type products are subject to investment risk including loss of income and capital invested. To the extent permitted by law, no liability is accepted by the Bank or any affiliates thereof for any loss or damage as a result of any reliance on this information. This information is, or is based upon, information that we believe to be accurate and reliable, however neither Acadian, the Bank nor any affiliates thereof offer any warranty that it contains no factual errors. In Australia 'Colonial', 'Colonial First State' and 'CFS' are trade marks of Colonial Holding Company Limited and 'Colonial First State Investments' is a trade mark of the Bank and all of these trade marks are used by Acadian under license. Copyright © Acadian Asset Management LLC 2021 All rights reserved.

## GENERAL LEGAL DISCLAIMER

Acadian provides this material as a general overview of the firm, our processes and our investment capabilities. It has been provided for informational purposes only. It does not constitute or form part of any offer to issue or sell, or any solicitation of any offer to subscribe or to purchase, shares, units or other interests in investments that may be referred to herein and must not be construed as investment or financial product advice. Acadian has not considered any reader's financial situation, objective or needs in providing the relevant information.

The value of investments may fall as well as rise and you may not get back your original investment. Past performance is not necessarily a guide to future performance or returns. Acadian has taken all reasonable care to ensure that the information contained in this material is accurate at the time of its distribution, no representation or warranty, express or implied, is made as to the accuracy, reliability or completeness of such information.

This material contains privileged and confidential information and is intended only for the recipient/s. Any distribution, reproduction or other use of this presentation by recipients is strictly prohibited. If you are not the intended recipient and this presentation has been sent or passed on to you in error, please contact us immediately. Confidentiality and privilege are not lost by this presentation having been sent or passed on to you in error.

Acadian's quantitative investment process is supported by extensive proprietary computer code. Acadian's researchers, software developers, and IT teams follow a structured design, development, testing, change control, and review processes during the development of its systems and the implementation within our investment process. These controls and their effectiveness are subject to regular internal reviews, at least annual independent review by our SOC1 auditor. However, despite these extensive controls it is possible that errors may occur in coding and within the investment process, as is the case with any complex software or data-driven model, and no guarantee or warranty can be provided that any quantitative investment model is completely free of errors.

Any such errors could have a negative impact on investment results.

We have in place control systems and processes which are intended to identify in a timely manner any such errors which would have a material impact on the investment process.

Acadian Asset Management LLC has wholly owned affiliates located in London, Singapore, and Sydney. Pursuant to the terms of service level agreements with each affiliate, employees of Acadian Asset Management LLC may provide certain services on behalf of each affiliate and employees of each affiliate may provide certain administrative services, including marketing and client service, on behalf of Acadian Asset Management LLC.

Acadian Asset Management LLC is registered as an investment adviser with the U.S. Securities and Exchange Commission. Registration of an investment adviser does not imply any level of skill or training.

Acadian Asset Management (Singapore) Pte Ltd, (Registration Number: 199902125D) is licensed by the Monetary Authority of Singapore.

Acadian Asset Management (Australia) Limited (ABN 41 114 200 127) is the holder of Australian financial services license number 291872 ("AFSL").

Under the terms of its AFSL, Acadian Asset Management (Australia) Limited is limited to providing the financial services under its license to wholesale clients only. This marketing material is not to be provided to retail clients.

Acadian Asset Management (UK) Limited is authorized and regulated by the Financial Conduct Authority ("the FCA") and is a limited liability company incorporated in England and Wales with company number 05644066. Acadian Asset Management (UK) Limited will only make this material available to Professional Clients and Eligible Counterparties as defined by the FCA under the Markets in Financial Instruments Directive.



GLOBAL AFFILIATES

Boston London Singapore Sydney

ACADIAN-ASSET.COM