

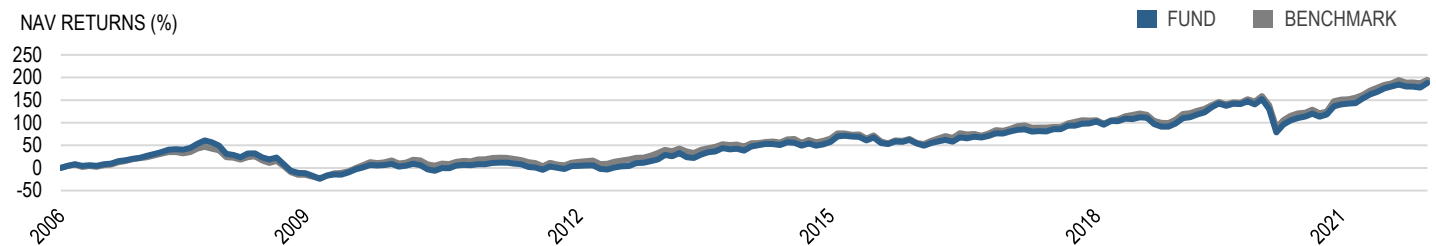
# ACADIAN WHOLESALE AUSTRALIAN EQUITY LONG SHORT FUND

DECEMBER 2021

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.

<b>APIR Code</b>	FSF0789AU
<b>Inception Date</b>	27 February 2006
<b>Management Cost</b>	0.75%
<b>Buy / Sell spread</b>	0.15/0.15%
<b>Exit Unit Price</b>	1.5253
<b>Product Size</b>	\$115 million
<b>Benchmark</b>	S&P / ASX 300 Accumulation Index

## CUMULATIVE PERFORMANCE



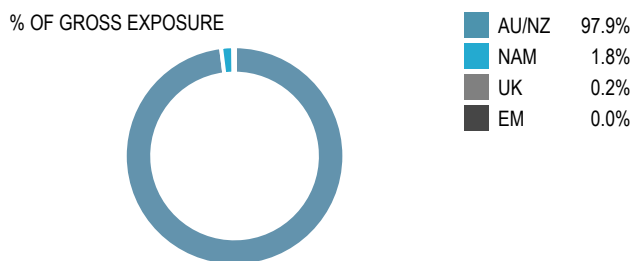
## PERFORMANCE

	FUND (NAV)	BENCHMARK	VALUE-ADDED VS.BENCHMARK
One Month Return	3.6	2.7	0.9
Three Month Return	2.7	2.2	0.5
Year-to-Date Return	19.7	17.5	2.2
One Year Annualized Return	19.7	17.5	2.2
Three Year Annualized Return	14.6	14.0	0.6
Five Year Annualized Return	10.3	9.9	0.4
SINCE INCEPTION ANNUALIZED RETURN	6.9	7.0	-0.1

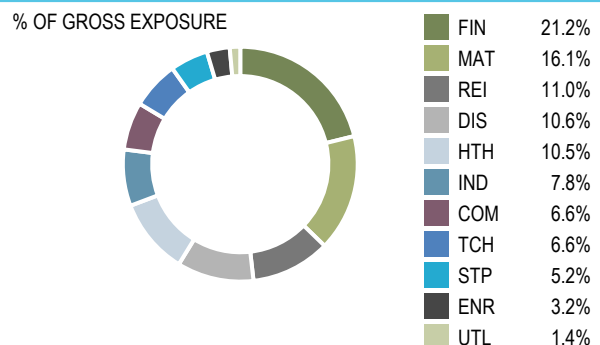
## TOP TEN HOLDINGS

	% OF PORTFOLIO
COMMONWEALTH BANK OF AUSTRALIA	6.8
CSL LTD	6.4
NATIONAL AUSTRALIA BANK LTD	5.7
AUSTRALIA & NEW ZEALAND BANKING GROUP LTD	4.9
MACQUARIE GROUP LTD	4.7
BHP GROUP LTD	4.6
TELSTRA CORP LTD	3.6
GOODMAN GROUP	3.2
ARISTOCRAT LEISURE LTD	2.6
WESTPAC BANKING CORP	2.4
NUMBER OF SECURITIES	164
% OF PORTFOLIO FOR TOP 10 CURRENT HOLDINGS	44.9
% OF NON-BENCHMARK PORTFOLIO HOLDINGS	11.3

## CURRENT POSITIONING - REGION



## CURRENT POSITIONING - SECTOR



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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 © 2022, 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 3.0%<sup>1</sup> for the quarter (gross of fees), outperforming the S&P/ASX 300 Accumulation Index by 0.8%. Gains from stock selection were joined with value gained from sector 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 overweight position in materials, and stock selection in health care. Leading advances within these sectors respectively included a position in Westpac Banking, a holding in Grange Resources, and an investment in Australian Clinical Labs. Detractors included a combination of stock selection and an overweight position in energy, stock selection in industrials, and a combination of stock selection and an underweight position in real estate. Leading declines within these sectors in turn included a position in Whitehaven Coal, a holding in SmartGroup, and a net short position in National Storage REIT.\*

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

#### Positive

- Our overweight exposure to Nick Scali Ltd., an Australian furniture retailer, was rewarded with 29 basis points of active return. Share prices climbed 35% over the quarter, largely impacted by an uptick in consumer spending as lockdown measures eased.

#### Negative

- Our overweight exposure to Clinuvel Pharmaceuticals Ltd., a global biopharmaceutical company, cost the portfolio 34 basis points of active return. Share prices plunged 37% over the quarter, likely influenced by the recent downgrade from an institutional sell-side analyst 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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