

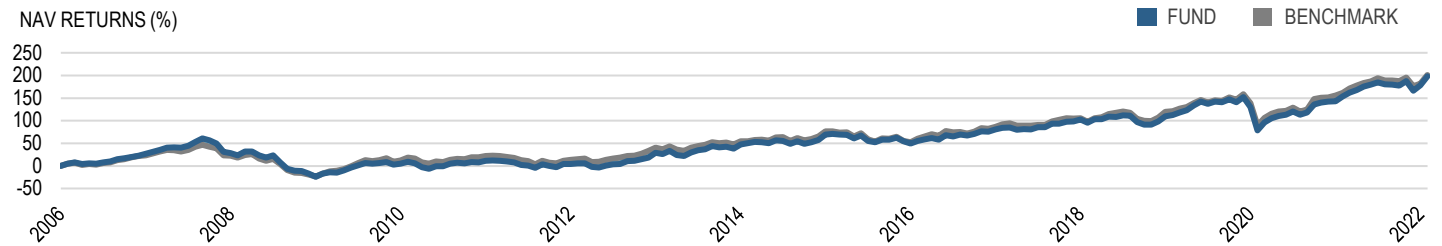
# ACADIAN WHOLESALE AUSTRALIAN EQUITY LONG SHORT FUND

MARCH 2022

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>	1.5791
<b>Product Size</b>	\$117 million
<b>Benchmark</b>	S&P / ASX 300 Accumulation Index

## CUMULATIVE PERFORMANCE



## PERFORMANCE

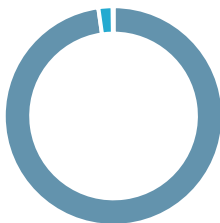
	FUND (NAV)	BENCHMARK	VALUE-ADDED VS.BENCHMARK
One Month Return	7.0	6.9	0.1
Three Month Return	3.5	2.1	1.4
Year-to-Date Return	3.5	2.1	1.4
One Year Annualized Return	17.5	15.2	2.3
Three Year Annualized Return	11.9	10.8	1.1
Five Year Annualized Return	10.1	9.4	0.7
SINCE INCEPTION ANNUALIZED RETURN	7.0	7.1	-0.1

## TOP TEN HOLDINGS

	% OF PORTFOLIO
BHP GROUP LTD	11.5
COMMONWEALTH BANK OF AUSTRALIA	6.7
NATIONAL AUSTRALIA BANK LTD	5.9
CSL LTD	5.6
MACQUARIE GROUP LTD	4.1
AUSTRALIA & NEW ZEALAND BANKING GROUP LTD	4.0
TELSTRA CORP LTD	3.0
SOUTH32 LTD	2.6
WESTPAC BANKING CORP	2.4
WOODSIDE PETROLEUM LTD	2.1
NUMBER OF SECURITIES	162
% OF PORTFOLIO FOR TOP 10 CURRENT HOLDINGS	48.1
% OF NON-BENCHMARK PORTFOLIO HOLDINGS	10.5

## CURRENT POSITIONING - REGION

% OF GROSS EXPOSURE



AU/NZ	97.8%
NAM	2.1%
UK	0.1%

## CURRENT POSITIONING - SECTOR

% OF GROSS EXPOSURE



FIN	21.9%
MAT	21.2%
REI	9.7%
DIS	9.4%
HTH	9.4%
IND	6.6%
TCH	6.5%
COM	5.6%
STP	4.6%
ENR	4.0%
UTL	1.1%

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# ACADIAN WHOLESALE AUSTRALIAN EQUITY LONG SHORT FUND

## QUARTERLY REVIEW

### Fund Performance and Activity

The Fund returned 3.8%<sup>1</sup> for the quarter (gross of fees), outperforming the S&P/ASX 300 Accumulation Index by 1.7%. 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 overweight position in materials, a combination of stock selection and an underweight position in communication services, and stock selection in financials. Leading advances within these sectors respectively included a position in Coronado Global Resources, a net short position in Domain Holdings Australia, and a net short position in Zip. Detractors included stock selection in industrials, stock selection in real estate, and a combination of stock selection and an overweight position in health care. Leading declines within these sectors in turn included a net short position in CIMIC Group, a holding in Charter Hall Group, and an investment in Sonic Healthcare.\*

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

#### Positive

- Our long position in Coronado Global, a leading international producer of high-quality metallurgical coal, was rewarded with 38 basis points of active return. Share price rose by 61% through the quarter as many of the buyers of Russian coal looked to replace their suppliers with Australian coal producers, including Coronado Global.

#### Negative

- Our short position in CIMIC Group, an Australian multinational contractor in numerous fields, had a negative effect of 35 basis points on active return. There was a strong rise in stock price though most of the quarter. The price flattened in the last weeks of March as Hochtief, the German holding company that owns majority shares of CIMIC, has offered to buy all remaining shares of the company and the decision by CIMIC is awaited.

### Market Review

The first quarter of 2022 was a challenging period for Australian equities (S&P/ASX 300 Accumulation Index), as a series of turbulent happenings throughout the world impacted markets, resulting in only a 2.1% return. Starting with the worrying spread of the Omicron variant of COVID-19, global investor sentiment declined, falling further due to rising global inflation. Following this, Russia's invasion of Ukraine sent tremors across global markets and had a cascading effect on multiple asset classes and commodities prices. Globally, commodity prices, including Brent crude, gold, and nickel, spiked before easing towards the end of the quarter. Overall, global equity markets (MSCI world) experienced a downturn, as U.S. inflation levels reached 40-year highs. Global fertilizer prices rose towards the end of the quarter as a result of the forecasted global shortage due to sanctions imposed on Russia, one of the world's largest fertilizer producers. However, in Australia, as concerns of rising consumer and wholesale inflation dominated the headlines, the Reserve Bank of Australia (RBA) moved fast to allay these fears, announcing numerous inflation control measures and adopting a hawkish stance. With labor participation levels reaching all-time highs, the outlook for the economy remained positive even though global supply chain issues and market volatility persisted. The Australian dollar also appreciated towards the end of the quarter owing to the slow de-escalation of the war in Ukraine through peace talks in Turkey and favorable business relations with global organizations to fill the energy gap created by the sanctions against Russia.

From a sector perspective, energy (28.4%) was the best-performing sector, supported by the speedy rise in oil and coal prices around the world. During the quarter, several coal importers who previously relied on Russia for coal supplies courted Australian coal producers, further aiding the results. Materials (15.2%) was the second best-performing sector, boosted by a rise in gold stocks. As geopolitical tensions between Russia and Ukraine reached a tipping point in late February, investors moved their money to safe havens, including gold and gold equities. The Australian government's March announcement of the 2022 Critical Minerals strategy worth AU\$1.5 billion also boosted the sector's performance. Information technology (-13.7%) was the worst-performing sector, but its low exposure to the index (<4%) reduced its impact on overall performance.

### Outlook and Strategy

Several challenges are buffeting the global economy. Inflation has risen to levels not seen in many years. Supply chains remain stressed. Energy prices, which had already been rebounding from pandemic-era lows, have surged in the wake of Russia's invasion of Ukraine. Certain commodities – particularly energy and food – are, or soon may be, under significant strain from the war. COVID-19 remains in the news, with a new BA.2 variant prompting another wave of infections. These challenges arise in the context of a global economy that was, in many regions, continuing to recover from pandemic-related pressures. So far at least, the evidence suggests further expansion, albeit at a moderating pace, and amid increasing chatter about recession risk. In all, the OECD forecasts a more than one percent hit to global GDP as well as an additional 2.5% on an already multi-decade high inflation rate globally as a result of the war.

The Reserve Bank of Australia (RBA) acknowledged that the Australian economy remained resilient during the Omicron outbreak. Activity gained strong momentum, hospitalization rates dwindled and mobility indicators recovered swiftly. The RBA's Governor Philip Lowe acknowledged that even though the Russia-Ukraine crisis had created supply chain disruptions and uncertainty in the short term, the second-order effects would depend on the further scale and duration of the war. Besides, efforts to mend trade relations with China reached a deadlock upon its pro-Russian stance, and now, India is being considered as an alternate trading partner. Concerns of rising consumer and wholesale inflation dominated headlines. The tightness in the labor markets slackened a bit after January but may resurge and persist for the period ahead. With labor participation levels reaching all-time highs, the outlook for the economy is positive even though higher inflation continues to pose downside risks.

<sup>1</sup>Returns for fund reported by the Administrator (Colonial First State) and are not calculated by Acadian. <sup>2</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. \*This should not be considered a recommendation to buy or sell any specific security. Colonial First State Investments Limited is the responsible entity for this fund, ABN 98 002 348 352 AFS License 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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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)

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