

First Sentier Wholesale Australian Small Companies Fund



Formerly the Colonial First State Wholesale Australian Small Companies Fund

Quarterly Factsheet

31 December 2021

For Adviser use only

Portfolio Description

The fund invests in a broad selection of Australian listed small companies, with between 50 to 70 stocks typically held in the portfolio.

Investment Strategy

The fund's strategy is to favour companies with sustainable competitive advantages, strong financials, quality management and predictable earnings. By investing in these companies, the fund aims to deliver superior returns over the long term. The fund predominantly invests in Australian companies and therefore does not hedge currency risk.

Investment Objective

To provide long-term capital growth by investing predominantly in small Australian companies. The Fund aims to outperform the S&P/ASX Small Ordinaries Accumulation Index over rolling three-year periods before fees and taxes.

Key Investment Personnel and Experience (Industry / Firm)

Dawn Kanelleas	Senior Portfolio Manager	(1996 / 2008)
Michael Joukhador	Portfolio Manager	(2007 / 2007)
Pavlos Totsis	Portfolio Manager	(2007 / 2007)

Product Overview

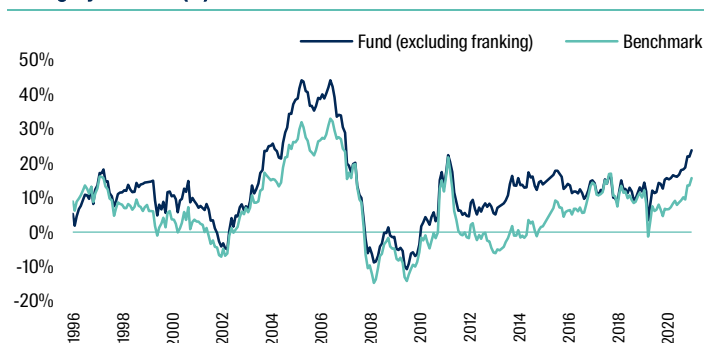
APIR code	CMI0111AU
Inception date	31 December 1993
Fund Size (AS)	910 million
Benchmark	S&P/ASX Small Ordinaries Accumulation Index
Number of stock holdings	55
Buy / Sell spread	0.15% / 0.15%
Minimum investment (AS)	5,000
Management cost (p.a.)*	1.11%

* Information on Management Costs (including estimated indirect costs) is set out in the Fund's PDS.

Performance Summary (%)

Period	3mth	1yr	3yr	5yr	7yr	10yr	SI
Net return	1.2	20.3	23.8	16.0	16.0	15.9	11.8
Benchmark return	2.0	16.9	15.7	11.2	11.3	8.0	6.5
Excess net return	-0.8	3.4	8.0	4.8	4.7	7.9	5.3
Income return	2.0	14.6	11.7	12.2	11.6	8.9	7.5
Growth return	-0.8	5.7	12.1	3.8	4.5	7.0	4.3

Rolling 3 year return (%)



Top 5 holdings

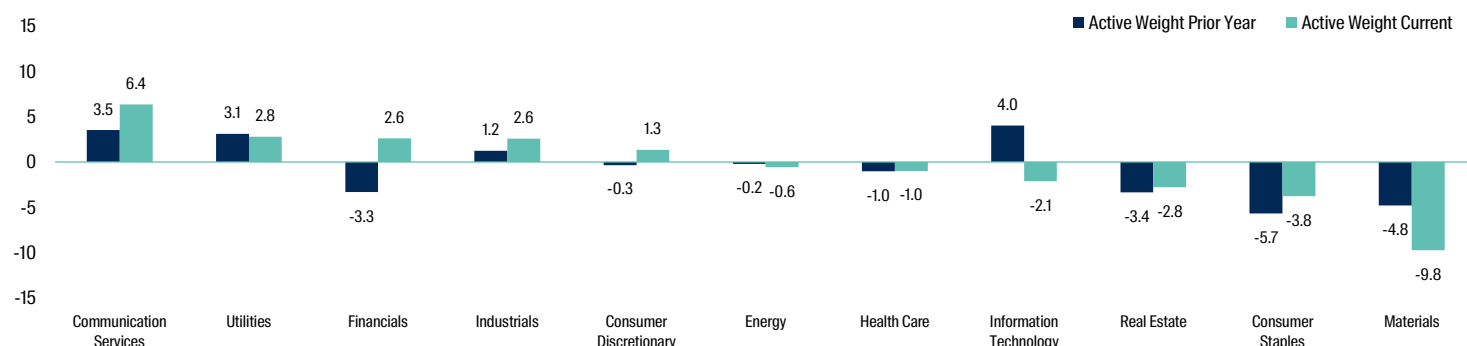
Stock
Breville
IRESS
NIB
Technology One
TPG

Sorted alphabetically

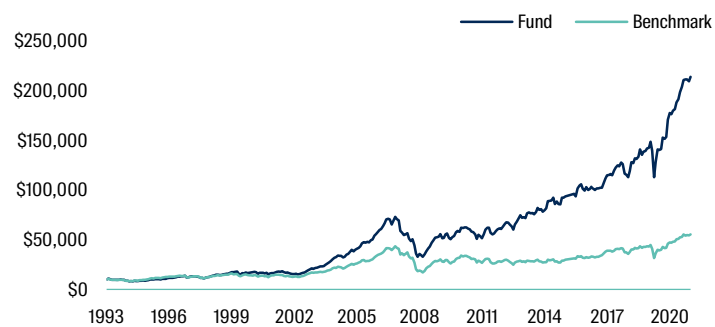
Risk Characteristics

Period	1yr	3yr	5yr	7yr	10yr	SI
Fund standard deviation (%)	5.4	18.2	15.5	15.0	14.6	15.8
Benchmark standard deviation (%)	7.0	20.2	17.2	16.4	16.0	16.6
Tracking error (%)	4.4	3.9	3.9	4.2	4.5	5.6
Fund Sharpe ratio	3.8	1.2	1.0	1.0	1.0	0.5
Information ratio	0.8	2.1	1.2	1.1	1.8	0.9
Beta	0.6	0.9	0.9	0.9	0.9	0.9
Cashflow adjusted turnover (%)	35.0	54.0	60.0	65.6	75.4	

Fund Active Sector Positions (%)



Growth of AUD 10,000 Investment Since Inception



Distributions



Top 5 attributors to performance (3 months)

Sector	Attr.
Information Technology	0.67%
Consumer Discretionary	0.37%
Energy	0.26%
Financials	0.24%
Consumer Staples	0.16%

Top 5 detractors to performance (3 months)

Sector	Attr.
Materials	-1.00%
Communication Services	-0.79%
Utilities	-0.12%
Industrials	-0.10%
Futures	-0.06%

Performance returns are calculated net of management fees and transaction costs. Performance returns for periods greater than one year are annualised. Past performance is not a reliable indicator of future performance.

Data source: First Sentier Investors 2021

Data as at: 31 December 2021

Market review

The S&P/ASX Small Ordinaries Accumulation Index returned 2.0% during the December quarter, broadly in line with the S&P/ASX 200 Accumulation Index which returned 2.1%. The Small Industrials Index returned -1.2% and the Small Resources Index returned 14.2%. The Gold subsector returned 20.5%.

Materials (15.1%) was the best performing sector, followed by Real Estate (6.9%) and IT (3.4%). Financials (-6.2%) was the worst performing sector over the quarter. Other sectors to finish lower included Consumer Discretionary (-5.0%), Industrials (-4.0%), Energy (-3.5%), Health Care (-2.8%), Communication Services (-1.3%), and Consumer Staples (-0.3%).

Fund performance

Among the top contributors to relative performance were:

Lynas (overweight)

The share price reached multi-year highs during the quarter as the demand outlook remains favourable for the company's rare earth materials, which are a key component in electric vehicle batteries. Also, rare earth prices continued to rise in line with other metals exposed to the EV battery complex

Capricorn Metals (overweight)

The share price rose to record highs during the month after the company posted positive project updates and outlook at its AGM.

Zip (not held)

BNPL firms were mostly weaker after the US Consumer Financial Protection Bureau announced it had launched an enquiry into the industry with several companies, including Zip, ordered to disclose information on their business practices.

Among the main detractors to relative performance were:

TPG Telecom (overweight)

The share price fell in December on news that founder David Teoh has entered into an agreement to sell 53 million shares in a block trade; an amount equivalent to around 3% of the Company's issued share capital.

Pilbara Minerals (not held)

Pilbara's share price continued to rise as investors pursue exposure to lithium, which is a key component in electric vehicle batteries.

Webjet (overweight)

The share price fell lower following the identification of a new variant of Covid-19 during the quarter, which raised concerns that domestic and international travel restrictions could be reintroduced.

Market outlook

The rapid increase in Omicron case numbers continues to cloud the economic growth outlook, despite domestic and international equity markets closing out the 2021 calendar year strongly.

Reserve Bank of Australia (RBA) officials indicated that the spread of the relatively-mild Omicron variant is not expected to derail the economic recovery. As the booster rollout continues, the Government appears to be willing to live with Covid rather than try and eliminate the virus.

Whilst acknowledging that wages are increasing, the RBA is suggesting inflation will remain lower in Australia than elsewhere. Accordingly, there appears a very low probability of interest rates being raised in the near future.

Portfolio Beta measures the portfolio's sensitivity to benchmark movements. Mathematically, it is the covariance of the portfolio vs the benchmark divided by the variance of the benchmark. The covariance and variance are ex ante calculations based on current weights and historic patterns of return over the past five years.

Turnover is the average of sales and purchases divided by the average portfolio size. **Cashflow Adjusted Turnover** is the same as above, except that the lesser of sales and purchases is used in place of the average of the two. This is to adjust for turnover that is related to investing inflows or selling stocks to meet outflows rather than related to active management of the portfolio.

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For further information

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