

# First Sentier Wholesale Australian Small Companies Fund



Formerly the Colonial First State Wholesale Australian Small Companies Fund

Quarterly Factsheet

31 March 2022

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

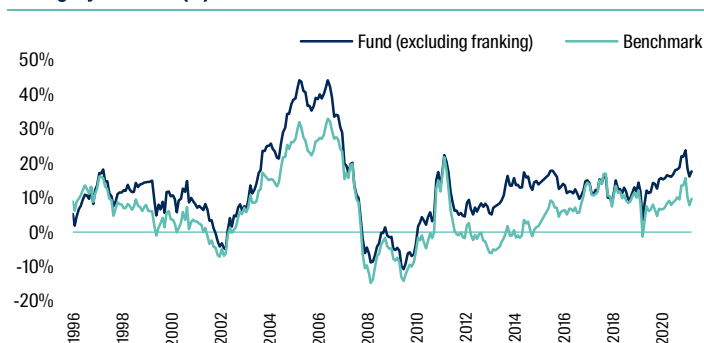
APIR code	CMI0111AU
Inception date	31 December 1993
Fund Size (AS)	902 million
Benchmark	S&P/ASX Small Ordinaries Accumulation Index
Number of stock holdings	53
Buy / Sell spread	0.15% / 0.15%
Minimum investment (AS)	5,000
Management cost (p.a.)*	1.11%

\* 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	-3.1	14.2	17.6	15.2	13.7	13.5	11.5
Benchmark return	-4.2	9.7	9.6	9.9	9.5	6.0	6.2
Excess net return	1.1	4.5	8.0	5.3	4.2	7.4	5.3
Income return	2.7	12.5	12.1	12.7	11.7	9.0	7.5
Growth return	-5.8	1.7	5.6	2.5	2.0	4.5	4.0

## Rolling 3 year return (%)



## Top 5 holdings

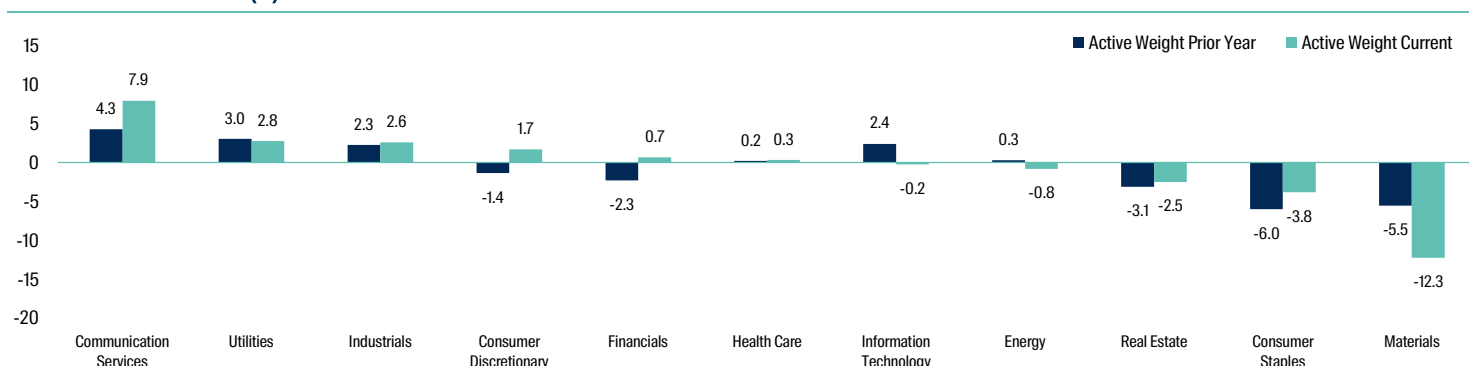
Stock
Breville
Corporate Travel Management
IRESS
Technology One
TPG

Sorted alphabetically

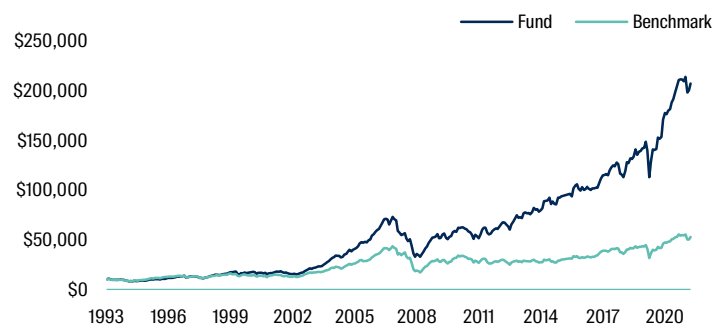
## Risk Characteristics

Period	1yr	3yr	5yr	7yr	10yr	SI
Fund standard deviation (%)	10.2	18.5	15.9	15.1	14.5	15.8
Benchmark standard deviation (%)	12.9	20.8	17.7	16.6	16.1	16.6
Tracking error (%)	5.1	4.1	4.0	4.2	4.5	5.6
Fund Sharpe ratio	1.4	1.0	0.9	0.8	0.8	0.5
Information ratio	0.9	1.9	1.3	1.0	1.7	0.9
Beta	0.7	0.9	0.9	0.9	0.9	0.9
Cashflow adjusted turnover (%)	29.8	48.7	57.6	63.3	73.6	

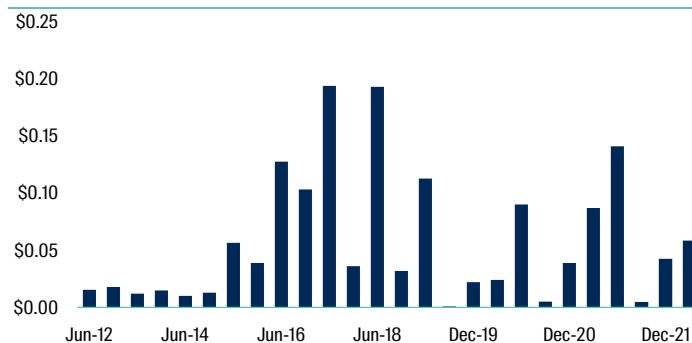
## Fund Active Sector Positions (%)



## Growth of AUD 10,000 Investment Since Inception



## Distributions



## Top 5 attributors to performance (3 months)

Sector	Attr.
Information Technology	0.95%
Consumer Discretionary	0.76%
Financials	0.61%
Health Care	0.41%
Communication Services	0.27%

## Top 5 detractors to performance (3 months)

Sector	Attr.
Materials	-0.91%
Energy	-0.54%
Real Estate	-0.51%
Industrials	-0.09%
Consumer Staples	0.03%

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 2022

Data as at: 31 March 2022

## Market review

The S&P/ASX Small Ordinaries Accumulation Index returned -4.2% during the March quarter, underperforming the S&P/ASX 200 Accumulation Index which returned 2.2%. The Small Industrials Index returned -9.1% and the Small Resources Index returned 14.5%. The Gold subsector returned 8.9%.

Energy (23.6%) was the quarter's best performing sector, followed by Materials (11.0%), and Industrials (1.5%). All other sectors finished the quarter lower, with Health Care (-24.2%) the worst performer, followed by IT (-17.7%), Financials (-13.8%), Consumer Discretionary (-10.9%), Consumer Staples (-6.2%), Real Estate (-4.3%) and Communication Services (-1.0%).

## Fund performance

Among the top contributors to relative performance were:

## Zip Co (not held)

The share price declined over the quarter as regulatory pressure builds on BNPL operators. Further the business raised capital to support the increasing costs of its international growth plan and its merger with Sezzle.

## Silver Lake Resources (overweight)

The share price performed well after the company reaffirmed its gold sales volume forecast for the full year at its FY22 first half results. The share price was further supported by a rising gold price.

## Novonix (not held)

The share price lost ground during the quarter after hitting record highs in mid-December, as investors rotated away from high growth stocks with high multiples.

Among the main detractors to relative performance were:

## Whitehaven Coal (not held)

The share price rose over the quarter on strong thermal coal prices amid supply concerns due to sanctions on Russia.

## Nanosonics (overweight)

The share price fell following the announcement of plans to drop GE as its sales distributor in the US, despite the 1H22 result showing signs of a recovery in their US business.

## Champion Iron (not held)

The share price rose after posting a solid third quarter Activity Report, which included the announcement of an inaugural dividend and an positive update on the company's Bloom Lake expansion project.

**Market outlook**

The Australian Treasury has benefited from elevated commodity prices and rising employment, both of which have lifted tax revenue and markedly improved the budget position. Australia's budget deficit is now expected to narrow in each of the next four years.

Other forecasts released alongside the Budget provided further grounds for optimism. Officials expect unemployment to fall to 3.75% later this year – from 4.0% currently – and annual wage growth to rise above 3% for the first time in a decade. If these forecasts prove accurate, the Reserve Bank of Australia is more likely to follow other central banks and start raising official interest rates in the months ahead.

**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.

[www.firstsentierinvestors.com.au](http://www.firstsentierinvestors.com.au)

#### For further information

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