

First Sentier Wholesale Australian Small Companies Fund



Formerly the Colonial First State Wholesale Australian Small Companies Fund

Quarterly Factsheet

30 September 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

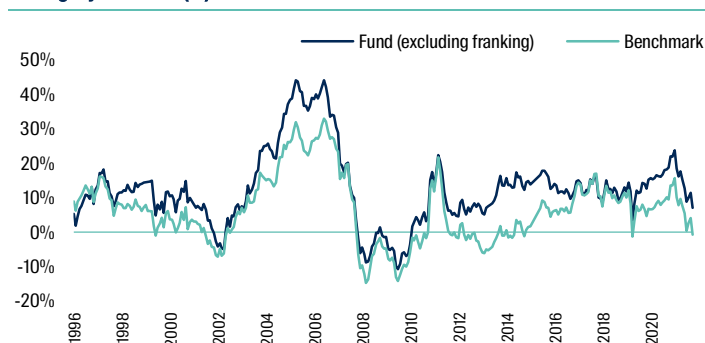
APIR code	CMIO111AU
Inception date	31 December 1993
Fund Size (AS)	770 million
Benchmark	S&P/ASX Small Ordinaries Accumulation Index
Number of stock holdings	53
Buy / Sell spread	0.15% / 0.15%
Minimum investment (AS)	5,000
Management fees and costs (p.a.)*	1.11%

* Information on Management fees and 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	-19.7	7.0	10.6	11.2	11.5	10.6
Benchmark return	-0.5	-22.6	-0.8	4.1	7.2	4.6	5.3
Excess net return	-0.7	2.9	7.8	6.6	4.0	6.9	5.3
Income return	0.5	7.9	10.7	11.0	11.8	9.3	7.5
Growth return	-1.7	-27.6	-3.7	-0.4	-0.6	2.2	3.1

Rolling 3 year return (%)



Top 5 holdings

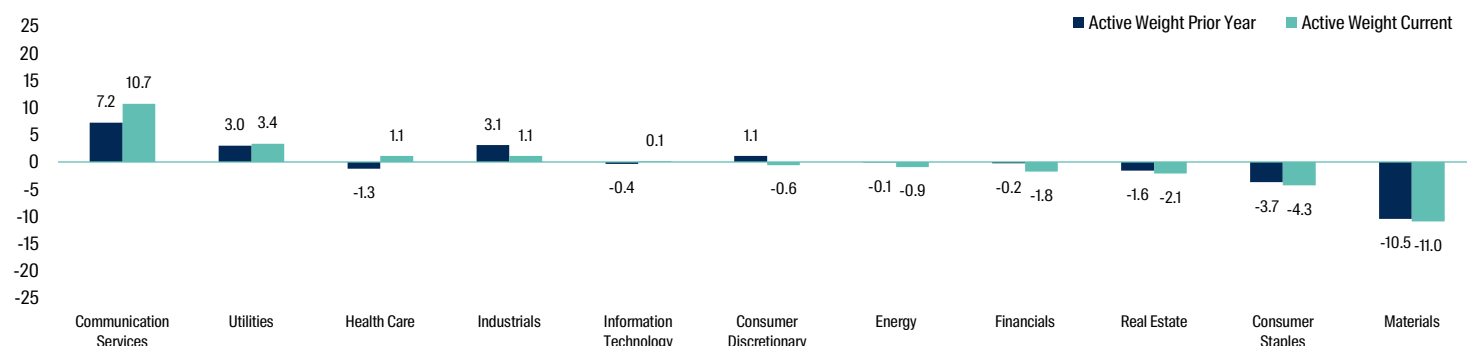
Stock
Breville
Domain
IRESS
Technology One
TPG

Sorted alphabetically

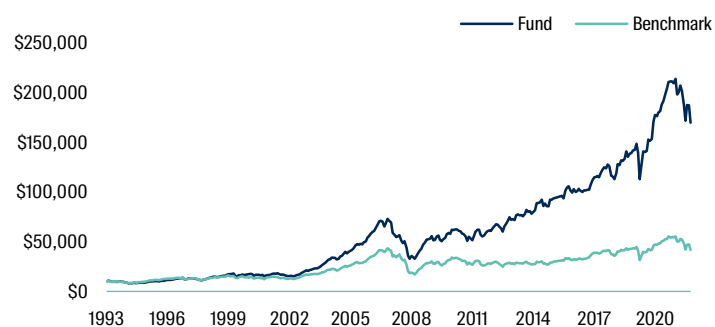
Risk Characteristics

Period	1yr	3yr	5yr	7yr	10yr	SI
Fund standard deviation (%)	18.3	21.0	17.8	16.3	15.2	16.0
Benchmark standard deviation (%)	23.4	24.1	20.4	18.3	17.1	17.0
Tracking error (%)	6.2	5.1	4.4	4.6	4.7	5.7
Fund Sharpe ratio	-1.1	0.3	0.5	0.6	0.6	0.4
Information ratio	0.5	1.5	1.5	0.9	1.5	0.9
Beta	0.8	0.9	0.9	0.9	0.9	0.9
Cashflow adjusted turnover (%)	22.9	40.7	52.7	59.0	70.5	

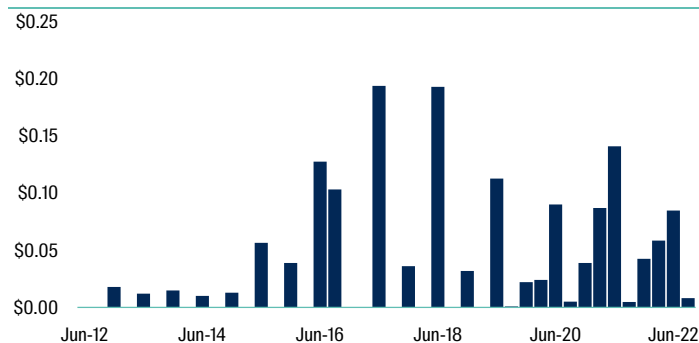
Fund Active Sector Positions (%)



Growth of AUD 10,000 Investment Since Inception



Distributions



Top 5 attributors to performance (3 months)

Sector	Attr.
Real Estate	0.96%
Consumer Staples	0.47%
Communication Services	0.41%
Materials	0.38%
Utilities	0.25%

Top 5 detractors to performance (3 months)

Sector	Attr.
Energy	-1.03%
Industrials	-0.71%
Information Technology	-0.65%
Consumer Discretionary	-0.39%
Financials	-0.10%

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: 30 September 2022

Market review

The S&P/ASX Small Ordinaries Accumulation Index returned -0.5% during the September quarter, underperforming the S&P/ASX 200 Accumulation Index which returned 0.4%. The S&P/ASX Small Industrials Index returned -1.0% and the S&P/ASX Small Resources Index returned 0.9%. The Gold sub industry returned -2.3%.

There were mixed returns from economic sectors in the S&P/ASX Small Ordinaries Index during the quarter. Energy (12.4%) was the quarter's best performing sector, followed by Industrials (9.1%), Health Care (4.5%), Financials (2.4%), and Consumer Discretionary (0.0%). Consumer Staples (-9.6%) was the quarter's worst performing sector. Other sectors to finish lower were Real Estate (-6.7%), Communication Services (-2.3%), IT (-1.9%), and Materials (-1.6%).

Fund performance

Among the top contributors to relative performance were:

AVZ Minerals (not held)

The company's shares have been in a trading halt since May 2022, pending an announcement with respect to its mining and exploration rights in the Manono Project in the DRC. The company's shares were removed from the S&P/ASX 300 Index in September's rebalance.

Qualitas (overweight)

The share price rallied on news the company had secured commitments from a subsidiary of the Abu Dhabi Investment Authority (ADIA) for a mandate to invest \$700m on behalf of a new discretionary investment vehicle.

Insignia Financial (overweight)

The share price was stronger after the company reported a resilient FY22 result. The guidance commentary was also encouraging and suggested improving traction with cost out measures and improving flows.

Among the main detractors to relative performance were:

New Hope Corporation (not held)

The share price rallied after the company released strong FY22 results, which were driven by record thermal coal prices and strong demand.

Iress (overweight)

The share price fell at quarter end after the company downgraded 2H FY22 profit guidance, citing timing delays to the conversion of new sales opportunities and adverse foreign exchange rates on USD pricing.

TPG Telecom (overweight)

The share price fell following a slight miss on revenue and EBITDA measures. TPG pointed to a better second half, however they didn't provide guidance. Despite the share price fall, the company reported strong growth in mobile subscribers, significant net debt reduction, and the realisation of merger synergies.

Market outlook

Investors will likely continue to focus on persistently high inflation, with interest rate rises so far appearing to have had a limited impact on pricing pressures. Equities markets may struggle given the increasing probability of economic recessions in major markets.

Official interest rates were raised at the Reserve Bank of Australia's (RBA's) October Board meeting by 25bps to 2.60%, which was below the market forecast of a 50bps increase. It was the sixth consecutive monthly rate increase, although it was a slowing of the pace of the tightening cycle, in contrast to other major central banks.

The RBA stated it expects to increase interest rates further over the period ahead, with the next rise likely to be on Melbourne Cup Day in November. Central banks globally are being compelled to tighten policy settings to combat high inflation, but risk recession if borrowing costs are raised substantially.

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.

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

For further information

Acting Head of Wholesale Ross Crocker	+61 2 9010 5424	Business Development Manager - VIC/TAS Jack Heinz	+61 3 9225 5056
Key Account Manager - NSW Paul Sleiman	+61 2 9010 5393	Key Account Manager - QLD Quin Smith	+61 4 5509 5505
Business Development Manager – NSW Emerson Bloom	+61 2 9010 5547	Business Development Manager – QLD Julie Day	+61 4 6641 3176
Key Account Manager - VIC/TAS Nick Everitt	+61 3 9225 5055	Key Account Manager - WA/SA/NT Nathan Robinson	+61 4 0327 2440

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