First Sentier Wholesale Geared Share Fund

First Sentier Investors

Formerly the Colonial First State Wholesale Geared Share Fund

Quarterly Factsheet

30 June 2021

For Adviser use only

Portfolio Description

The Fund invests in large Australian listed companies, with between 30 to 40 stocks typically held in the portfolio. The Fund utilises gearing to magnify returns from underlying investments.

Investment Strategy

We believe stronger returns are achieved by investing in growing companies that generate consistent returns and reinvest above their cost of capital. Indepth industry, stock and valuation analysis is the foundation of our process. The Fund predominantly invests in quality Australian companies with strong balance sheets, earnings growth and high/improving returns on invested capital. The Fund utilises gearing to magnify investment returns.

Investment Objective

To magnify long-term returns from capital growth by borrowing to invest in large Australian companies. The Fund aims to outperform the S&P/ASX 100 Accumulation Index over rolling 7-year periods before fees/taxes.

Key Investment Personnel and Experience (Industry / Firm)

Dushko Bajic	Head of Australian Equities, Growth	(1996 / 2014)
David Wilson	Deputy Head	(1987 / 2015)
Christian Guerra	Head of Research	(1996 / 2016)

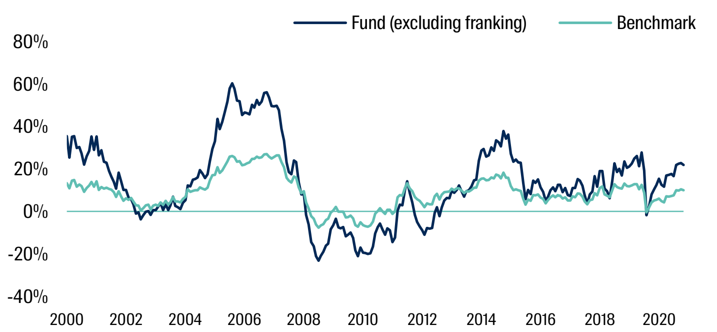
Product Overview

APIR code	FSF0043AU
Inception date	15 August 1997
Fund Size (A$)	8,514 million
Benchmark	S&P/ASX 100 Accumulation Index
Number of stock holdings	34
Buy / Sell spread*	0.20 - 0.50% / 0.20 - 0.50%
Minimum investment (A$)	5,000
Management cost (p.a.)*	1.03% (g) 2.19% (n)

* Buy/sell spreads depend on the specific gearing level of the option.

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

Rolling 3 year return (%)



Top 5 holdings

Stock
BHP Group
Commonwealth Bank
CSL
National Australia Bank
Westpac Bank

Sorted alphabetically

Performance Summary (%)

Period	3mth	1yr	3yr	5yr	7yr	10yr	SI
Net return	21.7	76.3	21.9	24.0	18.3	17.3	15.5
Benchmark return	8.5	27.9	9.9	11.3	8.8	9.5	9.0
Excess net return	13.2	48.4	12.0	12.8	9.5	7.8	6.5
Income return	6.7	14.4	11.9	14.9	13.6	10.9	8.4
Growth return	15.0	61.9	10.0	9.2	4.7	6.4	7.0

Risk Characteristics

Period	1yr	3yr	5yr	7yr	10yr	SI
Fund standard deviation (%)	20.0	34.9	29.6	30.1	29.2	28.1
Benchmark standard deviation (%)	10.4	17.2	14.3	14.2	13.5	13.2
Tracking error (%)	11.2	18.4	15.9	16.6	16.4	15.9
Fund Sharpe ratio	3.8	0.7	0.8	0.6	0.5	0.4
Information ratio	4.3	0.7	0.8	0.6	0.5	0.4
Beta	1.8	2.0	2.0	2.1	2.1	2.0

Fund Active Sector Positions (%)

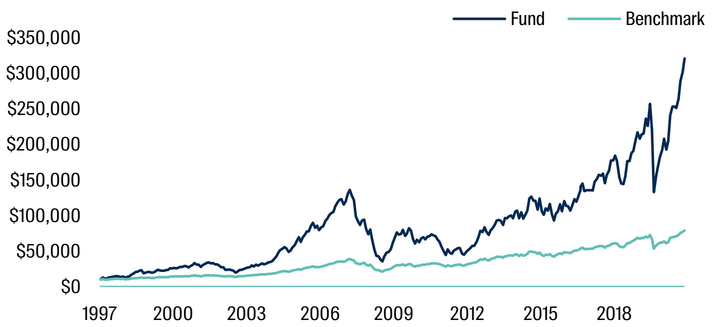
Portfolio Beta measures the portfolio's sensitivity to benchmark movements. Mathematically, it is the covariance of the portfolio vs the benchmark divided by the variance of the benchmark. The covariance and variance are ex ante calculations based on current weights and historic patterns of return over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

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.

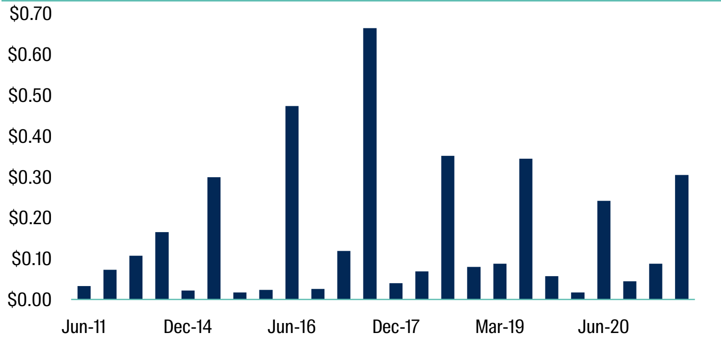
Data source: First Sentier Investors 2021

Data as at: 30 June 2021

Growth of AUD 10,000 Investment Since Inception



Distributions



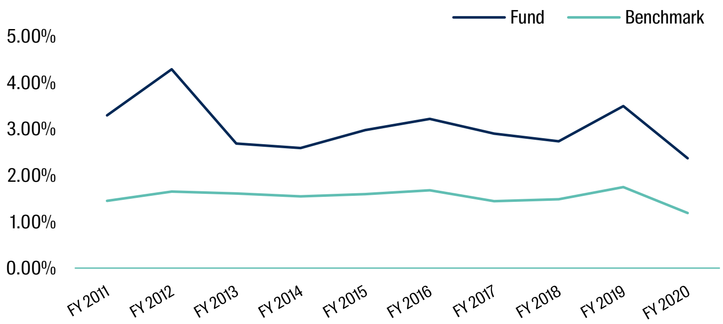
Top 5 attributors to ungeared performance (3 months)

Sector	Attr.
Consumer Discretionary	0.67%
Real Estate	0.60%
Industrials	0.50%
Information Technology	0.39%
Utilities	0.29%

Top 5 detractors to ungeared performance (3 months)

Sector	Attr.
Materials	-0.23%
Consumer Staples	-0.15%
Financials	-0.08%
Energy	0.15%
Communication Services	0.17%

Franking Credit Return (%) by Financial Year



Market Review

Rising earnings expectations was a consistent theme throughout the June quarter as economic data improved and global PMIs reached touching distance of, or in some regions even set, record highs. Higher than expected inflation data temporarily drove equities lower in May, however investors were quick to realise its likely transitory nature given the price declines experienced in 2020. Leading into quarter end, Australian equities continued to move higher as inflation fears subsided, commodity prices rallied and long-term bond yields moved lower. By the end of the quarter, the S&P/ASX 100 Accumulation Index has risen +8.5% with each month contributing positively.

Strong performances from the gaming manufacturer Aristocrat Leisure (ALL) and the Australian conglomerate Wesfarmers (+12%) drove the Consumer Discretionary sector +14% higher. A positive first-half result contributed to the 26% rally experienced by ALL. The trading update detailed above-market bookings growth in digital, margin expansions in both the gaming and digital segments, and group earnings growth of more than 18% year-on-year. With more than 60% of earnings generated from its Bunnings business, Wesfarmers benefited from the ongoing strength in Australia's housing market and renovation activity.

While subsiding inflation concerns and lower bond yields were beneficial for the Information Technology sector (+13%), constituents largely rose off the back of positive stock-specific updates and improved earnings expectations. The electronics design software company Altium (ALU) was the best performer, rising +39% after receiving a takeover offer from the US software company Autodesk. While the offer valued ALU at more than a 40% premium to the previous day's closing price, ALU's board voted to reject the proposal on the basis that it undervalued the business' growth prospects. Australia's largest Buy-Now-Pay-Later (BNPL) firm Afterpay (APT) rallied +16% given a positive third-quarter trading update, which highlighted strong growth in underlying sales as active customers and merchants continued to rise, and news of its latest product expansion. APT will selectively offer virtual cards to US-based customers, enabling them to use Afterpay at the most popular and largest merchants in the country.

The majority of constituents in the Utilities sector (-5%) declined in the June quarter. AGL Energy fell -15% as it downgraded its FY21 guidance, cancelled its special dividend program and confirmed its intention to separate its electricity generation and retailing businesses. Origin Energy, which recently transitioned from the Energy sector to Utilities, declined -4% following a downgrade to earnings guidance as it experienced continued headwinds in its energy markets business and an adverse price movement in a gas supply contract.

The Energy sector (-4%) also underperformed despite normalising OECD stockpiles, a result of improving demand and OPEC+ supply cuts, pushing oil and gas prices higher. Beach Energy (BPT) fell -28% as its third-quarter result highlighted lower production, lower sales volumes and a 25MMboe downgrade to its Western Flank oil and gas reserves (about 5% of total reserves).

Fund Performance

The Wholesale Geared Share Fund outperformed its benchmark, the S&P/ASX 100 Accumulation Index, in the June quarter and continues to deliver attractive levels of excess returns over longer periods as our be-spoke fundamental research process allows us to identify high quality, growth stocks that we believe will generate superior returns for our investors over time.

Contributing positively to the Fund's performance were the overweight positions in the international pizza chain company Domino's Pizza (DMP) and the property investment and funds management company Charter Hall (CHC). DMP's expansion into its 10th market, through the acquisition of Domino's Taiwan, contributed to its +25% rally in the June quarter. Domino's Taiwan is the second largest pizza chain in the region with 157 corporate and franchise stores. Although these stores are already located in the major cities, DMP believes there is potential to significantly grow average weekly sales by expanding its footprint to more than 400 stores across the region. The transaction will help DMP to establish a larger Asian business that is positioned for additional growth by leveraging regional expertise and operational efficiencies.

CHC (+22%) is one of Australia's leading fully integrated property groups with a well-diversified portfolio of high quality, long leased properties across the office, retail, industrial and social infrastructure sectors. CHC upgraded its FY21 guidance in the June quarter given ongoing strength in inflows, with the business announcing it had reached $52bn in FUM, and capital deployment in excess of previous expectations.

Detracting from the Fund's performance were the zero-weight exposure to Fortescue Metals Group (FMG) and the overweight position in the Australian airline Qantas Airways (QAN). Iron ore miners, such as FMG (+17%), Rio Tinto (+14%) and BHP Group (+7%), followed the price of the bulk commodity higher through the quarter. Prices have lifted on the back of stronger steel prices, thanks to the combination of heightened downstream demand, given the size of infrastructure-focused stimulus programs, and steel production cuts.

Travel companies, such as QAN (-8%), experienced weakness through the quarter as worsening conditions in India threatened the prospect of normalising international travel and domestic coronavirus cases resulted in the return of lockdown laws and border closures. While there may be a short-term hit to revenue, we believe travel will rebound quickly as borders reopen and vaccine rollout programs continue.

Fund Activity

We continued to add to our positions in the Real Estate sector, specifically the Industrial REITs. This is a reflection of our view that these assets will be beneficiaries of the shift to e-commerce as supply chains adapt and logistics operations adjust to changing consumer behaviours, especially in a post coronavirus era.

We funded these purchases primarily by lightening our holdings in several companies in the Materials sector. These companies have benefited from strength in mining activity and the housing market. While we are still attracted to their long term growth prospects, we have opted to take some profits and use the proceeds in other alpha generating opportunities.

Market Outlook

While the end of the 2021 Financial Year will mean investors will start to transition their focus towards the upcoming reporting season, coronavirus-related data and vaccine rollout programs will continue to be at the forefront of the market's attention as countries respond to the Delta strain. Recent volatility in bond markets and changes to interest rate commentary reiterate the need for investment managers to remain nimble in their approach as information can quickly change.

Our outlook for the economy is positive as we expect that the very large fiscal and monetary stimulus programs, combined with a strong wealth effect, will continue to filter through the economy for some time to come. As a result of international border closures, we believe the limitations on skilled immigration will elongate the cycle and prevent an inflationary boom from happening. If growth is measured but positive as we expect, conditions for growth stocks to perform well are evenly balanced and stock selection and individual stock earnings results will determined relative performance.

Headline inflation will likely peak around circa 4% over the next 2-3 quarters due to the base effects from negative prices a year ago. As we move into CY22, our view is that inflation will plateau back to the 2% level and will remain low. This is due to the absence of demand-pull inflation as consumer and enterprise spending is increasingly directed to software, tech equipment and research and development spending that have a zero marginal cost of production. It is this structural headwind that bodes well growth companies that can run their own race and generate growth and a high return on invested capital.

Notwithstanding a generally positive but changeable macro-economic outlook, we are maintaining an open mind to investing and a focus on be-spoke research. This approach has guided us towards companies that are running their own race – strong franchises that are capable of increasing market share, growing earnings and generating superior returns on capital.

www.firstsentierinvestors.com.au

For further information

Head of Investment Sales and Key Accounts
Chris King +61 2 9010 5249

Key Account Manager - NSW
Angela Vincent +61 2 9010 5230
Paul Sleiman +61 2 9010 5393

Business Development Manager – NSW
Justin Sultana +61 2 9010 5326

Key Account Manager - VIC/TAS
Nicholas Everitt +61 3 9225 5055

Business Development Manager - VIC/TAS
Jack Heinz +61 3 9225 5056

Key Account Manager - QLD
Quin Smith +61 4 5509 5505

Business Development Manager – QLD
Julie Day +61 4 6641 3176

Key Account Manager - WA/SA/NT
Nathan Robinson +61 4 0327 2440