First Sentier Wholesale Geared Share Fund

First Sentier Investors

Formerly the Colonial First State Wholesale Geared Share Fund

Quarterly Factsheet

31 March 2023

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)

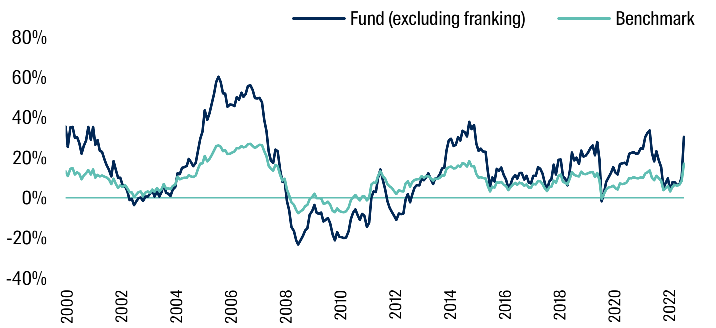
Product Overview

APIR code	FSF0043AU
Inception date	15 August 1997
Fund Size (A$)	7,886 million
Benchmark	S&P/ASX 100 Accumulation Index
Number of stock holdings	36
Buy / Sell spread*	0.20 - 0.50% / 0.20 - 0.50%
Minimum investment (A$)	5,000
Management fees and costs (p.a.)*	1.03% (g) 2.15% (n)

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

* Information on Management fees and 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
Woolworths

Sorted alphabetically

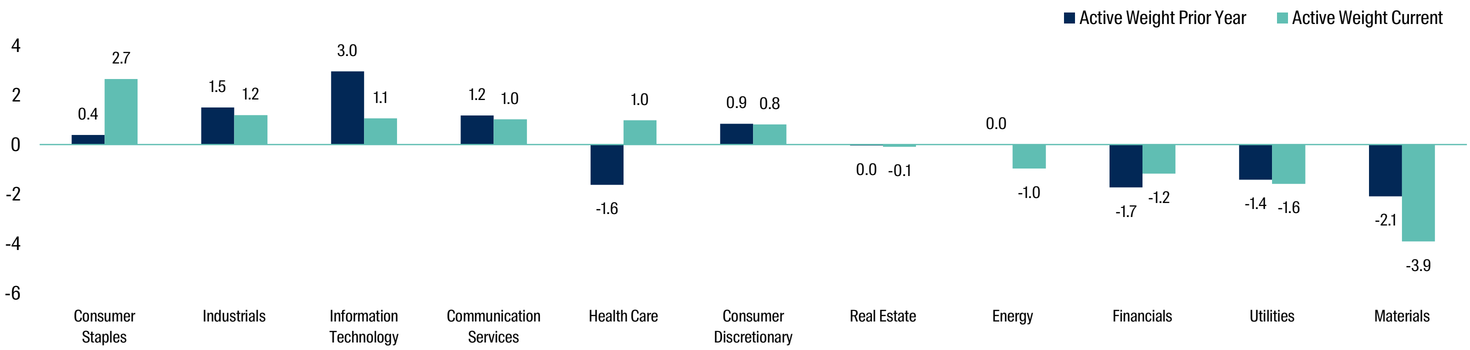
Performance Summary (%)

Period	3mth	1yr	3yr	5yr	7yr	10yr	SI
Net return	8.6	-10.9	30.4	15.2	15.8	14.0	14.0
Benchmark return	3.5	1.1	17.1	9.3	9.7	8.5	8.7
Excess net return	5.1	-12.0	13.4	5.9	6.0	5.6	5.3
Income return	0.0	22.5	19.9	15.7	17.0	13.6	9.2
Growth return	8.5	-33.4	10.5	-0.5	-1.2	0.4	4.8

Risk Characteristics

Period	1yr	3yr	5yr	7yr	10yr	SI
Fund standard deviation (%)	37.3	31.0	34.2	30.8	29.8	28.5
Benchmark standard deviation (%)	16.5	13.8	16.1	14.3	13.8	13.3
Tracking error (%)	21.1	18.1	18.9	17.2	16.7	16.3
Fund Sharpe ratio	-0.3	1.0	0.4	0.5	0.4	0.3
Information ratio	-0.6	0.7	0.3	0.4	0.3	0.3
Beta	2.2	2.2	2.1	2.1	2.1	2.0

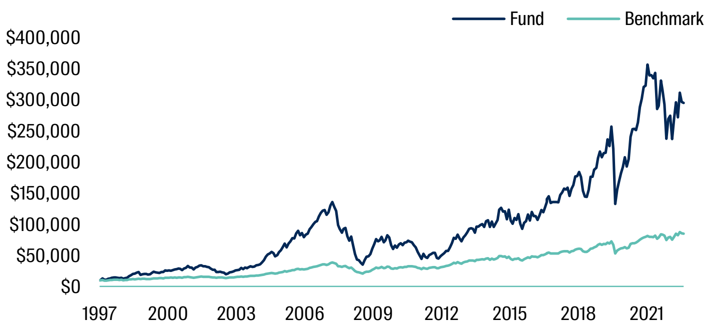
Fund Active Sector Positions (%)



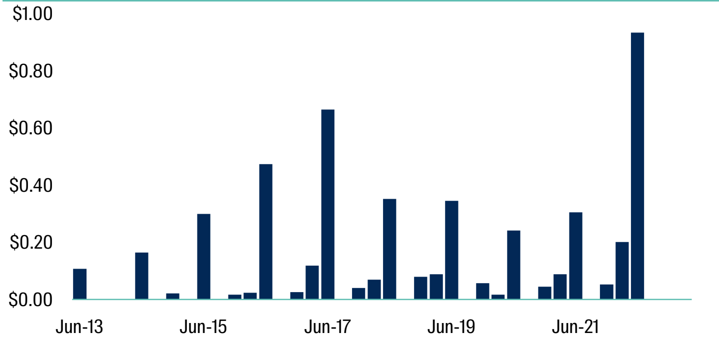
Portfolio Beta measures the portfolio's sensitivity to benchmark movements. Mathematically, it is the covariance of the portfolio vs the benchmark divided by the variance of the benchmark.

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 2023,Data as at: 31 March 2023

Growth of AUD 10,000 Investment Since Inception



Distributions



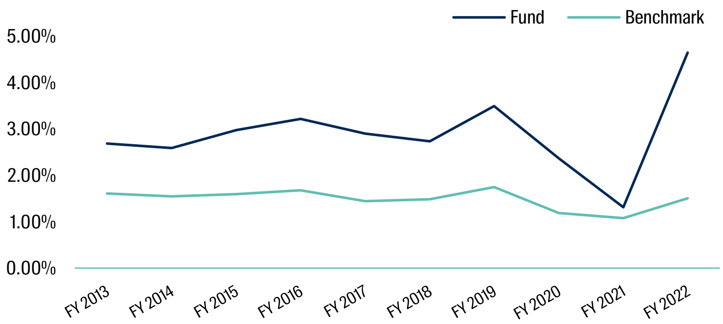
Top 5 attributors to ungeared performance (3 months)

Sector	Attr.
Information Technology	0.35%
Financials	0.35%
Consumer Discretionary	0.24%
Communication Services	0.21%
Consumer Staples	0.13%

Top 5 detractors to ungeared performance (3 months)

Sector	Attr.
Health Care	-0.23%
Industrials	-0.06%
Utilities	0.03%
Energy	0.07%
Materials	0.09%

Franking Credit Return (%) by Financial Year



Market Review

Australian equities started the new 2023 calendar year on a positive note, rallying off the back of a combination of moderating inflation expectations, lower bond yields both locally and offshore, and tighter credit spreads. All of which spurred a renewed sense of optimism and valuation support for equities. In the latter stages of the quarter, gains were more difficult to come by given bouts of mixed economic data, the backdrop of ASX-listed companies reporting their interim earnings results and reverberations caused by banking failures in the US and Europe. Nonetheless, the S&P/ASX 100 Accumulation Index ended the March quarter +3.5% higher.

The Information Technology (+11.7%) was best on ground, benefiting from rotation away from value factors and instead saw investors favouring companies with strong sales and earnings growth as the economic outlook deteriorated and interest rate expectations were recalibrated. The MSCI Australia Growth total return index outperformed its Value counterpart by +1.1% supporting price appreciation for WiseTech Global (+28.5%), Xero (+27.3%) and NextDC (+15.0%) along with positive stock-specific updates released through the quarter.

Resilient consumer spending patterns and impact of seasonal promotions were evident in many Consumer Discretionary constituent's February earnings results, driving the sector +11.2% higher. ARB Corporation (+23.2%), Aristocrat Leisure (+21.9%) and Lottery Corporation (+16.3%) were the strongest performers, more than offsetting negative contributions from Domino's Pizza and Star Entertainment which respectively fell -23.7% and -12.3%.

The Financials sector (-2.6%) was hindered by negative returns from all four of the major banks as trading updates required investors to recalibrate bank net interest margin expectations given Management outlook commentaries' indicated that further margin uplift would be subdued due to rising front book competition. Overseas banking turmoil mounted further pressured resulting in Commonwealth Bank of Australia, ANZ, Westpac and NAB falling -2.1%, -3.1%, -7.2% and -7.8% respectively. However, insurance companies such as QBE Insurance (+10.8%) and Steadfast (+8.1%) were more resilient.

Energy stocks (-0.7%) were hampered by a lower oil price. WTI Crude fell below US$70/barrel in mid-March for the first time since late 2021, although had recovered to around US$75/barrel by month end. Similarly, moderating coal prices (-56.1%) impacted energy constituents such as Whitehaven Coal (-25.5%).

Fund Performance

The Wholesale Geared Share Fund outperformed its benchmark, the S&P/ASX 100 Accumulation Index, in the March 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 to the Fund's outperformance were the overweight positions in the gaming manufacturer Aristocrat Leisure Limited (ALL) and building materials company James Hardie (JHX). Although little news was released by Aristocrat Leisure, the Company lifted +21.9% in the March quarter. ALL held their 2023 AGM in February, reiterating their solid FY22 results and full year guidance. We remain encouraged by the +18% increase to revenue and +20% increase in earnings and were pleased to see evidence of ALL's solid product depth and general strength of their land-based gaming business. The Americas was a particular standout with revenue (+32%) increasing off the back of higher-than-expected gaming op installs and fee-per-day also holding up better-than-anticipated. Whilst the market was disappointed with higher supply chain costs within the ANZ business and softer contribution from Pixel United we believe these issues will abate in the medium term. Notably, Pixel United maintained its status as top 5 mobile games publishers in tier-1 western markets despite not releasing any new games during the year and therefore, new game releases should help drive growth in FY23 and beyond. We remain attracted to ALL's strong balance sheet and defensive qualities with the America's casino and gambling market historically providing resilient revenue in economic downturns.

Despite producing a softer February 3Q23 result, James Hardie rose +20.6% over the quarter. In the result the building materials producer called out a softening in volumes and continued cost inflation pressures, impacting sales and earnings margins. Whilst this was discouraging we remain attracted to the business given its dominant market position and superior product suite coupled with strong capital management that should drive profitable volume share gains over the medium and long-term. We also note that JHX'S North America Fibre Cement business is only 35% exposed to the single family construction market with the greater majority 65% exposed to the residential repair & remodel (R&R) segment which is expected to be more resilient. We remain encouraged by continued strength in JHX's price/mix across all of its regions as well as its robust ColorPlus volumes (+18%) which we believe is demonstrative of the effectiveness of their strategy and recent marketing efforts. All of which should provide margin support in near-term periods of volatility.

Somewhat offsetting these positive contributions was the Fund's zero-weight position in the gold miner Newcrest Mining (NCM) and overweight position in major Australian bank National Australia Bank (NAB). Gold miner Newcrest Mining rallied +33.0% over the March quarter, benefiting from strong appreciation of its mined commodity gold which increased by +8.0% over the period. The Company was also bolstered by positive sentiment stemming from an acquisition offer from Newmont and a positive exploration update for its Red Chris exploration, expanding its exploration target for East Ridge.

Australian banks struggled in the March quarter. This was driven by both cautious margin commentary from CBA at its 1H23 result as well as growing stresses in the global banking system (i.e. the US and Europe). National Australia Bank fell -7.8% in the March quarter, despite the bank's solid 1Q23 trading update. NAB reported +15% income growth, driven by stronger margins (reflecting the benefits of higher interest rates) and strong Markets and Treasury results. NAB's trading update also highlighted that asset quality remains benign, illustrated by the decline in loans past due and gross impaired assets. We remain positive on NAB given its exposure to business banking, which should drive margin resilience relative to major bank peers.

Fund Activity

Over the March quarter we continued to adjust our holdings in line with our investment theses, this included exiting from diversified mining and metals company South32 (S32) and trimming its exposure to an international steel producer. We decided to rotate out of S32 given the outlook for aluminium, which is one of S32's major commodities, has weakened over the past 6 months as China increases production in a weakening demand environment. We expect this to have further adverse impacts on cash flows in the near term.

Although positive for the steel producers earnings and short term stock price, rising US HRC spreads through the quarter saw us trim our holdings as we expect North American and Australian steel volumes to slow through CY23 in response to rising interest rates.

Some of these spared funds were redirected to an alternate Materials constituent. We are of the view that this miner is growing its business on many fronts such as lithium, iron ore, mining services and gas. The Company has a strong focus on returns and a good track record of project delivery.

We also increased our holdings in a global mining and metals company given its production performance has improved particularly in their iron ore assets. Despite capex increasing over the next few years, the Company is in a strong position financially with low gearing, fuelling our expectation that returns will continue to be robust.

ESG Activity

A number of interesting ESG themes emerged from February reporting season

Disappointingly, we noticed a deterioration in safety at some companies and across sectors with fatalities in 2022 and early 2023 at BHP, Newcrest Mining (NCM), South32 (S32) and Downer (DOW). As BHP and S32 are held by the Growth team, we discussed the circumstances surrounding the fatalities with executives at these companies, along with the company's safety culture and efforts to minimise safety risk for workers. Whilst there doesn't appear to be a single justification for the deterioration in safety across the market some companies suggested that it may be due to an increase in contractors or newer recruits given recent worker shortages. Others suspect that it's may be attributed to complacency after years of strong safety records.

Another notable theme was decarbonisation. As 68% of the ASX200 have now set a net zero target, companies are starting to decarbonise their businesses. Lower emitters reported on their efforts to obtain renewable power or electric car fleets while higher emitters reported their progress decarbonising their businesses more broadly. Rio Tinto (RIO) for example, highlighted late delivery of equipment, construction and commissioning delays as recent challenges while S32 accentuated the practical reality of relying on countries or states to decarbonise the grid. However, most companies were positive on their prospects of meeting short term targets, including Santos (STO), BHP, Transurban (TCL) and Telstra (TLS).

The quarter also featured the passing of the Safeguard legislation in Australia, the policy designed to achieve a 30% reduction in the Country's emissions by 2030. This was a turning point for climate change policy and provided companies with a regulatory framework for reducing emissions. We have had two group meetings with the government official overseeing the Safeguard policy at the Department of Climate Change, Energy, the Environment and Water (DCCEEW) and spoken to the companies that are likely to be affected about the potential impacts.

On the collaborative engagement front, we joined the Climate Action 100+ engagements on Woodside (WDS) and STO and are continuing to progress the IAST APAC initiative on JB Hi-Fi (JBH), which we are leading. We are expecting meetings with STO and JBH to progress these engagements in 2Q23.

Market Outlook

The recent banking turmoil provided further evidence that the global tightening cycle is beginning to take effect and whilst consumer demand continues to show resilience as households are supported by excess savings and wage gains, we expect this to be tempered in the coming months. A combination of higher interest rates, higher cost of living pressures and tighter bank lending standards is expected to add to the lagged tightening cycle and restrict consumption.

Similarly, these factors are increasingly becoming headwinds for company earnings and challenging margins as highlighted in February's reporting season whereby investors were particularly cautious of the composition of revenue growth between price and volume and how guidance and outlooks were shaped around the current and unfolding economic environment. Significant commentary from management teams on operations and expense management also reinforced the growing need for many companies to lean out their operations given growth may become scarce as companies continue to work through an expected slowing in consumer demand.

The combination of these factors have further cemented our view that high-quality, market-leading companies with distinctive products/services and strong structural tailwinds will be better placed to navigate the uncertainties of the future. In contrast, many cyclical companies with bloated nominal sales and sticky cost bases will be most susceptible to the impact of an economic slowdown.

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