

Formerly the Colonial First State Wholesale Imputation Fund

Quarterly Factsheet

30 September 2023

For Adviser use only

Portfolio Description

The Fund invests in a broad selection of Australian listed companies, with between 30 to 40 stocks typically held in the portfolio. The Fund targets longer-term tax effective income growth over near term yield by favouring companies that can sustain long term dividend growth by reinvesting capital at high returns.

Investment Strategy

We believe stronger returns are achieved by investing in growing companies that generate consistent returns and reinvest above their cost of capital. In-depth 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.

Investment Objective

To combine long-term capital growth with tax-effective income by targeting Australian growth companies with highly franked dividends. The Fund aims to outperform the S&P/ASX 300 Accumulation Index over rolling 3-year periods before fees/taxes.

Key Investment Personnel and Experience (Industry / Firm)

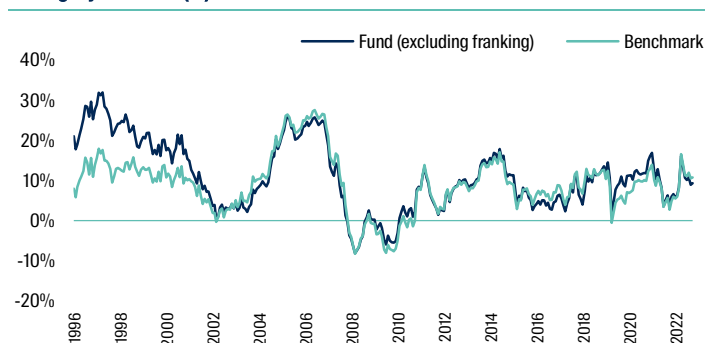
Dushko Bajic	Head of Australian Equities, Growth	(1996 / 2014)
David Wilson	Deputy Head	(1987 / 2015)
Christian Guerra	Head of Research	(1996 / 2016)
Jason Lye	Portfolio Manager	(1996 / 1996)

Product Overview

APIR code	FSF0003AU
Inception date	31 December 1993
Fund Size (A\$)	965 million
Benchmark	S&P/ASX 300 Accumulation Index
Number of stock holdings	37
Buy / Sell spread	0.20% / 0.20%
Minimum investment (A\$)	5,000
Management fees and costs (p.a.)*	0.96%

* 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
Woodside Petroleum

Sorted alphabetically

Performance Summary (%)

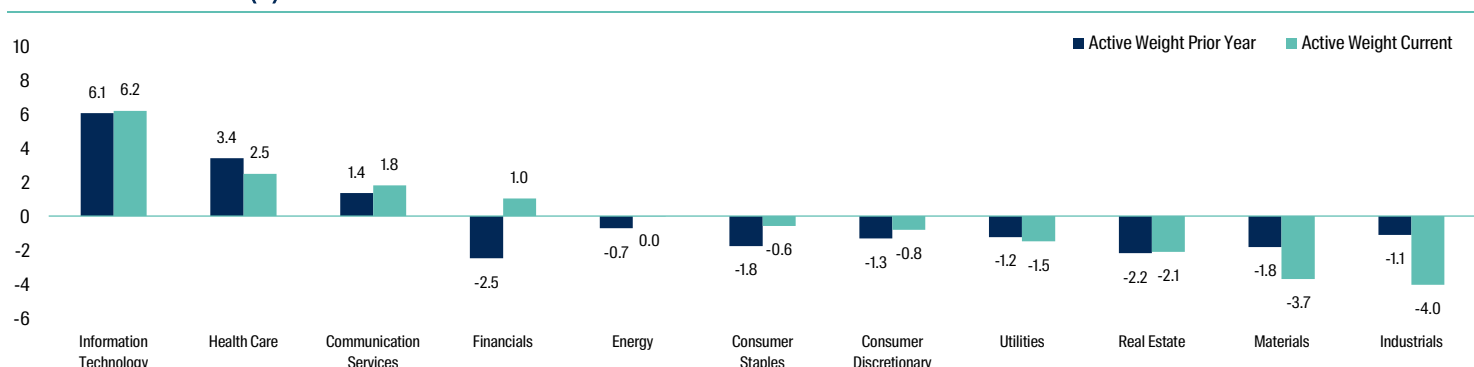
Period	3mth	1yr	3yr	5yr	7yr	10yr	SI
Net return	-0.3	13.0	9.3	6.8	8.5	7.5	10.5
Benchmark return	-0.8	12.9	10.8	6.6	8.0	7.4	8.4
Excess net return	0.5	0.1	-1.5	0.2	0.5	0.1	2.2
Income return	1.3	11.0	13.2	10.5	11.2	9.9	8.2
Growth return	-1.6	2.0	-3.9	-3.7	-2.7	-2.5	2.3

Past performance is not a reliable indicator of future performance.

Risk Characteristics

Period	1yr	3yr	5yr	7yr	10yr	SI
Fund standard deviation (%)	13.1	14.5	16.9	15.0	14.3	13.3
Benchmark standard deviation (%)	12.3	13.6	16.5	14.4	13.8	13.3
Tracking error (%)	2.4	3.7	3.5	3.5	3.3	3.6
Fund Sharpe ratio	0.7	0.5	0.3	0.5	0.4	0.5
Information ratio	0.1	-0.4	0.1	0.1	0.0	0.6
Beta	1.0	1.0	1.0	1.0	1.0	1.0
Cashflow adjusted turnover (%)	29.5	33.0	34.7	42.4	37.7	

Fund Active Sector Positions (%)

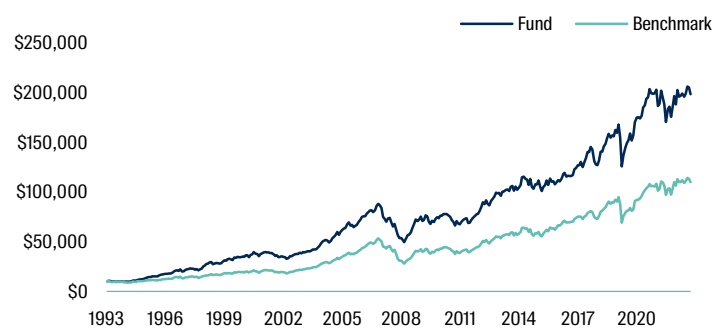


Portfolio Beta measures the portfolio's sensitivity to benchmark movements. Mathematically, it is the covariance of the portfolio vs the benchmark divided by the variance of the benchmark.

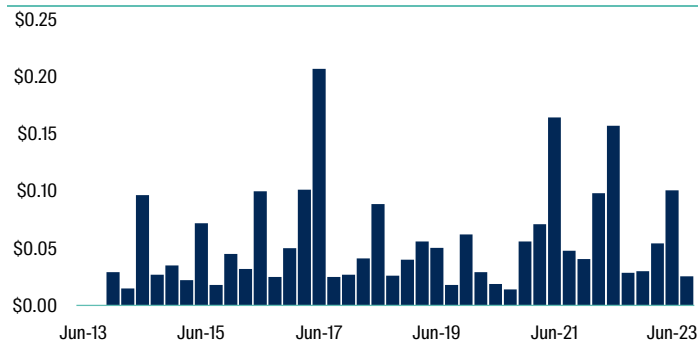
Turnover is the average of sales and purchases divided by the average portfolio size. **Cashflow Adjusted Turnover** is the same as above, except that the lesser of sales and purchases is used in place of the average of the two. This is to adjust for turnover that is related to investing inflows or selling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

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: 30 September 2023

Growth of AUD 10,000 Investment Since Inception



Distributions



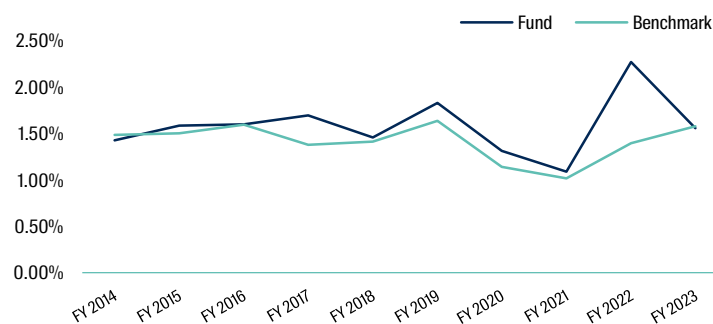
Top 5 attributors to performance (3 months)

Sector	Attr.
Information Technology	0.77%
Materials	0.33%
Real Estate	0.22%
Consumer Staples	0.17%
Communication Services	0.16%

Top 5 detractors to performance (3 months)

Sector	Attr.
Health Care	-0.31%
Energy	-0.22%
Industrials	-0.20%
Financials	-0.19%
Consumer Discretionary	-0.06%

Franking Credit Return (%) by Financial Year



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: 30 September 2023

Market Review

Australian Equities started the September quarter positively with broad-based gains fuelled by improving inflation-related data and better-than-expected earnings results from large cap companies in the US. However, July gains were slowly eroded as the debate that interest rates may need to remain higher for longer ramped up and dampened sentiment. August reporting season also saw heightened intra-day volatility despite earnings beats and misses being fairly even. Forward-looking earnings guidance and the tone of outlook statements proved to be more significant in influencing sentiment towards particular stocks and sectors. By quarter end, the S&P ASX 300 Accumulation Index was down -0.8%, the first quarterly decline since June 2022.

The Energy sector was a standout performer in the September quarter, rallying +11.6%. Energy-related shares were buoyed by higher oil and thermal coal prices. WTI Crude rose by almost 30% after Saudi Arabia and Russia announced they will maintain supply cuts for the remainder of the calendar year. These moves are on top of production cuts already announced by OPEC+ and helped drive the oil price to a one year high, above US\$90/barrel. Uranium miners were also bolstered by improving commodity prices and were amongst the best performers for the sector with Deep Yellow, Boss Energy and Paladin Energy rising by 74.2%, 56.5% and 50.7% respectively.

Consumer Discretionary (+5.6%) stocks performed well in August reporting season. The rising cost of living for customers and higher cost bases weighed on earnings growth for retailers with many also reporting negative comparable sales growth for the first few weeks of FY24 trading, however investors seemed reassured that cost pressures will start to ease and that earnings will recover in the medium term.

The Health Care sector (-9.0%) was a notable laggard, reflecting disappointing trading updates from ResMed (-27.9%), Sonic Healthcare (-14.6%) and CSL (-8.9%). Previously dubbed COVID-beneficiary Sonic Healthcare saw its full year results impacted by these business segments softening whilst its pandemic-related costs and headcount remained too high. These negative contributions more than offset more positive performances by Pro Medicus (+27.3%) and Cochlear (+12.2%).

Consumer Staples (-5.8%) stocks also tended to underperform the broader market. Endeavour Group, Coles and a2 Milk were amongst the worst performers for the quarter, all declining between 13% and 16%. In August, Coles disappointed investors with higher-than-expected operating costs, a decline in gross margins, and a 20% increase in stock loss from theft.

Fund Performance

The Wholesale Imputation Share Fund outperformed its benchmark, the S&P/ASX 300 Accumulation Index, in the September quarter.

Contributing to the Fund's outperformance were overweight positions in hotelier services company SiteMinder (SDR) and cloud connectivity services company Megaport (MP). A strong trading update and guidance upgrade in late July saw SiteMinder (+59.6%) rally over 20% on the day, with investors increasingly more confident that the Company can achieve its profitability goals in FY24. Positively, the update revealed that SDR had delivered a neutral operating cash flow for the first time in 4Q23 evidencing the Company's operating leverage and the benefits of its latest cost-out program. SDR is now expecting to be EBITDA and FCF positive for 2H24 (previously guided to 4Q24). Optimism continued to grow in August following a robust FY23 earnings

release with the result underpinned by improving profitability and unit economics, both of which bode positively for the coming year. Group revenue for the year rose by +27.3% (constant currency, organic) consisting of growth between 25% - 35% delivered across all regions. Subscription (+15.9%) and transaction (+61.2%) revenue was also pleasing to see with underlying gross margins improving considerably in both divisions. We were encouraged to see ARPU increase, churn stabilise, lower customer acquisition costs (CAC) and higher lifetime value (LTV) with LTV/CAC improving from 3.2x to 4.1x for the year and ending the half at 4.8x. The result strengthened our conviction for SDR as they remain on track for strong top line growth through solid travel demand and product development as they leverage the value and new opportunities presented by their latest Smart Platform and continue to work towards cash flow neutrality and profitability. Notably, Management suggested that two of their new products due for release in mid-2024 will be material drivers of revenue and enlarge their total addressable market, bolstering their growth pipeline.

Megaport (+63.0%) rose strongly the September quarter following two reasonably positive updates in July. Firstly, MPI came to market early to upgrade its FY23 and FY24 guidance, while also announcing strong cash flow outcomes. Later in July, MPI announced its 4Q23 Quarterly Update which we believe was a robust update. Although the quarterly update meant that the FY23 result was then largely pre-released, positive sentiment further compounded in August. The key driver of the strong performance was driven by the Company's update to its FY24 EBITDA guidance which is now expected to fall in the range of \$51M to \$57M and is an impressive increase of ~152%-182% versus MPI's FY23 earnings of \$20.2M. Additionally, FY24 revenue was guided to \$190M to \$195M and Management confirmed that it expects to be net cash flow positive for the entirety of FY24. On other metrics, MPI delivered 40% revenue growth YOY and indicated that aggregate customer lifetime value increased to 30% and is reflective of an increase in customers (+8%) and Customer Lifetime Value with customers on average using MPI's services for 9 years. Moving forward, we maintain our conviction in MPI given the Company is the global leader in cloud connectivity, we believe enterprises and Governments are still early in the cloud migration journey and MPI is a share gainer, with its customers subscribing for more services over time, illustrating the power of the offering.

Somewhat offsetting these positive contributions was the Fund's overweight positions in logistics solutions company WiseTech Global (WTC) and medical device maker ResMed (RMD). WiseTech Global declined -18.4% in the September quarter due to disappointing FY24 EBITDA guidance that was materially below market forecasts and disappointingly overshadowed the strong FY23 earnings result. WTC guided to revenue and EBITDA growth of 27%-34% and 18%-27% respectively, missing expectations given the dilutive margin impact of recent acquisitions and a step up in R&D reinvestment. We were encouraged by WTC's strong FY23 financial performance which included revenue increasing +29% to \$817M and underlying earnings rising to \$417M. During the year, WTC secured six new Large Global Freight Forwarder (LGFF). We remain bullish on the long-term trajectory of the stock given recent acquisitions of leading US landside logistics software companies Envase (trucking) and Blume (rail, intermodal). These acquisitions provide WTC with a leading and unique position in the highly fragmented US landside logistics software market. This segment is highly complementary to their core freight forwarding operations and significantly expands WTC's total addressable market. Accelerating contract wins post-COVID with major global freight forwarders including UPS and FedEx and more recently a global rollout of customs module with Kuehne & Nagel (world's largest freight forwarder) has reinforced our conviction in the WTC as the unrivalled market leader.

ResMed (-27.9%) produced a broadly solid FY23 result in August with 21% revenue growth driven by both devices and masks, operating profit growth of 14% and strong cash flows. However, the fourth quarter featured a further decline in gross margins in contrast to guidance for improving margins. Gross margins fell 30bps during the quarter due to FX headwinds and an unfavourable product mix caused by a step down in sales of high margin ventilators. The fumbled guidance and poor explanations triggered a sharp selloff in the in share price. Also weighing down the share price is market concerns about the longer term impact on RMD's growth from anti-obesity GLP-1 medications such as Ozempic/Wegovy. These medicines have proven very effective in reducing weight in clinical trials and have created a lot of buzz and uptake over the last 1-2 years. Given that 70% of obstructive sleep apnea (OSA) incidence is due to obesity, these drugs have the potential to reduce the population of OSA sufferers and shrink the market. However, there are a number of real world hurdles facing these drugs (including high cost, unpleasant side effects, low adherence, and high discontinuance rates) that limit their effectiveness in achieving long term sustained weight loss necessary to eliminate OSA.

Fund Activity

In the September quarter we took the opportunity to introduce a chemical and ingredient distributor into the Fund. We are attracted to the Company's long earnings track record, fully-franked dividend and emerging opportunity in the US market. The Company continues to benefit from the expansion of its US presence, where revenues are forecast to exceed \$100m in FY24, and a diversified customer and industry exposure in Australian and New Zealand. We expect the stock to re-rate as it builds an earnings track record.

We added to our holdings in a major bank. The financials constituent has historically been our least preferred bank and we believe it faces two key risks (1) it's book mix; and (2) a degree of execution risk across a number of key initiatives, including a probable acquisition of another bank and the scale up of its new banking platform. However, we believe these issues are largely captured in the stock's current valuation. Hence, we see the current risk / return trade-off being modestly more attractive on a relative basis than it has been for some time.

We adjusted our positions in two Materials constituents. We trimmed our holdings in a high quality global miner after it's share price benefited from recent increases in iron ore pricing. The Iron ore price had run up to \$120/t and we note there is a potential for a pullback.

We also exited our holdings in diversified metals and mining company South32 (S32). 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. This will ultimately impact cash flows in the next year.

ESG Activity

August reporting season highlighted a few ESG themes, notably relating to safety and climate change. Sadly, six listed companies reported two fatalities over the last year (BHP, Downer (DOW), Nickel Industries (NIC), Perenti (PRN), South32 (S32) and Woolworths Group (WOW)). Some of these were contractors. There were also single fatalities at another 7 companies. Consequently, we met with the executives of companies we own to discuss the circumstances that led to these fatalities and the initiatives that are needed to reduce the risk of fatalities in future.

As most of Australia's largest listed companies have now set climate targets, the focus has largely shifted to the credibility of transition plans and the challenges associated with delivering on the targets that have been set. While many companies are on track, others are noting higher project costs or regulatory or supply chain delays.

We also observed a shift among some heavy emitters. With federal government policy on emissions clearer, some companies commented that they now have the investment certainty to invest. Bluescope (BSL) said that supportive government policy underpinned its decision to upgrade and reline its blast furnace at Port Kembla while Orica (ORI) upgraded its emissions targets as a result of decarbonisation projects it has on foot.

Of the many meetings we held with companies during the quarter, we specifically raised ESG issues with 22 of these companies, including BHP, Rio Tinto (RIO), Qantas (QAN), WDS, Santos (STO), WOW, Wesfarmers (WES) and CSL. The issues raised included climate change, emissions reduction targets, policy risk, decarbonisation challenges, modern slavery due diligence, nature-related risks, safety and relationships with traditional owners.

There were only four shareholder meetings at companies held by the Growth Equities team during the quarter. We supported all resolutions in line with management.

Market Outlook

Macro uncertainty resurged as a driver of market returns in September with the interest rate debate firmly at the wheel. Higher energy prices coupled with hawkish commentary from the FED and resilient economic data continued to fuel the argument that interest rates will need to remain restrictive for longer, prolonging the fight against inflation. The challenging economic outlook implies that cost pressures may continue to persist in the near term and company earnings expectations have lowered as a result. This was reflected in the first quarterly decline in the market's P/E NTM multiple. Whilst, August reporting season demonstrated that many companies have been successful in passing on costs to customers through pricing, defending their gross margins. This will be far more challenging in a slowing economic environment, especially for cyclical stocks, increasing the necessity to right-size headcount and reduce spending amidst weakening demand.

As the market responds to the gradual global economic slowdown we continue to adhere to our long-term investment process and place our conviction in growing companies which generate consistent returns and can reinvest above their cost of capital. We believe 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.

www.firstsentierinvestors.com.au

For further information

Head of Wholesale - Aus/NZ		Business Development Manager - VIC/TAS	
Quin Smith	+61 455 095 505	Jack Heinz	+61 436 810 683
Key Account Manager - NSW		Business Development Associate - VIC/TAS	
Paul Sleiman	+61 4 2251 1231	Shannen Jacobsen	+61 457 227 728
Business Development Manager – NSW		Business Development Manager - QLD	
Nicole Kremastos	+61 431 187 910	Julie Day	+61 466 413 176
Emerson Bloom	+61 472 633 201	Business Development Associate - QLD/WA/SA/NT	
Amelia McKinnon	+61 435 719 998	Pam Evans	+61 458 864 686
Business Development Associate – NSW		Key Account Manager - WA/SA/NT	
Gabi Cheetham	+61 4 5788 1684	Nathan Robinson	+61 403 272 440
Key Account Manager - VIC/TAS			
Nicholas Everitt	+61 499 454 206		

This report has been prepared by and is issued by First Sentier Investors (Australia) IM Ltd (ABN 89 114 194 311, AFSL 289017) (**FSI AIM**) which forms part of First Sentier Investors, a global asset management business. First Sentier Investors is ultimately owned by Mitsubishi UFJ Financial Group, Inc (**MUFG**).

It is directed at persons who are professional, sophisticated or wholesale clients and has not been prepared for and is not intended for persons who are retail clients and must not be reproduced or transmitted in any form without the prior written consent of FSI AIM. A copy of the Financial Services Guide for FSI AIM is available from First Sentier Investors on its website.

This material contains general information only. It is not intended to provide you with financial product advice and does not take into account your objectives, financial situation or needs. Before making an investment decision, you should consider whether this information is appropriate in light of your investment needs, objectives and financial situation. Total returns shown for the Fund or any Portfolio have been calculated using exit prices after taking into account all ongoing fees and assuming reinvestment of distributions. Past performance is no indication of future performance.

The product disclosure statement (**PDS**) and Information Memorandum (**IM**) for the First Sentier Wholesale Imputation Fund, ARSN 087 569 980 (**Fund**) issued by Colonial First State Investments Limited (ABN 98 002 348 352, AFSL 232468) (**CFSIL**) should be considered before making an investment decision. The PDS or IM are available from First Sentier Investors on its website. The target market determination (**TMD**) for the Fund is available from First Sentier Investors on its website and should be considered by prospective investors before any investment decision to ensure that investors form part of the target market.

CFSIL is a subsidiary of the Commonwealth Bank of Australia (**Bank**). The Bank, MUFG and subsidiaries thereof do not guarantee the performance of the Fund or the repayment of capital by the Fund. Investments in the Fund are not deposits or other liabilities of MUFG, the Bank or their respective subsidiaries, and investment-type products are subject to investment risk including loss of income and capital invested. First Sentier Investors was acquired by MUFG on 2 August 2019 and is now financially and legally independent from the Bank.

To the extent permitted by law, no liability is accepted by the Bank, MUFG or any affiliates thereof for any loss or damage as a result of any reliance on this information. This information is, or is based upon, information that we believe to be accurate and reliable, however neither the Bank, MUFG nor any affiliates thereof offer any warranty that it contains no factual errors. Any opinions expressed in this material are the opinions of FSI AIM at the time of publication only. Such opinions are subject to change without notice.

Copyright © First Sentier Investors (Australia) Services Pty Limited 2023

All rights reserved.

The indexes referred to in this document ("Index") are products of S&P Dow Jones Indices LLC and/or its affiliates and has been licensed for use by FSI AIM. Copyright © 2023 S&P Dow Jones Indices LLC, a division of S&P Global, Inc., and/or its affiliates. All rights reserved. Redistribution or reproduction in whole or in part are prohibited without written permission of S&P Dow Jones Indices LLC. For more information on any of S&P Dow Jones Indices LLC's indices please visit www.spdji.com. S&P® is a registered trademark of S&P Global and Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC. Neither S&P Dow Jones Indices LLC, Dow Jones Trademark Holdings LLC, their affiliates nor their third party licensors make any representation or warranty, express or implied, as to the ability of any index to accurately represent the asset class or market sector that it purports to represent and neither S&P Dow Jones Indices LLC, Dow Jones Trademark LLC, their affiliates nor their third party licensors shall have any liability for any errors, omissions, or interruptions of any index or the data included therein.