

Formerly the Colonial First State Wholesale Imputation Fund

Quarterly Factsheet

31 March 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)

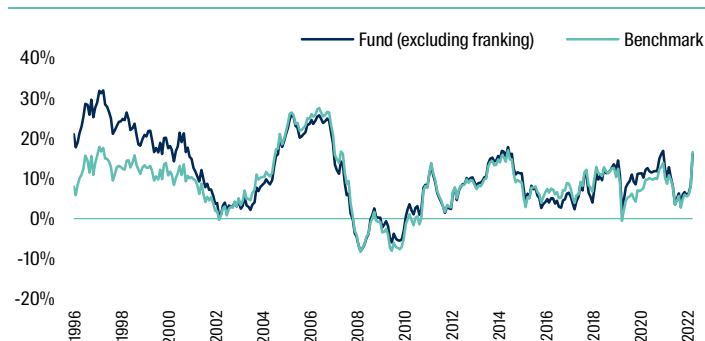
Dushko Bajic	Head of Australian Equities, Growth	(1996 / 2014)
David Wilson	Deputy Head	(1987 / 2015)
Christian Guerra	Head of Research	(1996 / 2016)
Jason Lye	Portfolio Manager	(1996 / 1996)

Product Overview

APIR code	FSF0003AU
Inception date	31 December 1993
Fund Size (A\$)	999 million
Benchmark	S&P/ASX 300 Accumulation Index
Number of stock holdings	35
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

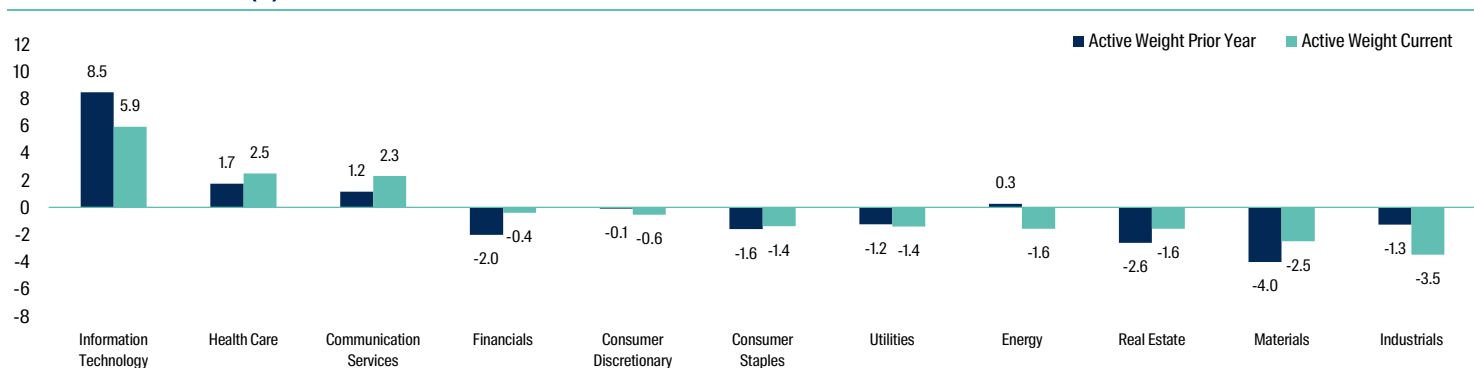
Performance Summary (%)

Period	3mth	1yr	3yr	5yr	7yr	10yr	SI
Net return	4.5	-2.5	16.1	9.5	9.2	8.3	10.7
Benchmark return	3.3	-0.6	16.6	8.6	9.4	8.1	8.5
Excess net return	1.2	-2.0	-0.5	0.8	-0.2	0.1	2.2
Income return	2.7	12.3	12.4	10.5	11.2	9.6	8.2
Growth return	1.7	-14.8	3.6	-1.0	-2.0	-1.4	2.5

Risk Characteristics

Period	1yr	3yr	5yr	7yr	10yr	SI
Fund standard deviation (%)	18.8	15.5	17.0	15.2	14.4	13.4
Benchmark standard deviation (%)	17.3	14.3	16.4	14.6	14.0	13.3
Tracking error (%)	3.7	3.9	3.8	3.7	3.3	3.6
Fund Sharpe ratio	-0.2	1.0	0.5	0.5	0.5	0.5
Information ratio	-0.5	-0.1	0.2	-0.1	0.0	0.6
Beta	1.1	1.0	1.0	1.0	1.0	1.0
Cashflow adjusted turnover (%)	30.4	35.4	37.8	44.0	37.6	

Fund Active Sector Positions (%)

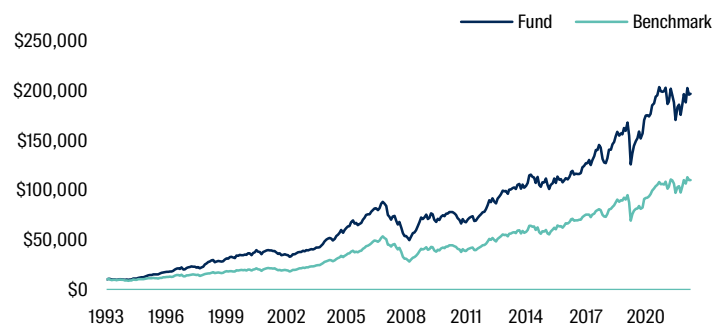


Portfolio Beta measures the portfolio's sensitivity to benchmark movements. Mathematically, it is the covariance of the portfolio vs the benchmark divided by the variance of the benchmark.

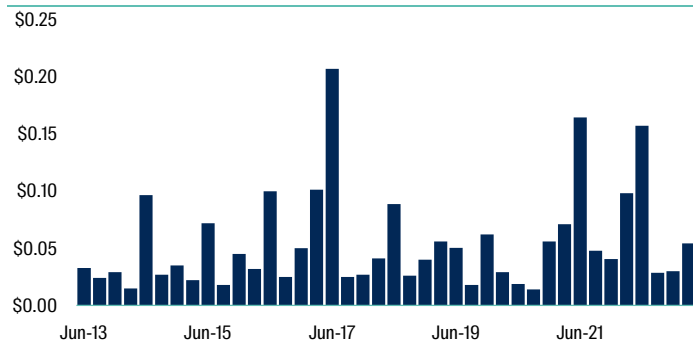
Turnover is the average of sales and purchases divided by the average portfolio size. **Cashflow Adjusted Turnover** is the same as above, except that the lesser of sales and purchases is used in place of the average of the two. This is to adjust for turnover that is related to investing inflows or selling 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: 31 March 2023

Growth of AUD 10,000 Investment Since Inception



Distributions



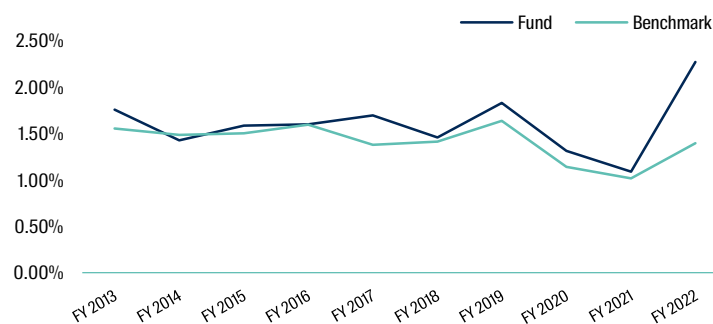
Top 5 attributors to performance (3 months)

Sector	Attr.
Information Technology	0.88%
Real Estate	0.40%
Communication Services	0.34%
Financials	0.11%
Energy	0.08%

Top 5 detractors to performance (3 months)

Sector	Attr.
Industrials	-0.31%
Health Care	-0.07%
Consumer Discretionary	-0.07%
Consumer Staples	-0.04%
Utilities	0.02%

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 300 Accumulation Index ended the March quarter +3.3% higher.

Resilient consumer spending patterns and impact of seasonal promotions were evident in many Consumer Discretionary constituent's February earnings results, driving the sector +10.8% higher. Accent Group (+48.7%), G.U.D. Holdings (+31.3%) and Eagers Automotive (+28.9%) were the strongest performers although travel companies Flight Centre Travel Group (+27.5%), Corporate Travel Management (+23.1%) and Webjet (+13.6%), also fared well given continued near term demand and optimism for China's recovery.

The Information Technology (+7.5%) benefited from investors rotating away from value factors and instead saw the market 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 Codan (+34.9%), WiseTech Global (+28.5%) and Xero (+27.3%) along with positive stock-specific updates released through the quarter.

The Financials sector (-2.7%) 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 AUB Group (+13.9%) and QBE Insurance (+10.8%) were more resilient.

Energy stocks (-1.0%) 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 Imputation Share Fund outperformed its benchmark, the S&P/ASX 300 Accumulation Index, in the March quarter.

Contributing to the Fund's outperformance were overweight positions in real estate advertising company REA Group (REA) and cloud accounting solutions provider Xero (XRO). REA Group steadily rose +25.4% over the quarter, benefiting largely from improving investor sentiment given growing evidence of a moderating housing downturn and media speculation that the Company may be putting large price increases through the business. Recent CoreLogic Home Value Index (HIV) data indicated a deceleration in housing price falls with January falling -1.0%, February falling -0.14% and March rising +0.6%. The latter ending 10 months of consecutive decreases to national home values with tight rental supply providing support for the property market. In REA's half year result, Management also cited accelerating migration, robust wage gains and low unemployment as supportive tailwinds for the business which should help bolster earnings. We remain attracted to REA given their dominant market leadership across all key domestic regions, retaining their title of number 1 property site in Australia with 117.6m average monthly visits as well as presenting solid growth across international regions such as India. We believe REA is better

placed to offset headwinds with higher yield growth driven by price increases and increased uptake and penetration of diversified premium products such as Premiere+.

Xero rallied +27.3% over the March quarter following the announcement of a cost reduction program involving a reduction of 700-800 roles across the business (15% of the workforce). XRO's new CEO, Sukinder Singh Cassidy, an outside appointment, only formally commenced her role from February 1st but has wasted no time in taking action to rebalance XRO's focus towards profitability. Ms. Singh Cassidy is a highly experienced Silicon Valley executive with more than 25 years global experience including senior positions at Google, Amazon, StubHub (eBay) and co-founded several other digital companies. We are confident she will bring greater scrutiny on expenditure and M&A activity and we are very encouraged by her early progress, including the exit from their struggling receivables factoring business Waddle.

Somewhat offsetting these positive contributions were the Fund's zero-weight position in gold miner Newcrest Mining (NCM) and overweight position in essential human services provider APM Human Services (APM). 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.

APM Human Services (-19.6%) underperformed in the March quarter following a softer 1H23 earnings result in February. Whilst we were pleased to see that group revenue lifted 39% and underlying net profit rose by +11%, we were discouraged by the working capital build and lower operating cash conversion. Management attributed these poorer metrics to the build-up of new contracts including those with the new Workforce Australia, with APM to receive fees later in the year resulting in a second half skew. We remain attracted to APM's strong growth pipeline within their core divisions with many of the government programmes in their early phases of multi-year opportunities, as well as continued investment and development in other growth areas including Allied health and their Disability and Aged Care Support Services business. We believe APM will benefit from a number of tailwinds in the medium term including benefit from the 15,550 Disability Employment Services (DES) participants being re-allocated to them from underperforming providers, Workforce Australia and Canadian contracts ramp up and recent acquisitions including Equus and Everyday Independence make contributions. APM's strong organic and inorganic growth coupled with growing scale within existing and new geographical markets should bolster profit growth in 2H23 and FY24.

Fund Activity

Over the March quarter we continued to adjust our holdings in line with our investment theses, this included exiting from Cleanaway (CWY) trimming our holdings in an oil and gas producer. We exited our position in Cleanaway (CWY) as we have concerns about the Company's return on capital prospects in the near-to medium-term. CWY is progressing through a strategy that is highly capital-intensive and coupled with higher financing costs, we are cautious on the returns that these investments could generate in the near-term, and will re-evaluate the stock in the future.

A warm winter in Europe has pushed spot gas prices down and reduced the upside case for earnings for an oil and gas company resulting in us trimming our position. Additionally, after generating very strong free cash flow in 2022, we believe comparatively 2023 will be reduced as the Company's capex spend ramps up.

We redirected some of these spared funds to strengthen other positions within the Fund including an automobile services company and logistics software solutions company. We have been pleased to see that both of these companies have recently made accretive acquisitions, providing a long and clear runway for growth for many years to come.

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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