First Sentier Wholesale Imputation Fund

First Sentier Investors

Formerly the Colonial First State Wholesale Imputation Fund

Quarterly Factsheet

30 June 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)

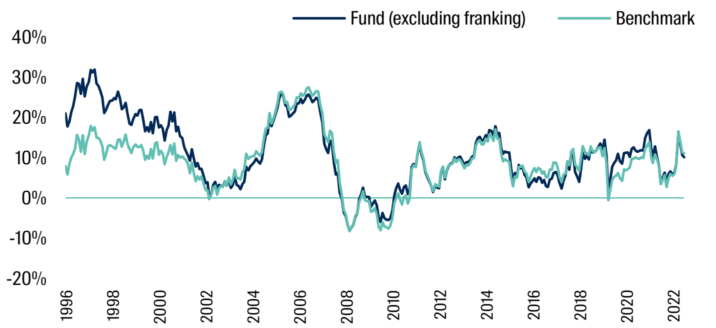
Dushko Bajic	Head of Australian Equities, Growth	(1996 / 2014)
David Wilson	Deputy Head	(1987 / 2015)
Christian Guerra	Head of Research	(1996 / 2016)
Jason Lye	Portfolio Manager	(1996 / 1996)

Product Overview

APIR code	FSF0003AU
Inception date	31 December 1993
Fund Size (A$)	979 million
Benchmark	S&P/ASX 300 Accumulation Index
Number of stock holdings	38
Buy / Sell spread	0.20% / 0.20%
Minimum investment (A$)	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 (%)

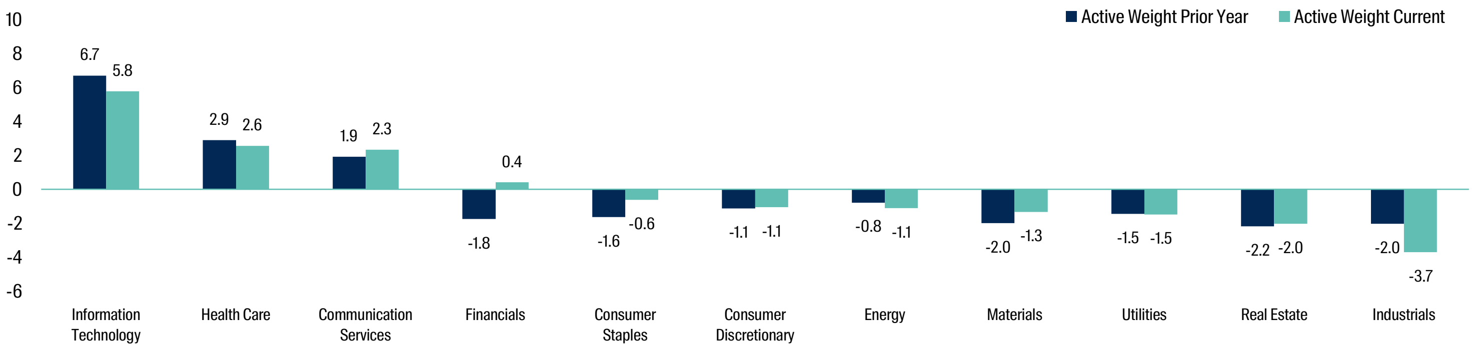
Period	3mth	1yr	3yr	5yr	7yr	10yr	SI
Net return	1.3	16.7	10.1	7.3	9.1	8.6	10.6
Benchmark return	1.0	14.4	11.1	7.1	8.9	8.5	8.5
Excess net return	0.3	2.4	-1.0	0.2	0.2	0.0	2.2
Income return	4.9	11.5	13.1	10.5	11.3	10.0	8.3
Growth return	-3.6	5.2	-3.0	-3.2	-2.2	-1.5	2.4

Past performance is not a reliable indicator of future performance.

Risk Characteristics

Period	1yr	3yr	5yr	7yr	10yr	SI
Fund standard deviation (%)	15.1	14.7	16.9	15.0	14.3	13.3
Benchmark standard deviation (%)	14.4	13.6	16.4	14.5	13.9	13.3
Tracking error (%)	2.8	3.8	3.7	3.6	3.3	3.6
Fund Sharpe ratio	0.9	0.6	0.4	0.5	0.5	0.5
Information ratio	0.8	-0.3	0.0	0.0	0.0	0.6
Beta	1.0	1.0	1.0	1.0	1.0	1.0
Cashflow adjusted turnover (%)	27.5	32.0	36.0	43.6	37.3	

Fund Active Sector Positions (%)

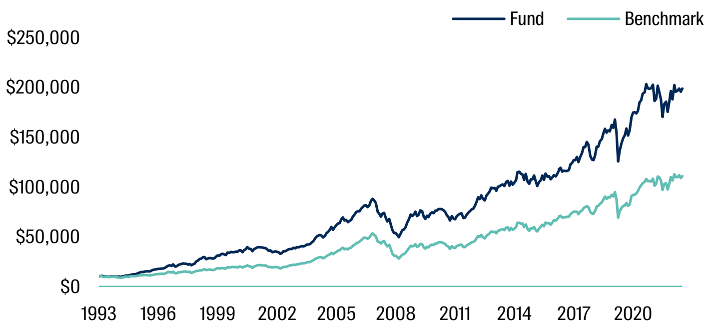


Portfolio Beta measures the portfolio's sensitivity to benchmark movements. Mathematically, it is the covariance of the portfolio vs the benchmark divided by the variance of the benchmark.

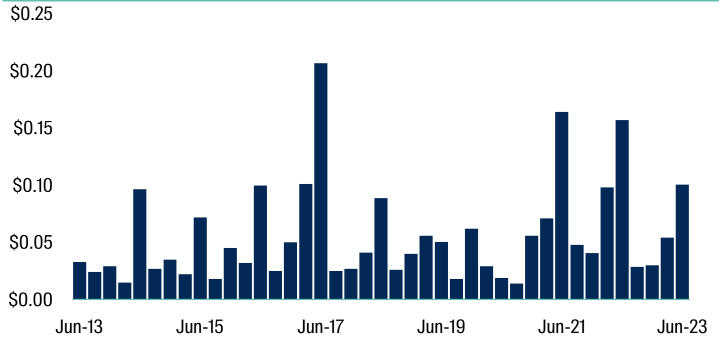
Turnover is the average of sales and purchases divided by the average portfolio size. **Cashflow Adjusted Turnover** is the same as above, except that the lesser of sales and purchases is used in place of the average of the two. This is to adjust for turnover that is related to investing inflows or selling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

Growth of AUD 10,000 Investment Since Inception



Distributions



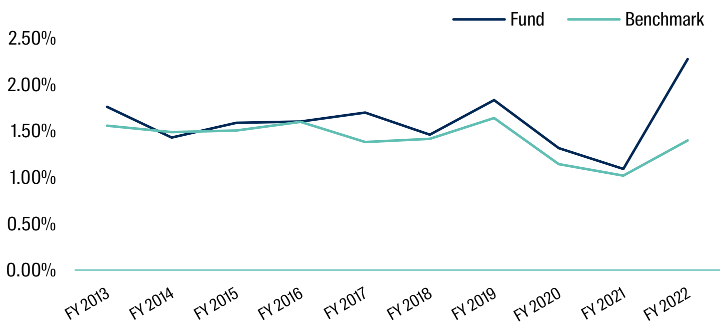
Top 5 attributors to performance (3 months)

Sector	Attr.
Information Technology	1.07%
Communication Services	0.16%
Consumer Staples	0.09%
Real Estate	0.07%
Health Care	0.03%

Top 5 detractors to performance (3 months)

Sector	Attr.
Financials	-0.34%
Industrials	-0.31%
Materials	-0.12%
Energy	-0.09%
Utilities	-0.06%

Franking Credit Return (%) by Financial Year



Market Review

Australian equities finished the June quarter and financial year positively with a respective +1.0% and +14.4% gain albeit, masking the underlying volatility experienced by investors. Market movements in the S&P ASX 300 Accumulation Index over the quarter were dictated by a combination of domestic and international company announcements including a disappointing reporting season from the major banks in May, continuing bouts of mixed economic data, and persisting hopes that the global interest rate tightening cycle might be nearing its end.

The Information Technology sector was a bright spot for the market, surging +18.4% as investors embraced a preference for companies better positioned to deliver earnings growth in light of the growing risk of a slowing economy. Positive trading updates by Megaport (+75.2%), Life360 (+53.8%) and Xero (+33.0%) further bolstered the sector, with the former producing one of the strongest performance for the index. The sector has risen by over 30% over the past 12 months, consistent with strong moves in technology-related stocks overseas.

A stronger performance from AGL Energy (+34.3%) bolstered the Utilities sector (+5.5%) in the June quarter, offsetting softer contributions from Origin Energy (+1.4%) and APA Group (-1.4%). Investors embraced a favourable trading update with AGL management indicating that gross earnings for FY23 is expected to be at the upper end of its previous guidance between $1.33bn and $1.38bn.

Health Care stocks Imugene (-30.0%), Incannex Healthcare (-23.1%) and EBOS Group (-22.5%) all struggled and dragged the sector -3.1% lower. Index heavyweight CSL (-3.8%) was the greatest detractor, losing ground after the management team announced that full year net profits will be adversely affected by stronger-than-expected foreign exchange headwinds. Profit guidance for 2024 also fell short of market expectations.

Economic indicators in China pointed towards a potential moderation for bulk commodities, limiting gains within the Materials sector (-2.6%) in the June quarter. Whilst the outlook started to improve in June, given reports that China may be preparing policy changes and fiscal stimulus plans to support demand, mining constituents including BHP (-4.7%), South32 (-14.0%) and Rio Tinto (-4.5%) succumbed to downward pressure.

Fund Performance

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

Contributing to the Fund's outperformance were overweight positions in cloud accounting solutions provider Xero (XRO) and logistics solutions services company WiseTech Global (WTC). Xero rallied +33.0% higher in the June quarter with positive momentum stemming from a robust FY23 result (March Year End) that surpassed consensus expectations. A key highlight was the strong top line growth with revenue increasing +28% YoY supported by solid subscriber growth (+14% to 3.74m) and 10% lift in average revenue per user (ARPU). ARPU was supported by price increases, upgrades and strong uptake of platform adjacent products such as payroll and payments. Despite macro challenges faced in the past year, average monthly churn remains low at 0.9%, a testament to the sticky and vital services XRO provides and pleasingly, free cash flow also rose from FY21 NZ$2m to FY22 NZ$102m. We are of the belief that the new CEO's focus on profitability and disciplined cost controls are evident in XRO's target for operating expenses to fall from 82% to 75% of revenue in FY24 supporting further margin expansion, higher profits and greater free cash flow.

Similarly, WiseTech Global continued on its upward trend rising +22.5% for the quarter. 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 also reinforced our conviction in the WTC as a dominant market leader with a long growth pipeline.

Somewhat offsetting these positive contributions were the Fund's overweight positions in global mining giant BHP Group (BHP) and hotelier services company SiteMinder (SDR). Although rallying +7.1% in June, lower iron ore prices for the quarter coupled with the release of a mixed trading update in April resulted in BHP lowering -4.7% through the quarter. Disappointingly, copper production came in lower than expected with geotechnical issues at Escondida resulting in utilisation of lower grade stock piles however, stronger performances from Olympic Dam and Pampa Norte, which are now both expected to reach the upper end of their production guidance ranges, meant group copper guidance was maintained for the full year. WAIO production was generally in-line with market however, industry-wide cost pressures were evident in the result with Management guiding full year WAIO and Escondida costs to the upper end of its guided range. We remain attracted to the high quality miner given their strong capital management, diversified growing suite of commodities which has been further bolstered by the recent completion of BHP's acquisition of Oz Minerals and the Company's robust operational performance which will allow BHP to navigate shorter term volatility. We are of the view that BHP's acquisition of Oz Minerals is consistent with its strategy to expand its growing suite of 'future-facing' commodities allowing BHP to be better positioned to service the clean energy transition.

SiteMinder (-14.9%) fell in the latter stages of June in line with the broader market decline however, further pressure was mounted as the market extrapolated negative implications for the Company following worse-than-expected trading updates from a regional airline and an international travel company which implied a slowdown in consumer demand . We are of the view that these concerns have been over-extrapolated and remain encouraged by SDR's 3Q23 quarterly activities update reported in late April with revenue and annual recurring revenue (ARR) respectively increasing by +28.7% and +28.5% YoY. Growth was fuelled by solid net subscriber acceleration, ongoing travel recovery tailwinds and higher uptake of transactions products, particularly Demand Plus. Positively, Management cited strong forward booking activity for this year's northern hemisphere summer holiday season and we expect demand should continue to be bolstered by Asia travel demand as capacity recovers. Notably, the Company's underlying free-cash flow had improved from previous quarters, reflecting the impact of SDR's cost out program which should continue to provide benefits in 4Q and 1H24. We remain attracted to 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.

Fund Activity

During the quarter we took an initial position in an insurance, banking organisation as we are now seeing insurance premiums rising faster than claims expenses which should benefit the Company. We were also attracted to the stock as its margins are also benefitting from the higher yields it is receiving on its large fixed income portfolio.

We established a new position in a health and medical insurance company. We are of the view that structural tailwinds in the private health insurance industry will sustain profit margins for longer. In addition, we think the Health Care constituent's strategy in the NDIS industry is compelling and shows further upside potential.

To partially fund these new positions we exited our position in Bapcor (BAP) as we saw the earnings risk for the stock rising as the Australian economy slows in the face of rising interest rates

We trimmed our holdings in a diversified mining services company after the Company reduced its full year guidance for production and increased its cost guidance in May. This coupled with a reduction in lithium price forecasting resulted in less upside for our valuation and we instead redirected some of these funds to new opportunities

ESG Activity

The Australian Growth Equities team researched two ESG thematics during the quarter – corporate Australia's approach to traditional owner relationships and free prior and informed consent (FPIC), and the risks associated with carbon offsets and their place in transition plans. There is little research on both areas in an Australian context and FPIC in particular has the potential to materially impact miners and energy companies.

Carbon offsets have become controversial because of whistleblower claims that some offset projects are fraudulent or ineffective, with actual emissions from some projects (particularly forestry) being smaller than claimed. At the same time, companies have been turning to offsets to meet their voluntary or compulsory emissions reduction requirements. Some companies are relying on offsets to reduce emissions in the short term. Our preference is for companies to physically reduce as many emissions as they can, with offsets bought as a last resort for emissions that are hard to abate.

Australia's two largest oil and gas producers, Woodside Energy Group (WDS) and Santos (STO), held their annual general meetings during the quarter and both were controversial because of their growth plans. We voted against the re-election of Ian Macfarlane to the Woodside board but supported all other resolutions at Santos and Woodside. Our vote against Macfarlane was driven by our disappointment with Woodside's transition plan and the Company's reluctance to meaningfully address weaknesses in the plan, particularly its approach to Scope 3 emissions. We also identified weaknesses in both companies' approach to executive pay and encouraged them to address these.

We held meetings with Woodside and Santos' chairmen and climate teams during the quarter, along with meetings specifically on ESG with the four major banks, BHP Group (BHP), Rio Tinto (RIO), Endeavour Group (EDV) and Cleanaway (CWY).

We also progressed our collaborative engagement with JB Hi-Fi (JBH) on modern slavery and participated in a Climate Action 100+ meeting with Qantas (QAN).

Market Outlook

Although showing more cracks in its armour, inflation remains a challenge for global central banks. Services inflation in particular, continues to run hot as local housing prices begin to lift, rents increase in line with tight supply and increasing migration, and consumers continue to prioritise travel over other forms of discretionary spending supported by pent-up COVID savings buffers. As a result the market is coming to the conclusion that restrictive monetary policy will be required for longer.

Despite near-term earnings expectations decreasing, price to earnings multiples have increased over the last few months, largely driving year-to-date market gains and reflecting the market's focus on finding companies that offer long-term growth opportunities. This has also been evidenced by a recent reversal of style leadership with the MSCI Australia Growth Index outperforming its value counterpart in the calendar year to date. This is in contrast to 2022 where value stocks benefited from the economic recovery and associated rapidly rising interest rate environment. As the market landscape evolves to be centred on the gradual global economic slowdown, investors such as ourselves are looking for high quality, market-leading companies with distinctive products/services and strong structural tailwinds that will be better placed to navigate the uncertainties of the future.

www.firstsentierinvestors.com.au

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