

First Sentier Wholesale Strategic Cash Fund

Formerly the Colonial First State Wholesale Strategic Cash

Quarterly Factsheet

31 March 2021

For Adviser use only

Portfolio Description

The Fund provides a regular income stream from investments in money market securities, with a low risk of capital loss.

Investment Strategy

The Fund's strategy is to invest in high quality money market securities, with predominantly short maturities, to achieve a very stable income stream. The Fund invests in assets that offer value-for-risk by taking into account economic analysis and market trends. Derivatives may be used for risk management.

Investment Objective

To provide a regular income stream from investments in money market securities with a very low risk of capital loss. The Fund aims to outperform the returns of Australian money markets over rolling three year periods as measured by the Bloomberg AusBond Bank Bill Index before fees and taxes.

Key Investment Personnel and Experience (Industry / Firm)

Tony Togher	Head of Fixed Income, Short Term Investments and Global Credit	(1983 / 1988)
-------------	--	---------------

Product Overview

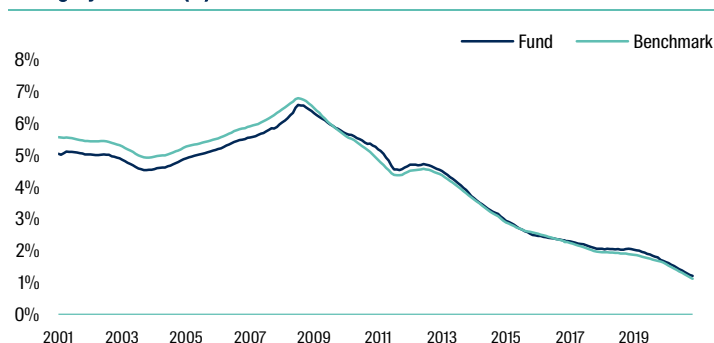
APIR code	FSF0075AU
Inception date	31 May 1998
Fund Size (AS)	5,108 million
Benchmark	Bloomberg AusBond Bank Bill Index
Buy / Sell spread	Nil
Minimum investment (AS)	5,000
Management cost (p.a.)*	0.41%

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

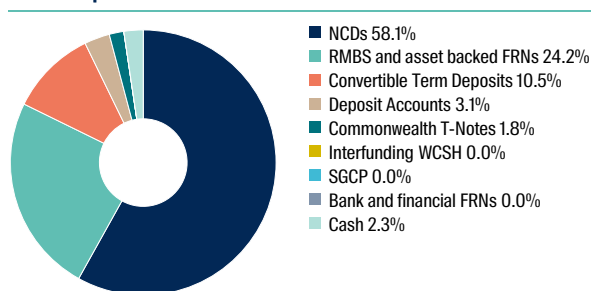
Performance Summary (%)

Period	3mth	1yr	3yr	5yr	7yr	10yr	SI
Net return	0.1	0.4	1.2	1.6	1.8	2.4	4.0
Benchmark return	0.0	0.1	1.1	1.4	1.7	2.3	4.1
Excess net return	0.1	0.3	0.1	0.2	0.1	0.1	-0.1
Income return	0.0	0.3	1.2	1.5	1.8	2.4	3.9
Growth return	0.1	0.1	0.0	0.0	0.0	0.0	0.0

Rolling 3 year return (%)



Fund composition



Maturity breakdown (%)

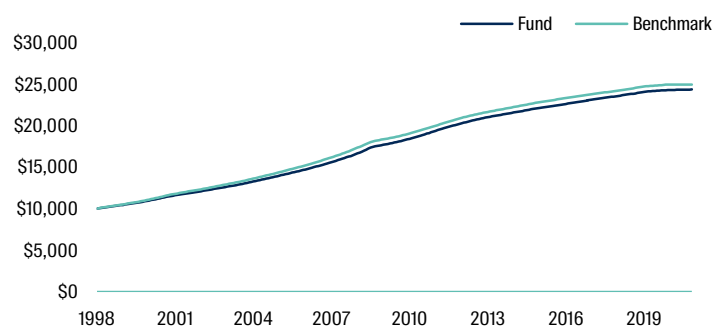
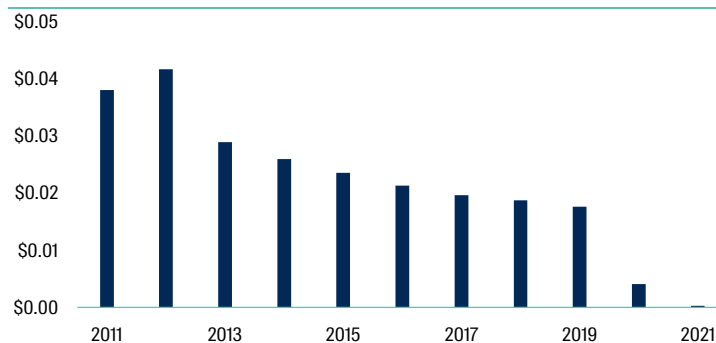
Grade	Weight
0 - 30 days	46.08
31 - 90 days	42.30
91 - 180 days	11.62
181 - 364 days	0.00

Risk Characteristics

Period	1yr	3yr	5yr	7yr	10yr	SI
Fund standard deviation (%)	0.1	0.2	0.2	0.2	0.4	0.5
Benchmark standard deviation (%)	0.0	0.2	0.2	0.2	0.4	0.5
Tracking error (%)	0.1	0.1	0.1	0.1	0.1	0.1
Fund Sharpe ratio	3.3	0.4	0.7	0.3	0.2	-0.2
Information ratio	3.8	0.7	1.6	0.8	0.8	-0.8

Fund active sector positions (%)



Growth of AUD 10,000 Investment Since Inception**Distributions**

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: 31 March 2021

Fund Performance

The Fund continued to generate positive returns in the March quarter, rising in value by 0.1% net of fees. This was a favourable outcome relative to the benchmark; the Bloomberg AusBond Bank Bill Index returned 0.00% over the quarter.

For now it seems unlikely that bank bill yields will increase meaningfully from current levels. Reserve Bank of Australia officials remain committed to keeping official interest rates at record lows, and have indicated policy settings are unlikely to be changed in the near term. This is setting the tone for cash markets, and is helping keep bank bill rates very low.

Market Review

Bank bill yields moved modestly higher over the period. Yields on one-month bank bills were unchanged at 0.01%, but yields on three- and six-month bills rose by 3 bps and 7 bps respectively, to 0.04% and 0.09%. This was their highest level since October 2020. The Reserve Bank of Australia's Term Funding Facility is due to expire at the end of June. Bank bill yields consequently started to edge higher over the quarter, reflecting anticipation of higher bank bill issuance once lenders can no longer access this alternative source of funding.

On the data front, Australian GDP rose 3.1% in the three months ending 31 December 2020, which was comfortably ahead of consensus forecasts. The local economy remains slightly smaller than before the pandemic, but appears to be on track to have regained all of its lost ground in the next few months. For now, the recovery is outpacing that in most other major economies and is helping support both business and consumer confidence.

Employment indicators are also encouraging. The most recent statistics saw the Australian unemployment rate drop sharply – and by much more than expected – to 5.8%, from 6.3% previously. This headline figure compares with the Reserve Bank of Australia's end-2021 forecast of 6.0%, and suggests there could be some upside risk to the official growth outlook if the recent strength in employment persists.

Fund Activity

To minimise risk and with capital preservation in mind, there remained a focus on the quality of all securities held in the portfolio. All are AUD-denominated, and are highly rated by ratings agencies as well as our own internal credit analysts. To help achieve the Fund's performance objectives, the focus is on securities with yields over and above bank bill swap rates. Prospective returns from these securities have come down over the past year or so as yields have compressed, but they continue to generate steady income for the portfolio.

At the end of March, the portfolio remained well diversified across a range of Negotiable Certificates of Deposit, Convertible Term Deposits, Treasury Notes, Deposit Accounts and Residential Mortgage Backed Securities.

Market Outlook and Positioning

Official interest rates remain at 0.10%, but the markets have pushed the effective cash rate down to around 0.03%. If this changes, and bank bill yields start to rise, Fund performance would be slightly impeded. Returns may even be negative over short time periods, although we would expect active management to provide some cushioning and help preserve capital. Over the long term, however, anticipation of a normalisation of risk-free rates and bank bill yields will likely act as a headwind for funds of this type.

With rates so low, the challenge for us is to deliver positive net returns, without exposing investors to higher risk. At this stage, generating potential performance above ~0.50% p.a. requires a shift up the risk spectrum into credit securities, and predominantly those offshore. This particular Fund is not exposed to these areas, as First Sentier Investors is among the most conservative investors in the Cash Funds peer group.

Higher yielding assets are still challenging to find as more risk-averse, income-oriented investors are seeking yielding exposures. We are more fortunate than most in this regard – our scale can be advantageous in sourcing large lines of available securities. Ultimately, an ability to identify and obtain high quality, yielding investments will be critical in extending the Fund's favourable long-term performance track record. With that in mind, we continually review the availability of securities and update counterparties and issuers with our requirements on a daily basis.

www.firstsentierinvestors.com.au

For further information

Head of Investment Sales and Key Accounts Chris King	+61 2 9010 5249	Business Development Manager - VIC/TAS Jack Heinz	+61 3 9225 5056
Key Account Manager - NSW Angela Vincent	+61 2 9010 5230	Key Account Manager - QLD Quin Smith	+61 4 5509 5505
Paul Sleiman	+61 2 9010 5393	Business Development Manager – QLD Julie Day	+61 4 6641 3176
Business Development Manager – NSW Justin Sultana	+61 2 9010 5326	Key Account Manager - WA/SA/NT Nathan Robinson	+61 4 0327 2440
Key Account Manager - VIC/TAS Nicholas Everitt	+61 3 9225 5055		

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 Strategic Cash Fund, ARSN 087 558 674 (**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.

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 2021

All rights reserved.