

# First Sentier Wholesale Strategic Cash Fund

Formerly the Colonial First State Wholesale Strategic Cash Fund

## Quarterly Factsheet

30 September 2022

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 & Global Credit	(1983 / 1988)
-------------	--	---------------

### Product Overview

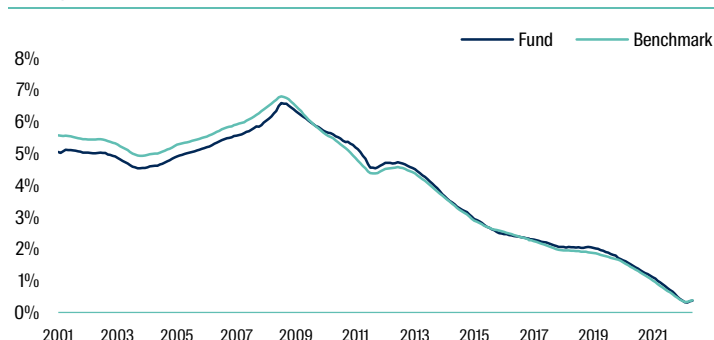
APIR code	FSF0075AU
Inception date	31 May 1998
Fund size (A\$ million)	6,537
Benchmark	Bloomberg AusBond Bank Bill Index
Buy/sell spread	Nil
Running yield	3.53%
Running yield Index	0.00%
Duration (Days)	48
Duration (Days) Index	45
Credit Duration (Years)	0.61
Credit Duration Index (Years)	0.12
Management fees and costs (p.a.)	0.26%

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

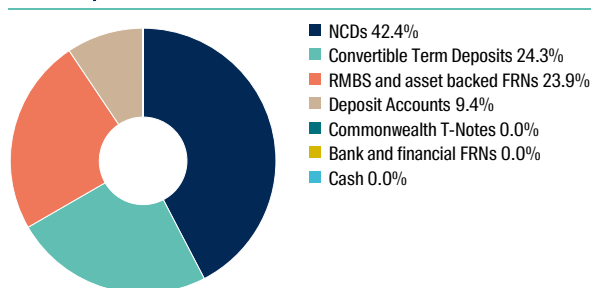
### Performance Summary (%)

Period	3mth	1yr	3yr	5yr	7yr	10yr	SI
Net return	0.4	0.3	0.4	1.0	1.3	1.7	3.7
Benchmark return	0.4	0.5	0.4	0.9	1.2	1.7	3.8
Excess net return	0.0	-0.2	0.0	0.0	0.1	0.0	-0.1
Income return	0.4	0.5	0.4	1.0	1.3	1.7	3.7
Growth return	0.0	-0.3	-0.1	0.0	0.0	0.0	0.0

### Rolling 3 year return (%)



### Fund composition



### Maturity breakdown (%)

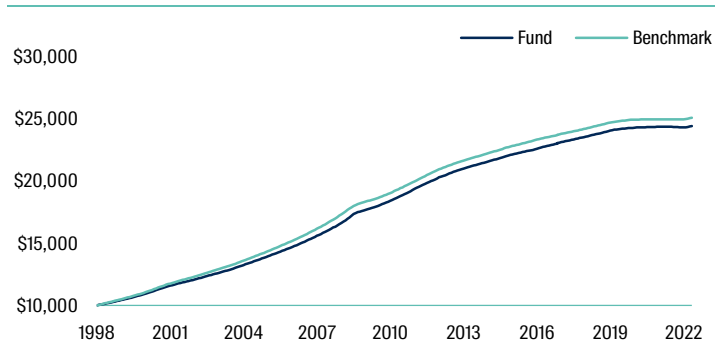
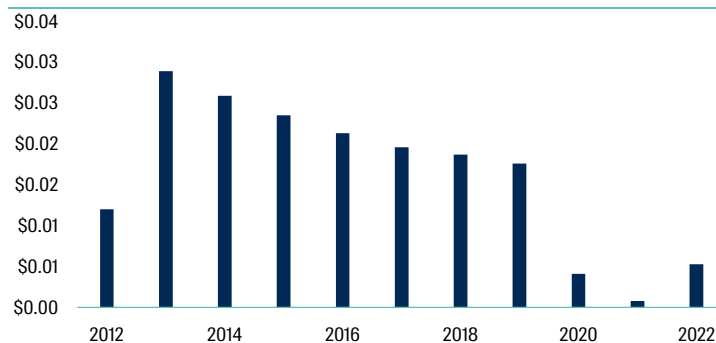
Grade	Weight
0 - 30 days	43.26
31 - 90 days	48.88
91 - 180 days	7.86
181 - 364 days	0.00

### Risk Characteristics

Period	1yr	3yr	5yr	7yr	10yr	SI
Fund standard deviation (%)	0.3	0.2	0.3	0.3	0.3	0.6
Benchmark standard deviation (%)	0.2	0.2	0.2	0.2	0.3	0.6
Tracking error (%)	0.1	0.1	0.1	0.1	0.1	0.1
Fund Sharpe ratio	-0.9	-0.1	0.1	0.2	0.2	-0.2
Information ratio	-2.7	-0.1	0.3	0.5	0.5	-0.9

### 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 2022

Data as at: 30 September 2022

**Fund Performance**

Net of fees, the Fund returned 0.5% in the September quarter, slightly ahead of the 0.4% return from the bank bill benchmark.

Sharply rising bank bill yields, owing to increases in official interest rates, fed through to improved returns from the portfolio. This was a welcome development following the past two years or so, where emergency low interest rates following the Covid shock resulted in extremely low returns from cash funds.

The widening of residential mortgage backed securities (RMBS) margins slowed during the quarter. Whilst a detractor from the Fund's performance in recent months, RMBS holdings are well positioned to contribute to the Fund's total yield in the coming months, assuming credit markets stabilise.

**Market Review**

The Reserve Bank of Australia lifted official cash rates three times during the quarter, by 0.50% on each occasion. Bank bill yields rose sharply against this background, reflecting the 150 bps of interest rate hikes and the likelihood of further increases to come. Yields on one-, three- and six-month bank bills closed the quarter 157 bps, 125 bps and 90 bps higher, respectively.

During Q3, market pricing for the Reserve Bank of Australia's terminal rate, i.e. the maximum interest rate anticipated in the current cycle, rose from approximately 3.25% to 4.25%, before moderating back after policymakers only raised interest rates by 0.25% instead of the anticipated 0.50% in early October.

In economic news, the latest data showed that GDP growth in the June quarter was slightly stronger than expected. The Australian economy grew at an annual pace of 3.6% during the period. The key focus remained on inflation, however – both domestically and offshore – and the likely response of central banks around the world.

**Fund Activity**

There were no meaningful changes to strategy or overall portfolio positioning during the period. The Fund remains well diversified across a range of short term investments, including term deposits, negotiable certificates of deposit and RMBS. Overall, the aim is to identify and source investments with prospective yields over and above bank bill swap rates.

To minimise risk and with capital preservation in mind, there remains 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.

**Market Outlook**

The drop in business and consumer confidence levels in Australia that has accompanied the Reserve Bank of Australia's policy tightening schedule suggests discretionary spending could be quite sensitive to higher borrowing costs, particularly given the proportion of Australian households servicing variable rate mortgages. In turn, inflation could start to moderate as the economy continues to digest higher interest rates. The next CPI reading – for the June quarter – will be released in late October, and may provide additional insight.

Looking further ahead, central bank officials continue to suggest that more meaningful wage growth will be required to keep inflation above the target 2% to 3% band over time. For now, despite the tight labour market, wage growth remains subdued and well below inflation. Again, this suggests discretionary spending could moderate further in the months ahead and might help to dampen pricing pressures.

All of this is important, as the strength and persistence of inflation in Australia will continue to influence interest rate policy, in turn affecting the prospective returns available from the Fund.

[www.firstsentierinvestors.com.au](http://www.firstsentierinvestors.com.au)

#### For further information

Acting Head of Wholesale Ross Crocker	+61 2 9010 5424	Business Development Manager - VIC/TAS Jack Heinz	+61 3 9225 5056
Key Account Manager - NSW Paul Sleiman	+61 2 9010 5393	Key Account Manager - QLD Quin Smith	+61 4 5509 5505
Business Development Manager – NSW Emerson Bloom	+61 2 9010 5547	Business Development Manager – QLD Julie Day	+61 4 6641 3176
Key Account Manager - VIC/TAS Nick Everitt	+61 3 9225 5055	Key Account Manager - WA/SA/NT Nathan Robinson	+61 4 0327 2440

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. Past performance figures are gross and do not take into account any ongoing fees. 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. 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 2022

All rights reserved.