

First Sentier Wholesale Strategic Cash Fund

Formerly the Colonial First State Wholesale Strategic Cash Fund

Quarterly Factsheet

31 December 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

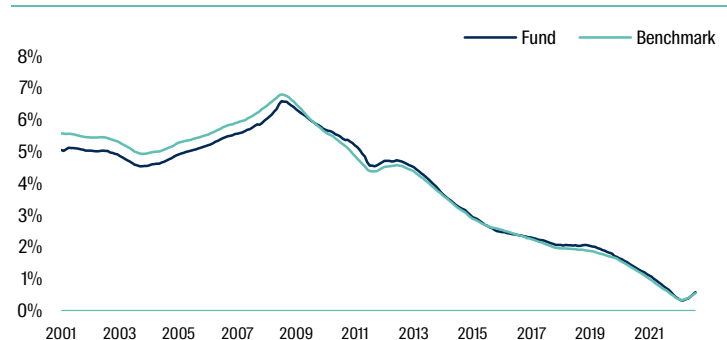
APIR code	FSF0075AU
Inception date	31 May 1998
Fund size (A\$ million)	6,085
Benchmark	Bloomberg AusBond Bank Bill Index
Buy/sell spread	Nil
Running yield	4.00%
Running yield Index	0.00%
Duration (Days)	55
Duration (Days) Index	45
Credit Duration (Years)	0.64
Credit Duration Index (Years)	0.12
Management 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.

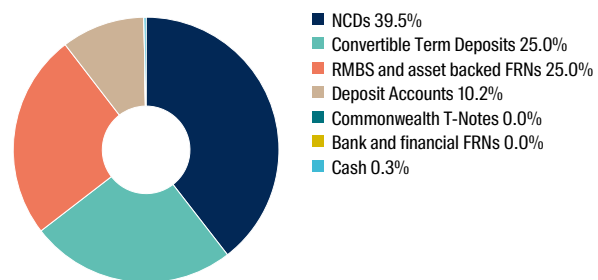
Performance Summary (%)

Period	3mth	1yr	3yr	5yr	7yr	10yr	SI
Net return	0.9	1.2	0.6	1.1	1.3	1.7	3.7
Benchmark return	0.7	1.3	0.5	1.0	1.3	1.7	3.8
Excess net return	0.1	0.0	0.0	0.0	0.1	0.1	-0.1
Income return	0.7	1.3	0.6	1.1	1.3	1.7	3.7
Growth return	0.1	0.0	0.0	0.0	0.0	0.0	0.0

Rolling 3 year return (%)



Fund composition



Maturity breakdown (%)

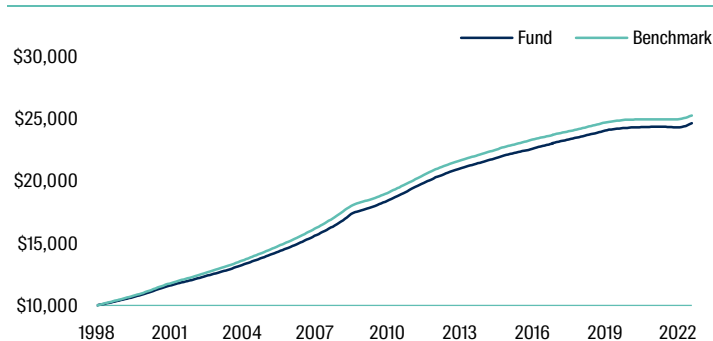
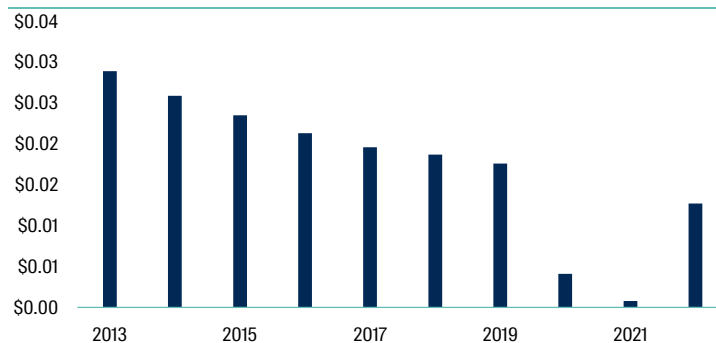
Grade	Weight
0 - 30 days	44.59
31 - 90 days	31.69
91 - 180 days	23.72
181 - 364 days	0.00

Risk Characteristics

Period	1yr	3yr	5yr	7yr	10yr	SI
Fund standard deviation (%)	0.5	0.3	0.3	0.3	0.3	0.6
Benchmark standard deviation (%)	0.3	0.3	0.3	0.3	0.3	0.6
Tracking error (%)	0.1	0.1	0.1	0.1	0.1	0.1
Fund Sharpe ratio	-0.1	0.1	0.1	0.3	0.2	-0.2
Information ratio	-0.3	0.2	0.4	0.7	0.5	-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 2022

Data as at: 31 December 2022

Fund Performance

The change in monetary policy settings in Australia had a meaningful influence on the Fund's performance in 2022. At the beginning of the year – when official cash rates were close to zero – the Fund was struggling to generate any positive returns at all. The Fund returned 0.94% in the December quarter, however, benefiting from much higher bank bill yields. Pleasingly, returns were ahead of the bank bill benchmark over the quarter.

The improved performance in recent months enabled the Fund to appreciate by 1.48% in the calendar year as a whole. Again, this was ahead of the return from the bank bill benchmark.

Annual returns were well below the 4%+ annualised returns since the Fund's inception in the late 1990s, but represented a marked improvement from the previous two years. More importantly, given the likelihood of further rate hikes as policymakers continue to battle inflation, the Fund should continue to generate reasonable returns in the year ahead. At the end of December, the Fund's prospective yield was nearly 4%; almost back in line with the long-term average.

Market Review

Official cash rates in Australia were raised by a quarter of a percentage point in each of October, November and December, closing the year at 3.10%. Like their counterparts at offshore central banks, Reserve Bank of Australia officials remain determined to dampen inflation. CPI is currently running at an annual rate of 6.9%.

Bank bill yields continued to rise against this background and in anticipation of further policy tightening in 2023. One-month bank bill yields rose 31 bps over the quarter, while yields on three- and six-month bank bills closed the period 20 bps higher.

In other news, employment trends remained quite resilient. More than 60,000 new jobs were created in November alone – including more than 34,000 full-time positions, as well as nearly 30,000 part-time workers, which might be seasonal in nature – and the unemployment rate remained at an all-time low of 3.4%. For now, high levels of employment are supporting growth; the Australian economy expanded at an annual rate of 5.9% in the September quarter; the second-highest reading since the 1980s.

Fund Activity

The Fund's strategy and overall positioning has not changed materially. The portfolio remains invested in a diversified mix of Term Deposits, Negotiable Certificates of Deposit, Deposit Accounts and highly-rated residential mortgage backed securities (RMBS). Portfolio positioning can be amended if required as conditions evolve, but for now we are comfortable with the structure and performance of all of the Fund's holdings.

The aim is to identify and source investments with prospective yields over and above bank bill swap rates and to invest in the area of the yield curve that offers the best value for risk. 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 highly rated by ratings agencies as well as our own internal credit analysts.

Market Outlook

The economic outlook for 2023 is subdued – both in Australia and overseas – as higher borrowing costs are expected to erode purchasing power and affect discretionary spending. Consumer confidence locally remains below 2021 levels and not too far above its lowest level since the early-1990s, suggesting 2023 could be a challenging year for Australians.

There is some speculation that inflation could prove sticky in nature; a theme that was outlined in a recent speech by the Reserve Bank of Australia Governor. A combination of various factors suggest it could be challenging for policymakers to bring inflation back within a 2% to 3% target range and for it to stay there without subsequent spikes. With that in mind, it seems likely that central bank officials will continue to tighten policy settings. Consensus forecasts suggest Australian interest rates could be increased to around 4% in the year ahead. This could benefit the Wholesale Strategic Cash Fund, as higher reference rates typically support the Fund's performance profile and increase accrual from income-generating assets.

www.firstsentierinvestors.com.au

For further information

Acting Head of Wholesale Ross Crocker	+61 2 9010 5424	Business Development Manager - VIC/TAS Jack Heinz	+61 436 810 683
Key Account Manager - NSW Paul Sleiman	+61 4 2251 1231	Business Development Associate - VIC/TAS Shannen Jacobsen	+61 457 227 728
Business Development Manager – NSW Nicole Kremastos	+61 431 187 910	Key Account Manager - QLD Quin Smith	+61 455 095 505
Emerson Bloom	+61 472 633 201	Business Development Manager - QLD Julie Day	+61 466 413 176
Amelia McKinnon	+61 435 719 998	Business Development Associate - QLD/WA/SA/NT Pam Evans	+61 458 864 686
Business Development Associate – NSW Gabi Cheetham	+61 457 881 684	Key Account Manager - WA/SA/NT 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. 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.