

# First Sentier Wholesale Strategic Cash Fund

Formerly the Colonial First State Wholesale Strategic Cash Fund

## Quarterly Factsheet

30 June 2023

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 (including asset backed 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 & Credit	(1983 / 1988)
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### Product Overview

APIR code	FSF0075AU
Inception date	31 May 1998
Fund size (AS\$ million)	5,228
Benchmark	Bloomberg AusBond Bank Bill Index
Buy/sell spread	Nil
Running yield	4.81%
Running yield Index	4.22%
Duration (Days)	50
Duration (Days) Index	45
Credit Duration (Years)	0.55
Credit Duration Index (Years)	0.12
Management fees and costs (p.a.)	0.36%

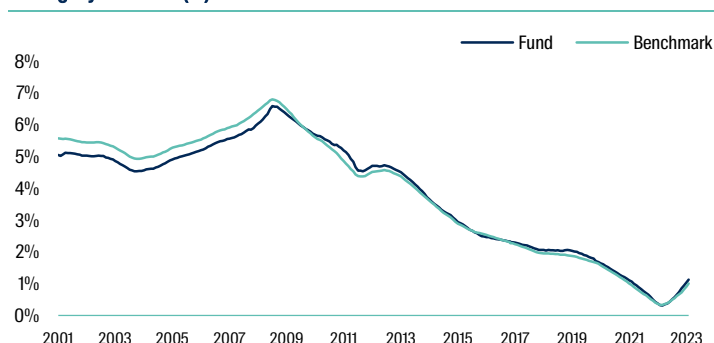
\* Information on Management fees and costs (including estimated indirect costs) is set out in the Fund's PDS.

### Performance Summary (%)

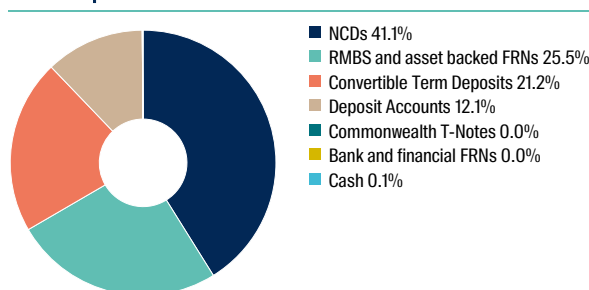
Period	3mth	1yr	3yr	5yr	7yr	10yr	SI
Net return	1.0	3.3	1.1	1.3	1.5	1.8	3.7
Benchmark return	0.9	2.9	1.0	1.2	1.3	1.7	3.8
Excess net return	0.1	0.4	0.1	0.1	0.1	0.1	-0.1
Income return	1.1	3.2	1.1	1.3	1.5	1.8	3.7
Growth return	-0.1	0.1	0.0	0.0	0.0	0.0	0.0

Past performance is not a reliable indicator of future performance.

### Rolling 3 year return (%)



### Fund composition



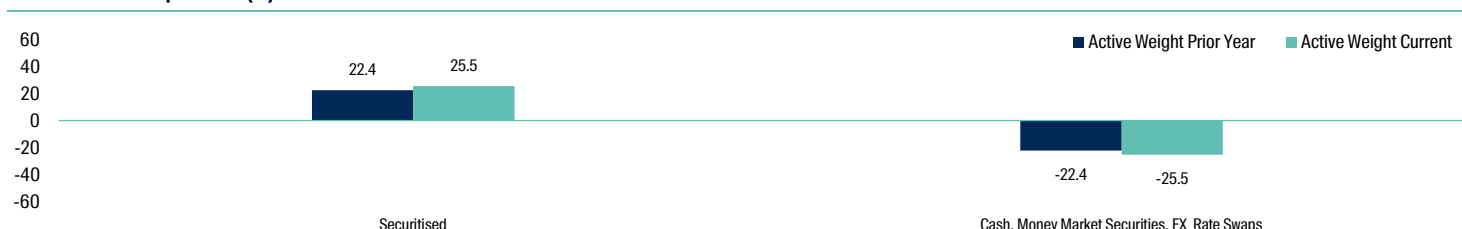
### Maturity breakdown (%)

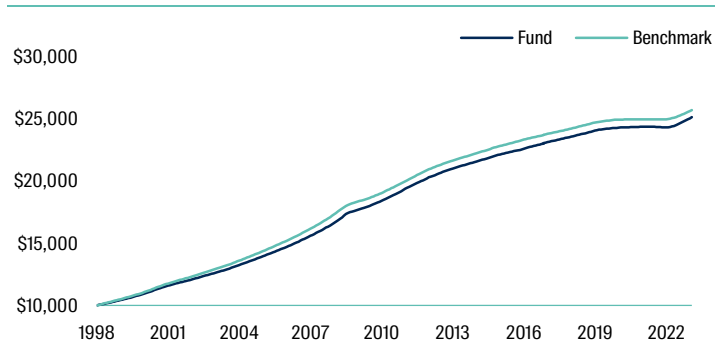
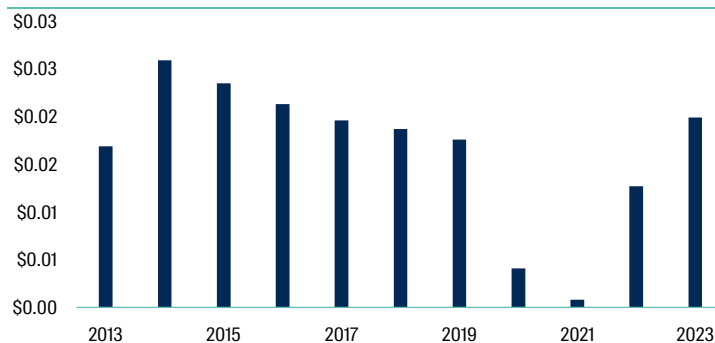
Grade	Weight
0 - 30 days	46.24
31 - 90 days	41.44
91 - 180 days	12.32
181 - 364 days	0.00

### Risk Characteristics

Period	1yr	3yr	5yr	7yr	10yr	SI
Fund standard deviation (%)	0.3	0.5	0.4	0.3	0.3	0.6
Benchmark standard deviation (%)	0.2	0.4	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	1.7	0.2	0.2	0.4	0.2	-0.2
Information ratio	4.9	1.0	0.7	1.1	0.7	-0.7

### 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 2023 Data as at: 30 June 2023

**Fund Performance**

Higher official interest rates and bank bill yields heled the Fund to appreciate by 1.09% in the June quarter. This return was 0.19% ahead of the bank bill benchmark.

This rounded off a favourable 12 months of performance in the FY23 year as a whole. Returns were 0.71% ahead of the benchmark over the year, an outperformance that was even better than the long-term average. Active management of the portfolio during a volatile period helped preserve capital and generate pleasing returns for unit holders.

**Market Review**

The Reserve Bank of Australia raised official cash rates by 0.25% in May; a move that had been well telegraphed by central bank officials and one that was widely anticipated by investors. Policymakers surprised the market in June, however, with another 0.25% increase. The Reserve Bank of Australia remains concerned about high inflation and the outlook for consumer prices. Headline inflation moderated to an annual rate of 5.6% in May, but the trimmed mean – which is closely monitored by local policymakers – remains above 6%. Both are well above the 2% to 3% target range.

Against this background investors are expecting at least one more interest rate hike in the months ahead; and more likely two. These evolving forecasts were reflected in money markets over the period. Yields on one-, three-, and six-month bank bills rose 51 bps, 64 bps, and 91 bps, respectively. These moves have lifted prospective returns from the portfolio on a go-forward basis.

**Fund Activity**

There were no meaningful changes to strategy or overall portfolio positioning over the quarter. The Fund remains invested in a diversified mix of Term Deposits, Negotiable Certificates of Deposit, Deposit Accounts and highly-rated residential mortgage backed securities (RMBS).

We remain comfortable with the Fund's exposure to RMBS, as the asset class still offers good relative value and a suitable risk profile for the portfolio. Mortgage arrears have risen – albeit from a very low base – and remain below or close to medium-term averages. Arrears are likely to increase in the second half of the year, but we do not believe this will translate into wider margins and lower RMBS valuations.

**Market Outlook**

Investors are scrutinising the latest economic data indicators and dissecting the wording of central bank policy statements, for clues regarding possible changes in monetary policy settings. This focus will continue in both in Australia and elsewhere in the months ahead and will continue to set the tone for investment markets.

No changes to the Fund's long-established investment process are anticipated. 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.

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

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