

First Sentier Wholesale Strategic Cash Fund

Formerly the Colonial First State Wholesale Strategic Cash

Quarterly Factsheet

31 December 2020

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)
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Product Overview

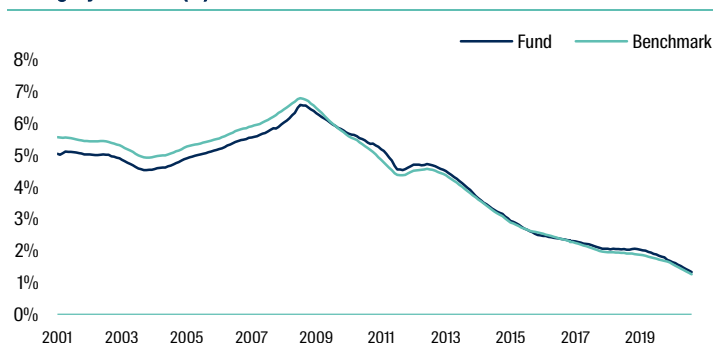
APIR code	FSF0075AU
Inception date	31 May 1998
Fund Size (AS)	5,739 million
Benchmark	Bloomberg AusBond Bank Bill Index
Buy / Sell spread	Nil
Minimum investment (AS)	5,000
Management cost (p.a.)*	0.41%

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

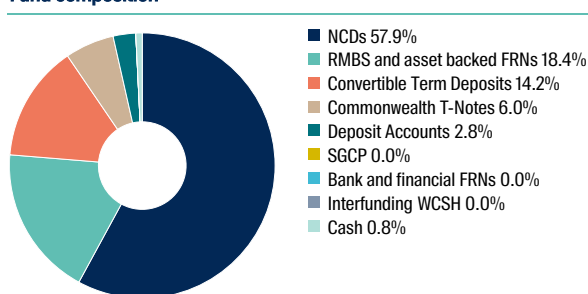
Performance Summary (%)

Period	3mth	1yr	3yr	5yr	7yr	10yr	SI
Net return	0.0	0.4	1.3	1.6	1.9	2.5	4.0
Benchmark return	0.0	0.4	1.3	1.5	1.8	2.4	4.1
Excess net return	0.0	0.1	0.1	0.1	0.1	0.1	-0.1
Income return	0.0	0.4	1.3	1.6	1.9	2.5	4.0
Growth return	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Rolling 3 year return (%)



Fund composition



Maturity breakdown (%)

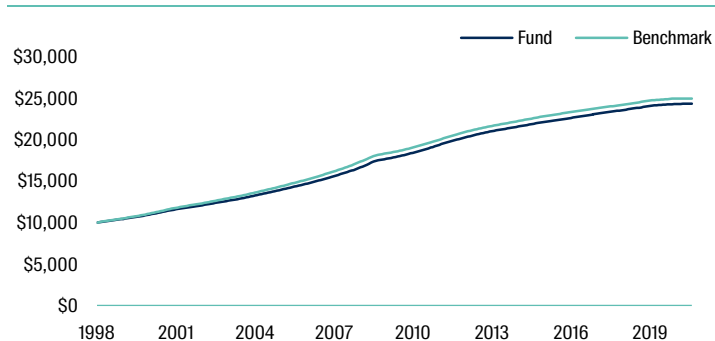
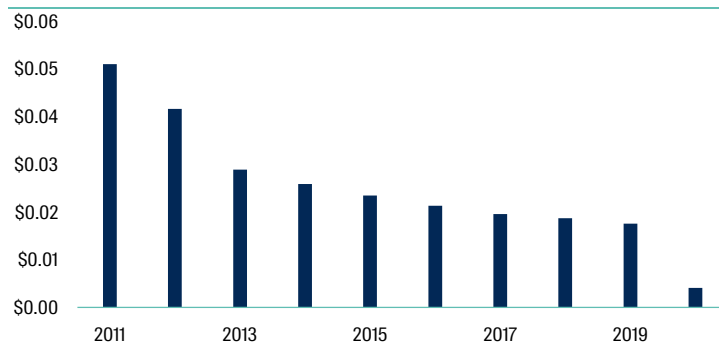
Grade	Weight
0 - 30 days	38.90
31 - 90 days	47.14
91 - 180 days	13.96
181 - 364 days	0.00

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 (%)	0.1	0.2	0.2	0.2	0.4	0.5
Tracking error (%)	0.2	0.1	0.1	0.1	0.1	0.1
Fund Sharpe ratio	0.5	0.3	0.5	0.3	0.2	-0.2
Information ratio	0.4	0.6	1.0	0.7	0.8	-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 2020

Data as at: 31 December 2020

Fund Performance

The bank bill benchmark returned almost zero over the quarter. Fund returns were also subdued, although active management added value. The Fund appreciated by 0.1% over the quarter.

The duration of the portfolio continued to be held towards the longer end of the permitted range. This strategy contributed to performance. Bank bill yields continued to fall modestly during the period, but they are now very close to zero suggesting there is limited scope for the Fund to derive further value from active duration positioning. The Fund did, however, continue to earn reasonable income on selected investments that yield in excess of bank bill swap rates, ensuring overall returns remained positive.

Despite the turbulent market conditions and the low yields on offer, the Fund generated meaningful outperformance relative to the bank bill benchmark in the 2020 calendar year as a whole. The Fund's annual return of 0.4% was slightly above that of the benchmark and broadly in line with the annualised relative performance outcomes over the past 10 years.

Market Review

Subdued economic conditions continued to exert downward pressure on bank bill yields over the quarter. One- and three-month yields closed the quarter 8 bps lower, at 0.01%. Six-month yields closed December at 0.02%, a decline of 10 bps over the period.

During October, investors had speculated that Reserve Bank of Australia policymakers were preparing to lower official interest rates on Melbourne Cup day in early November. Previously officials had indicated that 0.25% was the 'lower bound' for the Official Cash Rate, but the extent of economic weakness associated with Covid-related disruptions domestically and overseas forced a change in that view. The cash rate was indeed lowered to 0.10% on 3 November. The Reserve Bank also lowered the target yield on 3-year government bonds to 0.10%, to align with the new cash rate. In a separate move, officials announced the Reserve Bank of Australia will buy \$100 billion of 5- to 10-year government bonds over the next six months as part of Australia's first ever quantitative easing program.

On the data front, the latest statistics confirmed that domestic GDP growth rebounded in the September quarter, from virus-related disruptions in April, May and June. The economy grew by 3.3% during the period, though shrunk by 3.8% on an annual basis. Whilst encouraging, the rebound was less strong than in most other developed countries. This likely reflected the prolonged lockdown in Victoria, which accounts for around a quarter of national GDP. Employment statistics also caused some consternation. It emerged that job numbers at the end of October were lower than at the end of September, in all States except Victoria, challenging the thesis of steadily improving activity levels and underlining the need for an end to the pandemic. With that in mind, news that several vaccines were progressing towards regulatory approval was well received by investors, particularly as the number of Covid infections had started to creep up again by the end of the quarter.

Fund Activity

The Fund remained focused on capital preservation and providing liquidity for unit holders. We believe the Fund remains well placed to continue to provide both of these key features.

At the end of December, 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. Investments held typically have a short maturity profile and high quality credit ratings.

Market Outlook and Positioning

The 2020 calendar year was an extraordinary one for financial markets globally, including the Australian money market. With official cash rates close to zero and not expected to move meaningfully – if at all – in the period ahead, returns from cash funds seem likely to remain subdued for the foreseeable future. We can only hope that policymakers navigate through the ongoing period of economic weakness and that conditions will improve sufficiently for yields to start to rise in 2021 or beyond. In turn, this would enable cash funds to generate better levels of income for investors.

The challenge for us is to maintain the Fund's favourable relative performance track record, whilst remaining focused on capital preservation and maintaining high levels of liquidity for investors. Generally speaking, higher yielding assets are becoming harder to find as more investors seek exposures that are able to generate some income. 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.

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