Managed Volatility

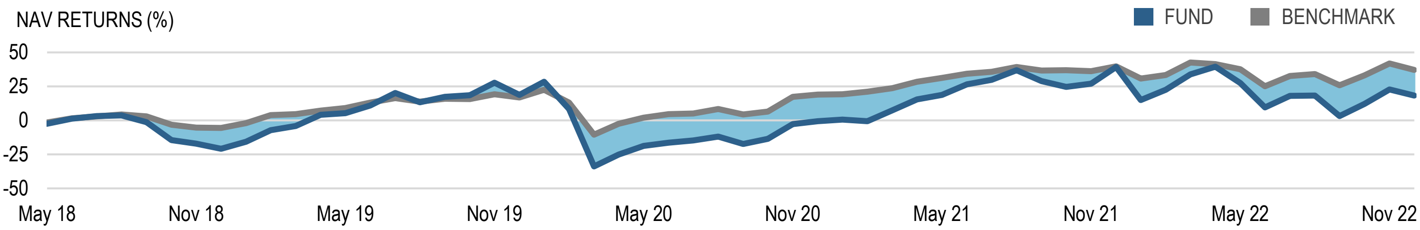
ACADIAN WHOLESALE GEARED AUSTRALIAN EQUITY

DECEMBER 2022

The Acadian Wholesale Geared Australian Equity seeks to maximise long-term returns by borrowing to invest, predominantly in a selection of Australian companies within the S&P/ASX 300 Accumulation Index, while carefully controlling portfolio risk and transaction costs.

APIR Code	FSF0453AU
Inception Date	14 May 2018
Management Cost	0.96% / 2.07%
Buy / Sell spread	0.15/0,40%
Exit Unit Price	0.8504
Product Size	$300 million
Benchmark	S&P / ASX 300 Accumulation Index

CUMULATIVE PERFORMANCE



PERFORMANCE

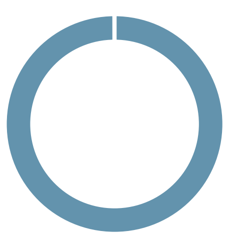
	FUND (NAV)	BENCHMARK	VALUE-ADDED VS.BENCHMARK
One Month Return	-3.7	-3.3	-0.4
Three Month Return	14.6	9.1	5.5
Year-to-Date Return	-15.1	-1.8	-13.3
One Year Annualized Return	-15.1	-1.8	-13.3
Three Year Annualized Return	-0.2	5.5	-5.7
SINCE INCEPTION ANNUALIZED RETURN	3.7	7.1	-3.4
SINCE INCEPTION SHARPE RATIO	0.1	0.4	
SINCE INCEPTION BETA	1.8	1.0	

TOP TEN HOLDINGS

	% OF PORTFOLIO
BHP GROUP LTD	7.3
CSL LTD	6.0
COMMONWEALTH BANK OF AUSTRALIA	4.5
RIO TINTO LTD	3.5
ANZ GROUP HOLDINGS LTD	3.3
TELSTRA GROUP LTD	3.2
VIVA ENERGY GROUP LTD	3.2
BRAMBLES LTD	3.1
COLES GROUP LTD	3.1
WOOLWORTHS GROUP LTD	3.0
NUMBER OF SECURITIES	74
% OF PORTFOLIO FOR TOP 10 CURRENT HOLDINGS	40.3
% OF NON-BENCHMARK PORTFOLIO HOLDINGS	0.1

CURRENT POSITIONING - REGION

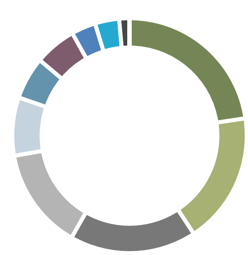
ABSOLUTE



AU/NZ	98.7%
NAM	0.0%

CURRENT POSITIONING - SECTOR

ABSOLUTE



MAT	22.4%
FIN	17.9%
STP	17.3%
HTH	13.8%
IND	7.9%
COM	5.8%
ENR	5.7%
TCH	3.3%
REI	3.3%
UTL	1.4%
DIS	0.0%

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QUARTERLY REVIEW

Fund Performance and Activity

The Portfolio returned 14.59%, -15.07% and 3.71% net of fees for the quarterly, 1 year and Since Inception periods, versus returns of 9.13%, -1.80% and 7.08% for the S&P/ASX 300 Accumulation Index. The underlying portfolio underperformed the benchmark[1] by 2.2% for the quarter, therefore the impact of gearing contributed to outperformance.

Key sources of positive active returns included stock selection in information technology, an underweight position in consumer discretionary, and stock selection in communication services. Detractors included a combination of stock selection and an underweight position in financials, an overweight position in consumer staples, and a combination of stock selection and an overweight position in healthcare. Approximately 57% of the portfolio was held in the lowest beta stocks, compared to roughly 28% for the index. The effect of the portfolio's exposure to the lowest beta quintile was negative, detracting 116 bps.

Key Holdings[2]

Positive

Our underweight to CSL Ltd, an Australia-based biotech company, was rewarded with 32 basis points of active return. Despite a rocky start to the quarter, the company's shares eked out a 0.2% gain in the quarter. Easing COVID-19 restrictions and a strength in its balance sheet boosted gains for the stock. However, increasing inventories and lower profit before tax have been weighing on its cashflows from operations.

Negative

Our overweight to Medibank Pvt Ltd, a provider of private health insurance and health services, cost the portfolio 76 basis points of active return as share prices slumped 15% in the period. The massive cyberattack that the company suffered in October weighed on its shares.

Market Review

Australian equities (S&P/ASX 300 Accumulation Index) rallied an impressive 9.1% in Q4 2022, notwithstanding extreme volatility and record-high inflation levels. In a surprising move, the Reserve Bank of Australia (RBA) acknowledged that rates had already been hiked substantially. Consequently, the central bank hiked rates twice by a smaller-than-expected 25bps before leaving it unchanged at a ten-year high of 3.1% by the end of the quarter. It also stated that its aggressive tightening has not had much of an impact on inflation. The Board also noted that the outlook for inflation remained uncertain amid a global economic slowdown. Despite slowing the pace of rate changes, the central bank cautioned about further tightening to rein in inflation. Meanwhile, the global energy crisis, high cost of living, and increasing interest rates continued to weigh on household consumption. Economists predict that the Australian economy might slow sharply from December onwards, though a recession is unlikely. The RBA expects Australia's economic growth to moderate next year, due to a slowdown in the global economy and fall in household consumption. Its central forecast for GDP growth was revised down to 3% this year and 1.5% in 2023 and 2024. Notably, the labor market remained tight, with unemployment levels at multi-decade low amid high number of job vacancies. While some employers were struggling to fill the vacancies, economists believed the pandemic led boom in job creation was slowly coming to an end.

All sector enjoyed gains over the period, with utilities (+28.0%) leading the pack. The gains were supported by a rise in electricity prices on increasing costs of coal and gas. Meanwhile, consumer staples (+1.7%) contributed the least during the period.

Outlook and Strategy

The global economy appears likely to slow in 2023 as inflation remains high, energy markets are disrupted, and household income growth is soft. The OECD forecasts that global growth will fall to 2.2% in 2023 before rebounding to 2.7% in 2024. Central banks seem biased towards further tightening and there is risk they may overshoot. Recession anxiety has grown globally. The Bank of England has perhaps been the bluntest voice. It warned that the U.K. may face a lengthy recession, lasting until 2024. The central bank blamed a combination of high energy prices and rising rates. As for the U.S., Federal Reserve Chair Jerome Powell has been clear that the Fed wants growth to slow for a time so that inflation can subside. In China, protests broke out, prompted by frustration at the country's "zero-COVID" policy. Perhaps in response, China began to lift some of its COVID restrictions in December. Investors are keen to see whether reopening will be robust and decisive or whether future outbreaks will slow the pace of reopening. The U.S. dollar weakened by 10% relative to global currencies during Q4 2022, perhaps offering some relief to emerging markets burdened by the greenback's strength. Oil prices rose at the beginning of the quarter but then declined to close out the period little changed. The OECD calculates that fully 17.7% of members' GDP is being spent on energy—a level not seen since the 1979-80 oil shock. By comparison, the 2019 outlay on energy was 10.2% of GDP. The Reserve Bank of Australia (RBA) expects the headline consumer price inflation to peak around 8% at the end of 2022, before starting to decline in early 2023. However, the overall inflation is likely to remain slightly above 3% in late 2023 and 2024. Meanwhile, a global recession in 2023 remains inevitable, and prospective over-tightening by the RBA might not bode well for the Australian economy. The central bank, however, has maintained its stance that it will tackle rising price in the country through a tight monetary policy while stimulating economic activity through careful investments.

[1]S&P/ASX 300 Accumulation Index - Total 05/11/2018 To 12/31/2022. [2]Top contributing/detracting individual positions over the period as measured by basis point impact. *This should not be considered a recommendation to buy or sell any specific security. Colonial First State Investments Limited is the responsible entity for this fund, ABN 98 002 348 352 AFS Licence 232468. Please refer to the latest Product Disclosure Statement and Target Market Determination document available on the following website http://www.colonialfirststate.com.au for the terms and conditions of investing into the fund. The information provided has been prepared by Acadian from our internal records. It is not intended to replace the official records of your account that you receive directly from the custodian. You are encouraged to compare the information provided to you by Acadian to that provided by the custodian and to contact us with any questions. The specific countries, sectors, and individual stocks discussed herein are non-exclusive and are provided as representative of the portfolio's performance during the period. For a complete list of markets, sectors, and stocks in which the portfolio was invested during the period and the performance of each, please contact Acadian. Please note that Acadian's system of portfolio attribution uses certain estimates and assumptions and the calculations provided herein are based upon Acadian's internal records and not those maintained by the Custodian. Additional details about our method of calculation will be furnished upon request. Reference to the benchmark is for comparative purposes only and is not intended to indicate that the portfolio will or did contain the same investments as the benchmark. This review contains confidential information of Acadian Asset Management LLC. Market conditions are subject to change. Past performance is no guarantee of future returns.

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Please contact Mark Mukundan, VP, Product and Wholesale Markets – 0411 615 685 or contact Acadian on (02) 9093 1000 or email us at australiaclientservice@acadian-asset.com

If you are a Personal Investor or Retail Client:

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