

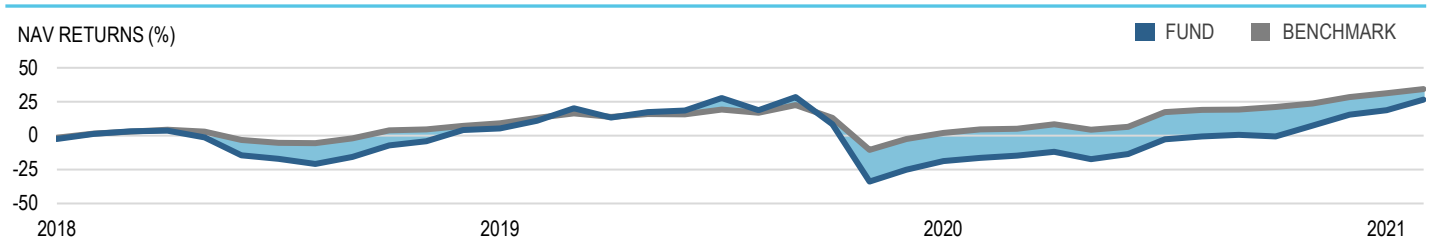
ACADIAN WHOLESALE GEARED AUSTRALIAN EQUITY

JUNE 2021

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	0.9877
Product Size	\$323 million
Benchmark	S&P / ASX 300 Accumulation Index

CUMULATIVE PERFORMANCE



PERFORMANCE

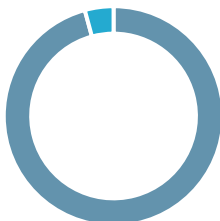
	FUND (NAV)	BENCHMARK	VALUE-ADDED VS. BENCHMARK
One Month Return	6.5	2.3	4.2
Three Month Return	17.9	8.5	9.4
Year-to-Date Return	27.1	13.0	14.1
One Year Annualized Return	51.1	28.5	22.6
Three Year Annualized Return	7.7	9.8	-2.1
SINCE INCEPTION ANNUALIZED RETURN	7.8	9.9	-2.1
SINCE INCEPTION SHARPE RATIO	0.2	0.5	
SINCE INCEPTION BETA	1.8	1.0	

TOP TEN HOLDINGS

	% OF PORTFOLIO
COMMONWEALTH BANK OF AUSTRALIA	3.2
TELSTRA CORP LTD	3.2
RIO TINTO LTD	3.2
AUSTRALIA & NEW ZEALAND BANKING GROUP LTD	3.1
CSL LTD	2.9
NATIONAL AUSTRALIA BANK LTD	2.9
FORTESCUE METALS GROUP LTD	2.8
MEDIBANK PVT LTD	2.7
SONIC HEALTHCARE LTD	2.7
COLES GROUP LTD	2.7
NUMBER OF SECURITIES	85
% OF PORTFOLIO FOR TOP 10 CURRENT HOLDINGS	29.4
% OF NON-BENCHMARK PORTFOLIO HOLDINGS	0.2

CURRENT POSITIONING - REGION

ABSOLUTE



■ AU/NZ	94.6%
■ NAM	4.2%

CURRENT POSITIONING - SECTOR

ABSOLUTE



■ MAT	26.7%
■ FIN	18.7%
■ STP	14.8%
■ HTH	13.5%
■ COM	5.6%
■ TCH	5.2%
■ IND	4.6%
■ REI	4.2%
■ DIS	2.8%
■ UTL	1.5%
■ ENR	1.1%

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Returns that include the most recent month are preliminary. All returns are calculated on an annualised basis using exit price to exit price with distributions reinvested, net of management costs, transaction costs. All return calculations exclude any individual taxes payable by the investor and all other fees and rebates disclosed in the relevant product disclosure statements available on our website or by calling us. The 'distribution' component is the amount paid by the way of distribution, which may include net realised capital gains. Portfolio holdings are subject to change and should not be considered a recommendation to buy or sell individual securities. Reference to the benchmark is for comparative purposes only and is not intended to indicate that the Fund will contain the same investments as the benchmark. Investors have the opportunity for losses as well as profits. Past performance is no guarantee of future results. Past performance may differ significantly from future performance due to market volatility. Index Source: Copyright © 2021, Standard & Poor's Financial Services LLC. All rights reserved.

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QUARTERLY REVIEW

Fund Performance and Activity

Being a geared fund with a target leverage of 55%, the fund gained 18.5% gross of fees in the June quarter, primarily attributable to the impact of gearing. The underlying portfolio was in line with the benchmark¹ for the quarter. Stock selection detracted whereas sector allocations provided some positive offset.

Key sources of negative active return included a combination of stock selection and an overweight position in consumer staples, stock selection and an underweight position in consumer discretionary, and stock selection in communication services. Leading declines within these sectors respectively included a position in Costa Group Holdings, a lack of exposure to Aristocrat Leisure, and an investment in Chorus. Contributors included a combination of stock selection and an overweight position in materials, stock selection in health care, and a combination of stock selection and an underweight position in energy. Leading advances within these sectors in turn included a position in Brickworks, a holding in ResMed, and a lack of exposure to Woodside Petroleum.*

Approximately 46% of the portfolio was held in the lowest beta stocks, compared to roughly 29% for the index. The effect of the portfolio's exposure to the lowest beta quintile was negative, detracting 89 bps.

Key Holdings²

Positive

Our underweight to Resmed Inc., a leading digital health company, was rewarded with 33 basis points of active return. The American medical equipment company participated in the rally in healthcare, which rebounded after a tough first quarter. Resmed's shares rose 30% on the accelerated awareness on the importance of respiratory health, increased acceptance of digital health, and a heightened focus on home-based healthcare.

Negative

Our exposure to Costa Group Holdings, an Australia-based grower, packer and marketer of fresh fruit and vegetables, cost the portfolio 40 basis points of active return. Share prices plummeted 30% over the period, as escalating trade tensions with China, a key trading partner, clouds the outlook for future revenue streams for the business. Additionally, plans to acquire additional citrus crops, and the associated acquisition costs, have squeezed margins.

Market Review

In the second quarter of 2021, the S&P/ASX 300 Accumulation Index rose 8.5%³. Equity markets were buoyant on an economic recovery that exceeded all expectations. The V-shaped bounce-back in GDP catapulted current levels of output above pre-pandemic levels. The Australian economy benefited from the robust rebound in business investment, higher commodity prices, most markedly iron ore, and strong demand for resource exports. Additionally, the recovery in employment was far sharper than anticipated, thrusting employment levels above pre-coronavirus heights. Australia is one of the few countries that has not only emerged from the pandemic but is also transitioning from recovery mode to expansionary mode. Much of the unexpected strength of the recovery has been underpinned by unprecedented fiscal and monetary policy measures and effective containment of the virus. However, the emergence of the new, highly contagious Delta variant revealed some chinks in the armour, most notably, the country's sluggish vaccination rollout. Despite earning international praise for effectively reigning in the virus early on, only about 7 per cent of Australians are fully vaccinated, leaving much of the population susceptible to the highly transmissible Delta variant. The rapid spread of the virus prompted new restrictions, leaving half the nation's population and four large cities under lockdown. Bond yields steadied as some central banks, most notably the Federal Reserve, adopted a more hawkish tilt. The prospect of central bank tightening and advancing the timing of rate hikes seems to have flattened the yield curve and diminished longer-term inflation expectations.

From a sector perspective, information technology (+12.1) was the best performing sector, followed by consumer discretionary (+11.6%), and telecommunication services (+11.1%). Information technology was propped up by low yields and on the prospect of policy shifts to reign in runaway inflation. Most notably, the Fed, oftentimes a beacon for other central banks, edged closer to dialling back its pandemic-era stimulus. Consumer discretionary posted strong gains over the quarter, led by a shift in consumer spending, including strong demand for private transport. Real estate also outperformed for the quarter (10.7%), as the housing market soared past pre-pandemic peaks on ultralow interest rates and accumulated household savings. Utilities (-4.5%) was the worst performing sector as low power prices and pressure on businesses to take a greener approach weighed on the sector.

Outlook and Strategy

Australia's economic recovery from the pandemic-induced recession has been sharper and faster than expected on buoyant consumer spending, a tightening job market, and extraordinary policy support. Massive stimulus has boosted Australia's A\$2 trillion economy above pre-pandemic heights. In May, the OECD raised Australia's 2021 real GDP growth to 5.1%, up 0.06% from its March forecast. This positive trend was echoed at the RBA's July meeting. The central bank telegraphed that the economic outlook is more favourable than previously anticipated and that the nation has turned the corner from recovery to expansion. Domestic consumption is expected to remain high on a healthy job market, rising incomes, declining savings rates, and substantial liquidity buffers. Additionally, wealth effects from higher housing prices may further boost household spending. However, the end of the wage subsidy and benefit supplement in 2021 could be a headwind to momentum. Investment growth is projected to remain resilient, supported by public spending, private investment prompted by government incentives, and lower borrowing rates. Downside risks to the outlook include ongoing trade tensions with China, travel restrictions, and potentially destabilising consequences when policy support is pared back. The Reserve Bank of Australia took the initial steps to unwind its massive stimulus in response to a stronger-than-expected revival and improving outlook as the economy transitions from recovery to expansion, unemployment continues its downward trend, and labour force participation has hit record highs. The central bank telegraphed that it would begin tapering its weekly purchases of Australian government bonds from the current A\$5 billion to A\$4 billion in September. Additionally, the bank will hold the cash rate steady at a record low 0.1% as inflation and wage outcomes remain subdued. On the fiscal front, new measures were introduced to facilitate the expansion, including tax relief extensions for low and middle-income individuals and businesses, additional support for job seekers, and increased spending on health, aged care, the national disability insurance scheme, childcare, and infrastructure. A downside risk to the outlook is the new, highly contagious Delta variant that is sweeping the country.

As a result of the country's sluggish vaccination rollout, only about 7 per cent of Australians are fully vaccinated, leaving much of the population susceptible to the highly transmissible variant. The rapid spread of the virus prompted new restrictions, leaving half the nation's population and four large cities under lockdown.

*This should not be considered a recommendation to buy or sell any specific security. ¹S&P/ASX 300 Accumulation Index - Total 05/11/2018 To Present. ²Top contributing/detracting individual positions over the period as measured by basis point impact. ³Returns in locally stated terms. 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 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.au

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