Managed Volatility

Responsible Investment Leader 2021

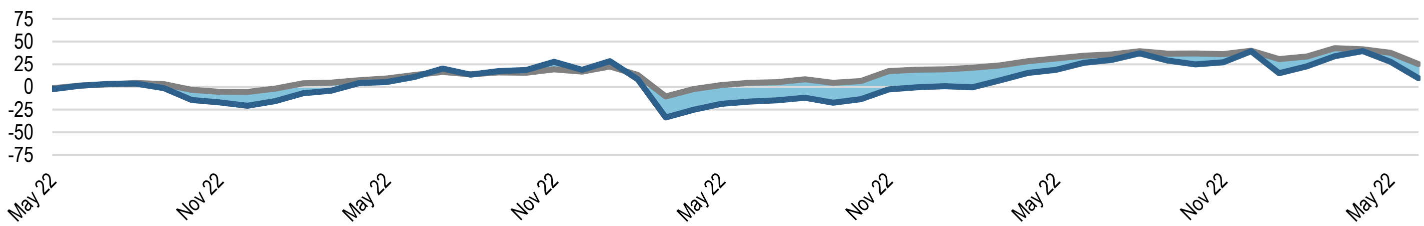
ACADIAN WHOLESALE GEARED AUSTRALIAN EQUITY

JUNE 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	0.8554
Product Size	$291 million
Benchmark	S&P / ASX 300 Accumulation Index

CUMULATIVE PERFORMANCE



PERFORMANCE

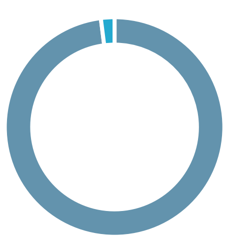
	FUND (NAV)	BENCHMARK	VALUE-ADDED VS.BENCHMARK
One Month Return	-14.1	-9.0	-5.1
Three Month Return	-18.1	-12.3	-5.8
Year-to-Date Return	-21.4	-10.4	-11.0
One Year Annualized Return	-13.4	-6.8	-6.6
Three Year Annualized Return	-0.4	3.4	3.0
SINCE INCEPTION ANNUALIZED RETURN	2.3	5.6	-3.3
SINCE INCEPTION SHARPE RATIO	0.1	0.3	
SINCE INCEPTION BETA	1.8	1.0	

TOP TEN HOLDINGS

	% OF PORTFOLIO
COLES GROUP LTD	3.6
BHP GROUP LTD	3.6
MEDIBANK PVT LTD	3.5
TELSTRA CORP LTD	3.5
WOOLWORTHS GROUP LTD	3.4
CSL LTD	3.4
SONIC HEALTHCARE LTD	3.4
AUSTRALIA & NEW ZEALAND BANKING GROUP LTD	3.0
COMMONWEALTH BANK OF AUSTRALIA	3.0
RIO TINTO LTD	2.7
NUMBER OF SECURITIES	78
% OF PORTFOLIO FOR TOP 10 CURRENT HOLDINGS	32.9
% OF NON-BENCHMARK PORTFOLIO HOLDINGS	0.8

CURRENT POSITIONING - REGION

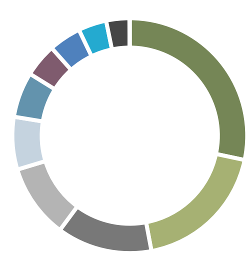
ABSOLUTE



AU/NZ	96.1%
NAM	2.0%

CURRENT POSITIONING - SECTOR

ABSOLUTE



MAT	27.8%
STP	18.3%
FIN	12.8%
HTH	10.0%
IND	7.1%
COM	6.1%
TCH	4.5%
ENR	4.4%
REI	3.8%
UTL	3.1%
DIS	0.0%

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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:

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QUARTERLY REVIEW

Fund Performance and Activity

The fund returned -18.1% in the June quarter net of fees and gearing, underperforming the benchmark by 5.8%. On an ungeared basis, the underlying portfolio returned -7.6%[1] gross of fees, outperforming the benchmark by 4.7%, therefore the impact of gearing was the key driver of underperformance. Stock selection and sector allocations contributed to returns.

Key sources of positive active return included a combination of stock selection and an overweight position in consumer staples, stock selection in information technology, and stock selection in materials. Detractors included stock selection in healthcare. Approximately 51% of the portfolio was held in the lowest beta stocks, compared to roughly 25% for the index. The effect of the portfolio's exposure to the lowest beta quintile was Positive, contributing 285 bps.

Key Holdings[2]

Positive

Our overweight to Viva Energy Group Ltd, an Australia-based energy company, was rewarded with 63 basis points of active return as share prices gained 25.1% over the quarter. In the second quarter, the company's total group sales volumes increased 7.5% from the year ago quarter. Viva benefited from a strong global demand for refined products, particularly diesel, amid refinery closures and reduced exports from China.

Negative

A lack of exposure in Transurban Group, an Australia-based toll-road operator, cost the portfolio 38 basis points of active return as share prices jumped 4.4% in the period. The company has been benefiting from the high inflation levels due to its pricing power. Almost two-thirds of its revenues are linked to the inflation rate. Notably, for the first six months of the year, the company paid 26 cents per stapled security.

Market Review

The second quarter of 2022 was another challenging period for Australian equities (S&P/ASX 300 Accumulation Index) as a range of global events took a toll on markets, resulting in a return of -12.2%. Inflation soared across all developed markets as many central banks have taken a strong stance against the spiraling inflation including the Fed, which hiked lending rates by as much as 75 basis points and the Reserve Bank of Australia, which announced a rate hike of 50 basis points at the end of the quarter. As investors grappled with the very real possibility of an impending recession, markets reflected the sentiment as all major indices reported a poor to sub-par quarter. Chinese stocks were the only bright spot as COVID-19-induced lockdowns were finally lifted in the country. However, the Asian giant's economic growth predictions have taken a major hit and the country announced a US$75 billion fund to get things back on track. In Europe, Finland and Sweden were granted membership to NATO. The membership had underlying tones of bolstering support to Ukraine (which shares borders with both nations) as the invasion by Russia continued to rage in the country. The ramifications of sanctions against Russia emerged as the country defaulted on bond yield payments for the first time since 1918. The ban on the exports of energy, food and other commodities from the country also contributed to fuel surging prices across the globe.

From a sector perspective, information technology (-26.3%) was the biggest detractor, as all major technology stocks of the world took a major hit during the quarter. The underperformance of the sector, led by major technology names, pulled the S&P 500 into bear territory during the quarter. Real estate (-17.49%) was the second biggest detractor, amidst rising construction costs due to inflation. Utilities (1.7%) was the leading contributor during the period.

Outlook and Strategy

Rising inflation, the war in Ukraine, and recession fears have made for a season of anxiety. Many central banks are increasing rates in hopes of getting inflation under control. This comes with some risk, especially since global growth appears to be weakening. In Ukraine, it remains unclear when, how, or if a durable peace will be achieved. In addition to the human cost, this has also led to upheaval in the commodity markets and a dampening of economic growth. Six months ago, the OECD predicted that 2022 was on track for mid-4% global growth; now that figure is a less buoyant 3%. The OECD cites the war in Ukraine and China's zero COVID policy as the primary causes for the dramatic reduction in expectations. Inflation, brought on by a range of factors, including supply-chain problems and surging commodity prices, has risen to levels not seen in years. There are signs of some relief here: commodity prices have retreated somewhat of late and data from the New York Fed tentatively suggests the global supply-chain pressures may have already peaked. In the U.S., inflation rose to 8.6%. In the euro zone, the inflation rate is 8.1%. Across the OECD as a whole, average inflation in April (the most recent month available) rose to 9.2%. Investors are left to wonder whether inflation can be subdued without inducing a recession.

The Reserve Bank of Australia (RBA) 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. The Australian 10-year Treasury bond yields continued to rise, and investors should prepare for further uncertainty, as June's realized volatility for benchmark bond futures climbed to the highest level since March 2020. The Australian dollar had a difficult quarter as well and fell by 8% against the U.S. dollar. However, the government remains confident the economy can withstand this difficult time as unemployment remains at five-decade lows of 3.9% and job vacancies are at all-time highs.

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[1]Returns for fund WGRC as reported by the Administrator (Colonial First State) and are not calculated by Acadian. [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 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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