Managed Volatility

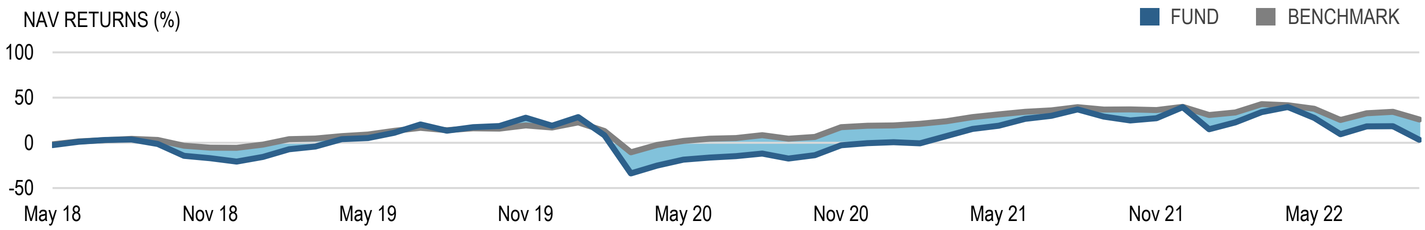
ACADIAN WHOLESALE GEARED AUSTRALIAN EQUITY

SEPTEMBER 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	0.7477
Product Size	$284 million
Benchmark	S&P / ASX 300 Accumulation Index

CUMULATIVE PERFORMANCE



PERFORMANCE

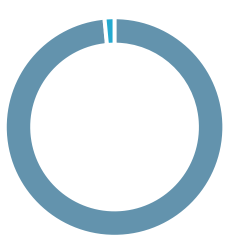
	FUND (NAV)	BENCHMARK	VALUE-ADDED VS.BENCHMARK
One Month Return	-12.7	-6.3	-6.4
Three Month Return	-5.7	0.5	-6.2
Year-to-Date Return	-25.9	-10.0	-15.9
One Year Annualized Return	-19.9	-8.0	-11.9
Three Year Annualized Return	-4.2	2.7	-6.9
SINCE INCEPTION ANNUALIZED RETURN	0.7	5.4	-4.7
SINCE INCEPTION SHARPE RATIO	0.0	0.3	
SINCE INCEPTION BETA	1.8	1.0	

TOP TEN HOLDINGS

	% OF PORTFOLIO
MEDIBANK PVT LTD	3.8
CSL LTD	3.5
BHP GROUP LTD	3.4
AUSTRALIA & NEW ZEALAND BANKING GROUP LTD	3.4
TELSTRA CORP LTD	3.3
WOOLWORTHS GROUP LTD	3.2
COLES GROUP LTD	3.2
SONIC HEALTHCARE LTD	3.2
COMMONWEALTH BANK OF AUSTRALIA	3.1
NATIONAL AUSTRALIA BANK LTD	2.9
NUMBER OF SECURITIES	85
% OF PORTFOLIO FOR TOP 10 CURRENT HOLDINGS	33.1
% OF NON-BENCHMARK PORTFOLIO HOLDINGS	0.4

CURRENT POSITIONING - REGION

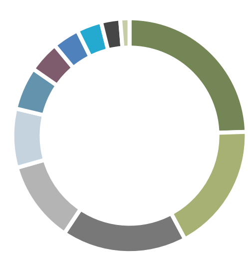
ABSOLUTE



AU/NZ	95.9%
NAM	1.4%

CURRENT POSITIONING - SECTOR

ABSOLUTE



MAT	23.8%
FIN	17.2%
STP	16.8%
HTH	10.9%
IND	7.9%
COM	5.7%
ENR	4.2%
REI	3.6%
TCH	3.3%
UTL	2.6%
DIS	1.2%

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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:

ACADIAN WHOLESALE GEARED AUSTRALIAN EQUITY

QUARTERLY REVIEW

Fund Performance and Activity

The fund returned -5.23%[1] gross of fees in the September quarter, underperforming the benchmark by 5.68%, therefore the impact of gearing contributed to underperformance. Stock selection as well as sector allocations detracted from returns.

Key sources of negative active return included a combination of stock selection and an overweight position in consumer staples, a combination of stock selection and an overweight position in materials, and a combination of stock selection and an overweight position in healthcare. Contributors included stock selection in industrials, stock selection in financials, and stock selection in communication services. Approximately 55% 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 146 bps.

Key Holdings[2]

Positive

A lack of exposure in Transurban Group, an Australia-based toll-road operator, was rewarded with 32 basis points of active return as share prices declined 14.6% over the quarter. The stock suffered due to a broad-based equity sell-off toward the end of the third quarter on rising recession fears in the US.

Negative

Our overweight to Graincorp Ltd, an Australian agribusiness firm, cost the portfolio 32 basis points of active return as share prices slumped 17.1% in the period. Fears related to a global slowdown have been hurting grain demands and in turn, the company's stock.

Market Review

Australian equities (S&P/ASX 300 Accumulation Index) eked out a gain of 0.4% in Q3 2022, notwithstanding extreme volatility, record-high inflation and adverse global events that took a toll on the markets. After rallying in July, world stocks lost a whopping $9 trillion in value during the sell-off in August and September. In a familiar pattern, mounting inflation, rising COVID-19 cases in China, a surging U.S. dollar, and escalating trade concerns with Russia weighed on the global markets. Major central banks across the world hiked interest rates to curb inflation, despite fears that this could tip the global economy into a recession. In particular, the Fed continued its aggressive rate hiking, sending global markets into turmoil. As estimates for the Eurozone's inflation rate rose to 9.6% due to surging food and energy prices, the European Central Bank also raised its key interest rate by 75 bps. In addition, Russia halted gas flows to Germany via Nord Stream 1, further intensifying European energy concerns. Meanwhile, a slowdown in China's property sector and declining factory activity has weighed on its economic growth, impacting emerging markets. In Australia, the Reserve Bank of Australia (RBA) went on the offensive, raising rates by a total of 150bps in the third quarter. Economists believe the official cash rate could touch 3.35% before the year ends as the RBA seeks to contain Australia's inflation at 2-3% while keeping the economy stable. This monetary tightening has led to an erosion in house prices in Australia—a trend seen in the last five consecutive months—which fell 5.5% from the peak. Steadily declining housing prices, elevated consumer prices and high interest rates are likely to weigh on private spending. By the end of the quarter, the Australian 10-year government bond yield had edged 83bps higher from the previous quarter to 3.89%. Despite all the setbacks, the Australian economy remained resilient, with the unemployment rate continuing to fall while wages increased. Stable household consumption and recovery in services exports also aided the Australian economy. Economists believe a slowdown in consumption in Australia is likely to be gradual and not abrupt, due to tight labour market conditions. Food prices in Australia have been soaring at the fastest pace among all consumer goods amid record-high cost of living. Floods on the east coast earlier this year have pushed up food prices to levels not seen in years.

From a sector perspective, utilities (-12.5%) was the largest detractor. As central banks raised rates across the world, utility stocks underperformed. Real estate (-6.7%) was the second-largest detractor amid rising construction costs, due to inflation. Energy (5.9%) was the leading contributor during the period.

Outlook and Strategy

After rallying to start the second half of the year, global stocks fell for much of September, as concerns over aggressive central bank tightening as well as ongoing geopolitical issues weighed on global growth expectations. The OECD noted that world economies are slowing more than it had previously anticipated. As of September, it estimated global GDP growth of 3% in 2022 and only 2.25% in 2023. In the U.S., the equity market's slide reflected growing resignation among investors that the Federal Reserve is unlikely to soften its hawkish stance until there is significant evidence that inflation is truly in check. The dollar has risen significantly as the Fed has rapidly pushed U.S. rates higher. That, combined with anxiety about a global slowdown, has caused commodity prices to fall. Oil, which had traded above $120 (WTI) as recently as June, retreated below $80 by quarter end. Russian oil continued to be purchased – at discounted prices – by China and India. The war in Ukraine continued to dominate geopolitical headlines. By quarter end, Russian President Vladimir Putin had announced a partial mobilization of Russian forces, which was soon followed by the annexation of four Ukrainian provinces. The two Nord Stream pipelines, which send natural gas from Russia to Germany, ruptured in late September. While neither pipeline was operational at the time, the mysterious event further underscored the fragility of Europe's energy security.

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 RBA seeks to bring Australia's inflation into the 2-3% range while keeping the economy stable. The central bank expects Australia's economy to grow steadily this year. The GDP is expected to grow 3.8% in 2022, and approximately 1.8% in 2023 and 2024. The RBA remains confident that strong labour demand is likely to push unemployment even lower to 3.7% by the end of this year while the job vacancies are expected to remain at all-time highs.

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[1]Returns for this fund 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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