Aspect Absolute Return Fund - Class A

Colonial First State

aspect capital

Quarterly performance report - 31 December 2022

Key data

APIR code	FSF3532AU	**Investment objective**	To produce consistent absolute returns that are independent of overall movements in traditional stock and bond markets. The fund aims to provide a return greater than the Reserve Bank of Australia cash rate over rolling three-year periods after fees and taxes.
Inception date	6/12/2017		
Total Management cost ^	0.98%		
Management cost *	0.62%		
Estimated Performance Fee	0.36%		
Performance fee	10.00%		
Buy / Sell spread	nil / nil		
Product size	$24.97 million		
Exit unit price	0.9801		
Distribution Frequency	Half Yearly		
Morningstar ticker	42093	**Minimum suggested timeframe**	At least 5 years

Strategy

The option aims to maximise diversification by spreading risk evenly across three uncorrelated investment themes; Momentum, Carry and Value, with no single theme dominating the return profile. The strategy employs a quantitative process to determine a view of the opportunities across the three investment styles. By maintaining a comparatively small exposure to any individual contract, Aspect achieves sector and contract diversification, thereby exploiting a wide range of opportunities and maximising expected long-term risk-adjusted returns.

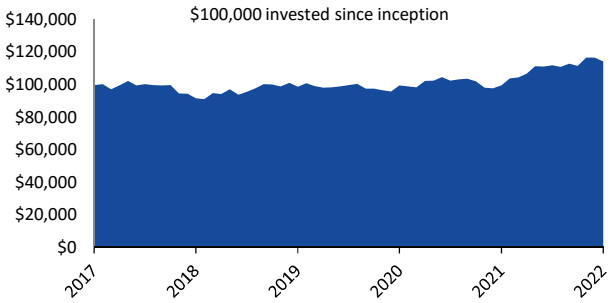
Performance

	December	3 months	6 months	1 year	2 years	3 years	5 years	Since inception
Total Net Return	-1.99%	2.49%	2.10%	14.71%	7.17%	4.97%	2.75%	2.66%

Risk measures

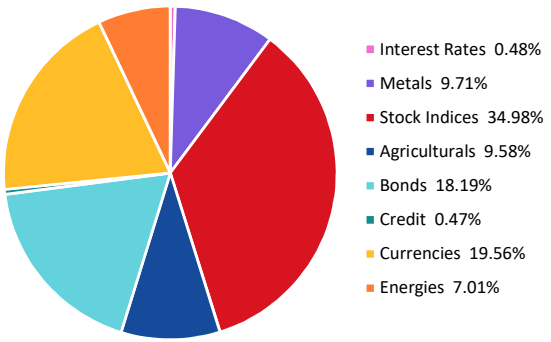
	1 year	2 years	3 years	5 years	Since inception
Fund standard deviation	9.74%	8.92%	8.03%	8.07%	8.02%

Performance charts

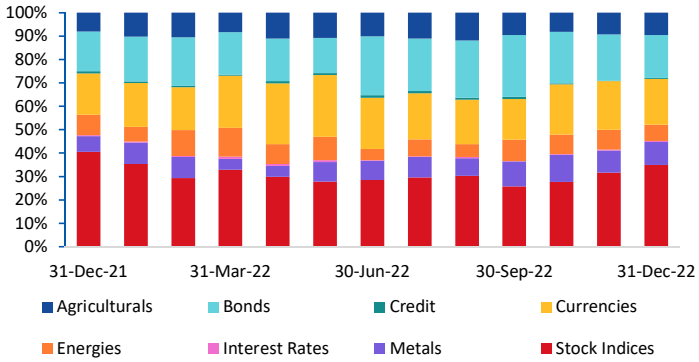


Performance contribution***

Risk allocation snapshot (as at 31-Dec-2022)**



Risk allocation by sector (last 12 months)**



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 risk is broken down by sector at each point in time based on the proportion of total undiversified value-at-risk from each sector; correlation effects are not taken into account.

*** The sector performance contribution displayed in this graph is intended to be indicative and give an estimate of winning and losing components of the Fund. It does not include management fees, cash and other expenses and as such, will not add up to the aggregate Fund performance. All performance figures contained in this document refer to the Aspect Diversified Futures Fund. This performance is based on information believed to be accurate. It has not been audited by a third party.

^ This estimated performance fee has been calculated on a per annum basis from the fund's inception (December 2017) to 31 December. Please refer to the PDS for the actual performance fee paid in the last 12 months to 31 December. As past performance is no indicator of future performance, the performance fee, if any, charged in the future may differ.

* Calculated on the dollar value of positive performance (less carried forward negative performance) generated on the futures and forwards trading accounts.

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Top markets

Market	Sector	Position
Japanese 10Y Bond (mini)	Bonds	Short
NASDAQ 100 Index	Stock Indices	Short
S&P 500 Index	Stock Indices	Short

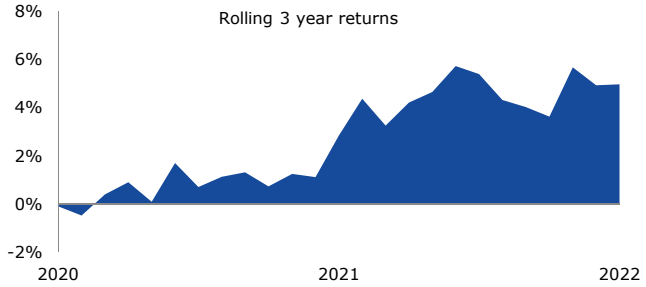
Bottom markets

Market	Sector	Position
Korean Kospi 200 Index	Stock Indices	Long
German 10Y Bund	Bonds	Long
Gold	Metals	Short

Net monthly performance (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2017													
2018	0.52%	-3.12%	2.41%	2.68%	-2.72%	0.82%	-0.41%	-0.26%	0.25%	-5.16%	-0.25%	-3.00%	-8.23%
2019	-0.45%	3.94%	-0.57%	3.11%	-3.31%	1.78%	2.17%	2.62%	-0.05%	-1.31%	2.04%	-2.08%	7.89%
2020	1.98%	-1.69%	-0.89%	0.23%	0.55%	0.76%	0.74%	-2.92%	0.10%	-1.07%	-0.73%	3.82%	0.71%
2021	-0.63%	-0.55%	3.96%	0.22%	2.06%	-2.13%	0.90%	0.26%	-1.48%	-3.67%	-0.65%	2.05%	0.12%
2022	4.07%	0.65%	2.19%	4.44%	-0.30%	0.80%	-0.95%	1.79%	-1.20%	4.65%	-0.08%	-1.99%	14.71%

Rolling returns



Commentary

The Fed issued a widely anticipated 50 percentage point rate hike, as signs pointed to slowing inflation, whilst retaining a hawkish tone that echoed that of other major central banks. Stock markets finished the month down, capping a year of sizeable losses that have been fuelled by aggressive rate hikes from many central banks in a bid to fight soaring inflation. December saw major US stock indices record their worst one-year declines since the 2008 financial crisis as a result. Yields on government bonds broadly continued their upward trend; the US ten-year yield closed out the trading year with its largest annual increase in decades. In commodities, positive market sentiment grew from China's easing of COVID restrictions, despite rising cases.

The Fund's net short bond exposure was profitable as global government bond yields followed the US' trend higher. Losses from the Fund's long positions in stock indices outweighed gains from short positions, leading to losses from the sector. Profits from currencies were muted.

The Fund generated positive performance in energies particularly from short positions in European natural gas, as warmer than usual weather has helped preserve reserves and put downward pressure on prices. The Fund struggled to generate performance in the other commodity sectors as losses from shorts outweighed gains from long positions as commodity sentiment increased amid China's reopening.

Want more information?

To find out more about this Fund, please contact your local Business Development Manager, Adviser Services on 13 18 86 (8:30am to 6pm Sydney time) or visit www.cfs.com.au/investments

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