

First Sentier Multi-Asset Real Return Fund



First Sentier
Investors

Formerly the Colonial First State Multi-Asset Real Return Fund-Class A

Quarterly Factsheet

30 June 2023

Portfolio Description

The Fund provides exposure to a diverse range of investment types, allocating across a number of asset classes within the one portfolio.

Investment Strategy

The fund has an objective based approach that it implements through dynamic management across asset classes in order to maximise the likelihood of achieving the real return objective whilst minimising deviations from that target. This approach allows the portfolio to respond to changing market environments, both capturing opportunities and managing risks relative to the objective. The investment process integrates responsible investment (RI) considerations, utilising RI factors to generate a more consistent return profile over time in line with the overall objectives of the fund.

These RI factors include an extensive list of ethical (values) screens, proxy voting and proactive company engagement that contribute to long term return drivers and risk management.

The fund may use derivatives for risk management or return enhancement and may hedge some or all of its currency exposure.

Key Investment Personnel and Experience (Industry / Firm)

Kejal Somaia	Co-Head, Multi-Asset Solutions	(2000 / 2006)
Andrew Harman	Head of Multi-Asset Solutions	(2008 / 2008)

Product Overview

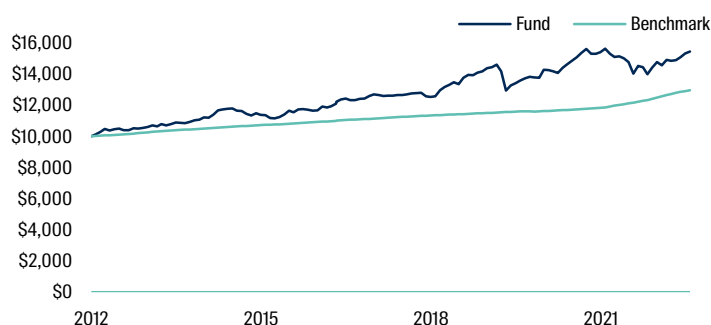
APIR code	FSF1422AU
Inception date	03 December 2012
Fund Size (A\$)	19 million
Benchmark	AU CPI Trimmed Mean
Buy / Sell spread	0.20% / 0.20%
Minimum investment (A\$)	25,000
Management fees and costs (p.a.)*	0.81%

* Information on Management fees and costs (including estimated indirect costs) is set out in the Fund's PDS.

Performance Summary (%)

Period	3mth	1yr	3yr	5yr	7yr	10yr	SI
Net return	3.7	10.1	4.4	4.0	4.1	3.9	4.1
Benchmark return	1.3	6.6	3.7	2.8	2.6	2.5	2.4
Excess net return	2.4	3.5	0.6	1.2	1.5	1.5	1.6
Income return	3.6	5.0	4.7	4.1	3.9	3.7	3.6
Growth return	0.1	5.2	-0.3	0.0	0.2	0.2	0.5

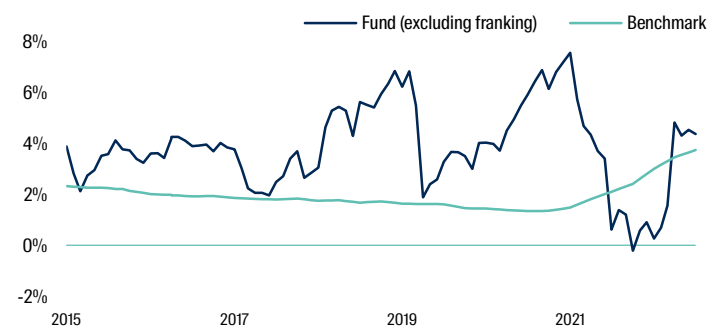
Growth of AUD 10,000 Investment Since Inception



Investment Objective

To deliver an investment return of 4.5% pa above inflation over rolling five-year periods before fees and taxes. Inflation is defined as the Reserve Bank of Australia's Trimmed Mean, as published by the Australian Bureau of Statistics.

Rolling 3 year return (%)



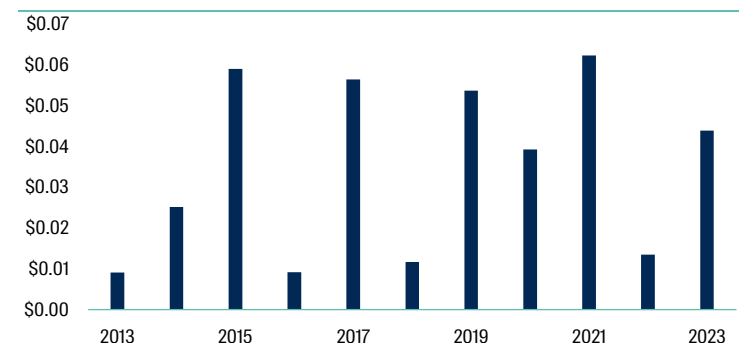
Asset allocation

- Australian Bonds 0.0%
- Australian Equities 0.0%
- Commodities 0.0%
- Global Bonds 0.0%
- Global Equities 0.0%
- Cash 0.0%

RIAA Certification

The First Sentier Multi-Asset Real Return Fund has been certified by the Responsible Investment Association Australasia according to the strict operational and disclosure practices required under the Responsible Investment Certification Program. See www.responsibleinvestments.com.au for details.¹

Distributions



Performance returns are calculated net of management fees and transaction costs. Performance returns for periods greater than one year are annualised. Past performance is not a reliable indicator of future performance. Data source: First Sentier Investors 2023 Data as at: 30 June 2023

Fund performance

The First Sentier Multi-Asset Real Return Fund posted a return of 3.69% (net of fees) for the second quarter of 2023, outperforming inflation (Australian CPI Trimmed Mean) by 2.39%. The most recent quarterly CPI print in Australia was 1.2% quarter-on-quarter (6.6% annualised) for March 2023.

Within our investment process we have two building blocks. The first, which we call Neutral Asset Allocation (NAA), sets longer-term asset allocations. The second part, which we call Dynamic Asset Allocation (DAA), allows us to exploit shorter-term opportunities and better manage portfolio risk. The NAA is expected to deliver the majority of performance over the investment horizon, although this will vary over short-time periods such as one month.

The NAA provided a positive performance contribution as equities (0.4%), corporate bonds (0.3%) and government bonds (0.5%) rose over the quarter, while commodities detracted 0.2%.

DAA positions added (0.2%) over the quarter.

During the quarter, the portfolio held protective put options on the S&P 500 to mitigate drawdowns in a significant sell-off. In addition, we also held call options to enable the portfolio to participate in and benefit from a market rally, without taking downside risks. These positions added 0.5% and were closed during the quarter.

Market Review

The June quarter provided optimism across equity markets, with developed markets delivering strong returns while emerging markets finished broadly flat. Returns from government bond yields were less encouraging and are still yet to recover the ground lost over 2022.

At the beginning of April, consensus forecasts suggested the Federal Funds rate would peak below 5% and that an additional hike in May was likely to be the last for the foreseeable future. Interest rate forecasts rose during the quarter, however, against a background of persistently high inflation and as officials refused to rule out the possibility of further policy tightening. In fact Jerome Powell, Chair of the Federal Reserve, indicated that two or three additional rate hikes might be necessary. The increasing likelihood that borrowing costs will be raised further pushed bond yields higher in most major regions. Benchmark 10-year Treasury yields in the US rose 0.37% over the quarter, resulting in negative returns from global bond indices. There were even more substantial moves in the UK, where yields on 10-year gilts soared 90 bps. UK base rates were raised by 0.25% in May and by a further 0.50% in June, but investors continued to revise their interest rate expectations higher following the release of higher-than-expected inflation readings. The Eurozone is the one exception to the inflationary trend among major developed markets, with a number of inflation prints coming in lower than the market had expected. Ten-year government bond yields in Germany rose by only 0.10% over the quarter; far less than the moves seen in the US Treasury and UK gilt markets. Ten-year Japanese Government Bond yields rose 0.07% over the quarter, closing June at 0.39%.

Most major share markets worldwide made positive progress over the June quarter. The Japanese Nikkei was by far the best performing market in local currency terms, rising by 18.4% in the three-month period. It has also been the best performer calendar year to date. This was a result of interest rates remaining low while the yen weakened versus other major trading partners, and the Bank of Japan maintained its yield curve control policy. Bourses in the US also performed well, with the S&P 500 rising by 8.7% in local currency, almost entirely driven by growth stocks. European bourses were less impressive, with the Euro Stoxx 50 rising by only 2.0%. The UK FTSE 100 however detracted over the period by 1.3%.

In Australia, the Reserve Bank left interest rates alone in their April meeting – the first pause since hikes began in May 2022. This was however followed by an increase in the official interest rate at both the May and June meetings. Policymakers remain concerned about high inflation and the outlook for consumer prices. Headline inflation moderated to an annual rate of 5.6% in May, but remains well above the target. Employment trends have been resilient, despite higher borrowing costs for firms. More than 75,000 new jobs were created in May – more than four times the consensus forecast – and the unemployment rate fell to 3.6%. For the first time, the number of people employed in Australia rose above 14 million. The tight labour market continues to translate into wage pressures. Some employers are even having to offer signing-on bonuses to entice new workers. The concern for policymakers is that these influences keep inflation elevated for a prolonged period, preventing CPI from falling back within the 2% to 3% target range. Against this backdrop, investors are expecting at least one more interest rate hike in the months ahead; and more likely two. The unexpected interest rate hike took the Australian share market by surprise, eroding optimism slightly and prompting investors to reconsider their forward-looking corporate earnings forecasts. The local share market registered a decent increase over the period, with the S&P/ASX 200 Accumulation Index rising by 1.2%. Sentiment was supported by stronger bulk commodity prices and lower-than-expected local inflation. The latest interest rate hike boosted the Australian dollar. The currency closed the month down 0.31% against the US dollar, up 8.3% against the Japanese yen, and up 2.3% against a trade-weighted basket of other international currencies.

Portfolio positioning

We regularly monitor and review the funds we offer to ensure they are meeting the needs of our investors. We've identified that the number of investors has reduced significantly in the First Sentier Multi-Asset Real Return Fund. For this reason, we have determined that it is in the best interests of the remaining investors to terminate the fund. The Fund's holdings were liquidated during the quarter.

www.firstsentierinvestors.com.au

For further information

Personal investors

Speak with your Financial Adviser whether our products are appropriate, in light of your investment needs, objectives and financial situation.

Download Product Disclosure Statements from below website link.

www.firstsentierinvestors.com.au/individual-pds

1. The Responsible Investment Certification Program does not constitute financial product advice. Neither the Certification Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Appropriate professional advice should be sought prior to making an investment decision. RIAA does not hold an Australian Financial Services Licence.

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Total returns shown for the Fund or any Portfolio have been calculated using exit prices after taking into account all ongoing fees and assuming reinvestment of distributions. No allowance has been made for taxation. Past performance is no indication of future performance.

The product disclosure statement (**PDS**) and Information Memorandum (**IM**) for the First Sentier Multi-Asset Real Return Fund, ARSN 161 207 165 (**Fund**) issued by Colonial First State Investments Limited (ABN 98 002 348 352, AFSL 232468) (**CFSIL**) should be considered before making an investment decision. The PDS or IM are available from First Sentier Investors on its website. The target market determination (**TMD**) for the Fund is available from First Sentier Investors on its website and should be considered by prospective investors before any investment decision to ensure that investors form part of the target market.

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