

# Adviser Investment Series

## Wholesale Future Leaders Fund

September 2019

For adviser use only

The Colonial First State Wholesale Future Leaders Fund (the Fund) provides investors with exposure to a broad selection of high quality, small-cap Australian listed companies that are expected to provide long-term capital growth.

### Benefits of investing Small and Mid-Cap Companies

There are several benefits from investing in a portfolio of small and mid-cap companies.

#### An inefficient market with alpha opportunities

Market inefficiencies can be large in small and mid-cap stocks as they tend to be under-researched and relatively unknown in the market given their developmental stage. Investing in the right companies at this early stage can create large alpha opportunities.

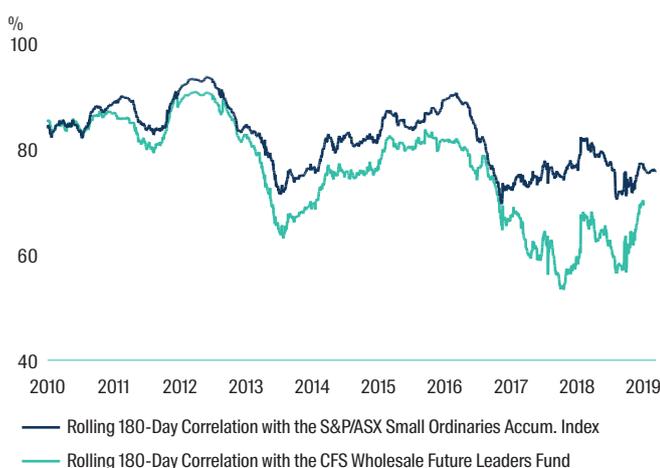
#### Opportunities to co-invest in companies

The limited liquidity in small and mid-cap companies can also provide the opportunity to co-invest in the company. These opportunities are typically restricted to large institutional investors and have the potential to be highly profitable.

#### Historically lower correlation with the broader market

The limited correlation between small and mid-cap companies and the broader market makes it a pure stock pickers' universe and hence, exposure to small-caps enhances multi-managers' diversification.

#### Rolling 1yr correlations with the S&P/ASX 200 Index



Source: FactSet and First Sentier Investors. Data as at January 2019.

## Advantages of investing in the Fund

### A large and experienced investment team

Our large, experienced investment team has the resources to complete deep industry analysis to better understand the drivers of return on invested capital. Our investment team understands and manages risk to deliver strong, risk-adjusted returns, and has the experience of investing over multiple market cycles.

Our analysts also have access to other specialist teams within First Sentier Investors, such as single-sector investment teams, which provide added layers of insight into research recommendations.

### A robust and proven investment process

The team believes that industry profitability dictates company profitability. We seek to identify companies which currently earn, or are expected to earn, a higher return on invested capital than the industry median, as these companies are expected to outperform their industry peers. Management capability and balance sheet strength are critical determinants in our identification of quality, small company investment opportunities outside the S&P/ASX 50 Index that are able to withstand short-term shocks. In-depth, proprietary industry and company analysis enables these opportunities to be identified.

### Access to cornerstone deals

As one of Australia's largest investment managers, the capital managed by the Australian Equities, Growth team is often sought after by small and mid-cap companies as a cornerstone investor.

### A long term investor with a focus on company engagement

Our team has the resources to make over 600 one-on-one company visits per year, in addition to over 300 meetings with other industry participants. We focus on building long-term, meaningful relationships with companies through our engagement activities, rather than just conducting interviews with senior management.

As well as our engagement with listed companies and visits to their operations on the ground, we make a significant effort to obtain information and views from non-listed companies and other unlisted participants. Insights from unlisted competitors, suppliers and industry experts, combined with our company engagement, allow the team to produce industry and stock reviews, and gain insights into the share price drivers of listed companies.

### Aligned

Our investment team is structured to provide managers and analysts with a strong sense of portfolio ownership through team focused incentives. We believe this promotes commitment and intellectual engagement, aligning our interests and success with those of our clients.

## Environmental, Social and Governance (ESG)

First Sentier Investors are a global leader in their approach to integrating ESG across all investment processes. ESG risks are considered primarily as risk factors that may place business value at risk. Companies at risk are identified using both external providers and our own internally driven research, which is based on a rigorous company meeting program.

### Objective

To provide long-term capital growth by investing predominantly in small Australian companies. The Fund aims to outperform the S&P/ASX Small Ordinaries Accumulation Index over rolling 3-year periods before fees/taxes.

### Minimum suggested timeframe

At least 7 years

### Risk



## Portfolio Managers



### Tim Canham Portfolio Manager

In his role, Tim manages a range of Small Cap Australian equities funds. Tim started his career with First Sentier Investors as a member of the Research and Information team, before moving into the Australian Equities, Growth team as an Analyst in April 2002.

Prior to joining First Sentier Investors in November 2000, Tim was a Senior Performance/Quant Analyst at Baring Asset Management in London. He began his career in 1990 at Westpac Investment Management. His last position at Westpac was as an Investment Analyst in the tactical asset allocation area.

Tim holds a Bachelor of Arts in Economics and Political Science from the University of New South Wales, and is a CFA Charterholder.

## Australian Equities, Growth Small Cap Team

The Australian Equities, Growth Small Cap team is comprised of three dedicated investment professionals led by Co-Portfolio Managers Tim Canham and Wik Farwerck. Our team of three have more than 50 years of experience between them and have managed the Colonial First State Wholesale Future Leaders Fund since June 2009.

### Strategy

We believe stronger returns are achieved by investing in growing companies that generate consistent returns and reinvest above their cost of capital. In-depth industry, stock and valuation analysis is the foundation of our process. Management quality and balance sheet strength are critical in identifying smaller companies able to withstand short-term shocks. The Fund predominantly invests in such Australian companies that also have earnings growth and high/improving returns on invested capital.

### Allocation



### Wik Farwerck Portfolio Manager

In his role, Wik manages a range of Small Cap Australian Equities Funds. Wik initially joined the Australian Equities, Growth team as a Senior Analyst, where he was responsible for a range of small cap industrial stocks.

Prior to joining First Sentier Investors in January 2006, Wik was a Senior Analyst at Linwar Securities. He also has more than six years' experience as a sell-side analyst, having previously worked for BNP Paribas Equities. Prior to that, Wik worked for more than 10 years in management consulting and accounting as a Director of Arthur Andersen.

Wik has a Bachelor of Commerce and Masters in Business Economics from the University of Amsterdam, The Netherlands.

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