

Adviser Investment Series

Wholesale

Geared Share Fund

September 2019

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The Colonial First State Wholesale Geared Share Fund (the Fund) borrows money to provide investors with a magnified exposure to large Australian companies and, through this gearing, further enhance the long-term returns from capital growth.

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.

In-depth industry and company analysis

The team believes that industry profitability dictates company profitability. We seek to identify companies that currently earn, or are expected to earn, a higher return on invested capital than the industry median, as these companies are expected to generate higher returns to shareholders over time than their industry peers. 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 Australian Equities, Growth team can have the opportunity to participate as a cornerstone investor in company capital raisings.

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.

Portfolio construction

The Fund is suitable for investors who are seeking a geared exposure to larger, quality Australian companies with attractive growth opportunities. Through this gearing, the Fund aims to magnify the long-term capital growth in excess of its benchmark over a seven-year investment horizon.

About the Fund

Fund philosophy

Our philosophy is grounded in the belief that growing companies that generate consistent returns and can reinvest above their cost of capital, will ultimately provide the greatest returns to shareholders.

We also focus on those instances where a business is encountering changes to its return on invested capital as this can represent attractive new investment opportunities or signals to take profits.

Fund process

The team of analysts seek to understand how and why investment markets are inefficient, and employ a 'full coverage' model to research and analyse a majority of stocks in the S&P/ASX 300 – even though the investment universe for this Fund is strictly the S&P/ASX 100. The analysts input each company into a proprietary stock model template using industry profitability drivers to derive financial forecasts for the company.

Wholesale Geared Share Fund

Objective

To magnify long-term returns from capital growth by borrowing to invest in large Australian companies. The Fund aims to outperform the S&P/ASX 100 Accumulation Index over rolling 7-year periods before fees/taxes.

Minimum suggested timeframe

At least 7 years

Risk



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. The Fund predominantly invests in larger, quality Australian companies with strong balance sheets, earnings growth and high/improving returns on invested capital. The Fund utilises gearing to magnify investment returns.

Allocation



Portfolio Manager



David Wilson

Deputy Head of Australian Equities, Growth

NSW

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Head Of Investment Sales
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