

Tap into Australian Shares with a Separately Managed Account

A separately managed account (SMA) can create better financial outcomes for your clients and practice.

Invest directly in the share market while retaining the active stock selection and risk management benefits of a professional investment manager.

By June 2019, Australians had allocated over \$71 billion to managed account products.¹



Falling under the managed account\ product umbrella, a SMA is effectively a customisable model share portfolio where the assets are owned directly by the investor.



Advantages for advisers
Less administration and time spent researching stocks compared to direct equity ownership, freeing your time to focus on growing your practice.



Advantages for clients
Invest with a greater ability to customise their portfolio – without the collective tax consequences of managed funds.

¹ Source: Institute of Managed Account Professionals as at 30 June 2019.

Why are more advisers turning to SMAs?



Professional and responsible security selection

Spend less time on security selection and more time growing your practice. First Sentier Investors use their proprietary research and proven methods to construct model equities portfolios which consider growth potential, diversification and environmental, social and governance (ESG) factors.



Greater flexibility to plan for individual circumstances

Direct ownership of the portfolio's underlying securities gives you more flexibility to plan for clients' individual circumstances, including tax outcomes. You can nimbly transfer your client between investments without inheriting – or being exposed to – the collective tax liability vehicles such as managed funds create.



Low transaction costs

Share transactions incur brokerage at competitive rates, or are transacted free on some platforms.



Improve your profitability

Client on-boarding and servicing is made simpler. SMAs can create less administration compared to direct equities and managed funds, which may increase the capacity of your practice. There is potential for reduced Record of Advice requirements for changes to SMA holdings. You can reduce back office reporting requirements because your platform can provide quarterly performance and tax reporting.



Full transparency and customisation

Knowing exactly which securities your client is invested in – and having the ability to exclude stock holdings – allows you to ensure your client is adequately diversified in their broader share portfolio. Your client can login at any time to view their account, which will hold quarterly transaction reports and market commentaries.

Introducing the range of SMAs managed by First Sentier Investors

Whether your clients need a cost-efficient, passive exposure to Australian shares or an active exposure that aims to generate above benchmark returns, First Sentier Investors have one of the most highly regarded Australian equities teams in the industry. Our professional investors have established track records managing a diverse range of funds on behalf of institutional investors and advisers, with A\$222.7 billion under management*.

FOR INVESTORS SEEKING ...

A passive, low turnover exposure to Australia's largest companies

First Sentier Top 20 Index

FOR INVESTORS SEEKING ...

A high conviction strategy that targets growth stocks across the ASX 200

First Sentier Concentrated Australian Share Fund

FOR INVESTORS SEEKING ...

An exposure to shares which excludes the Top 20

First Sentier Ex-20 Australian Share Fund

Get a passive, low turnover exposure to Australia's largest companies

An investment in the First Sentier Top 20 Index is a low cost, efficient way to gain access to the broader share market. The S&P/ASX 20 Index covers more than 50% of the S&P/ASX 200 Index by market capitalisation across eight economic sectors. Compared to an investment in the S&P/ASX 200, historical total returns have been similar and dividend yields comparable - however franking credits have been consistently higher. Because stocks in the top 20 are highly researched, a passive, low cost strategy in this segment can effectively be paired with active strategies operating in less efficient segments of the market.

The S&P/ASX 20 Index provides more franking credits than the S&P/ASX 200 Index



Source: S&P Dow Jones Indices, Realindex as at 28 February 2018

Meet the Manager

Robin Castles, CFA

Senior Portfolio Manager

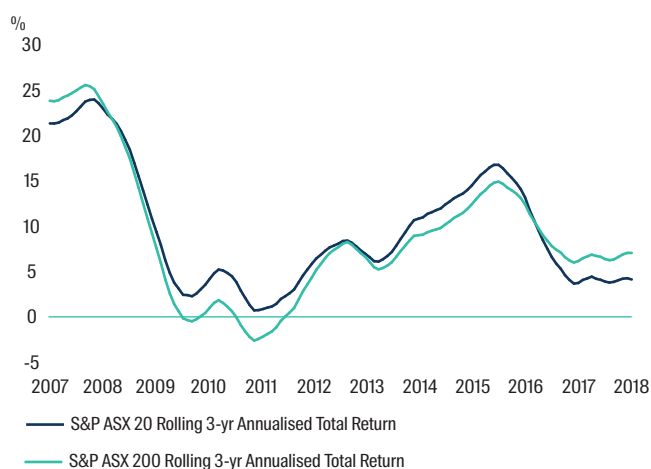


Since joining the business in 2004, Robin has managed a range of successful indexed equity strategies and supplied quantitative analysis to the broader investment business. She has also been responsible for portfolio construction and investment process review and development. Prior to joining First Sentier Investors, Robin worked within the asset consulting division of Towers Perrin.

First Sentier Top 20 Index

Led by Senior Portfolio Manager, Robin Castles, the strategy is designed to deliver performance similar to that of the 20 largest stocks listed on the ASX as measured by the S&P/ASX 20 Index over one year periods before fees and adjusted for minimum cash holdings.

S&P ASX 20 vs. S&P ASX 200 Rolling 3yr Annualised Total Return



Source: S&P Dow Jones Indices, Realindex as at 28 February 2018



INVESTMENT RETURN OBJECTIVE

Equity portfolio to perform in line with the S&P/ASX 20 Accumulation Index

Investment universe	S&P/ASX 20 plus securities expected to be added to the index within 3 months
Target asset allocation	Australian shares 98- 99% Cash 1- 2%
Number of securities	Typically 20

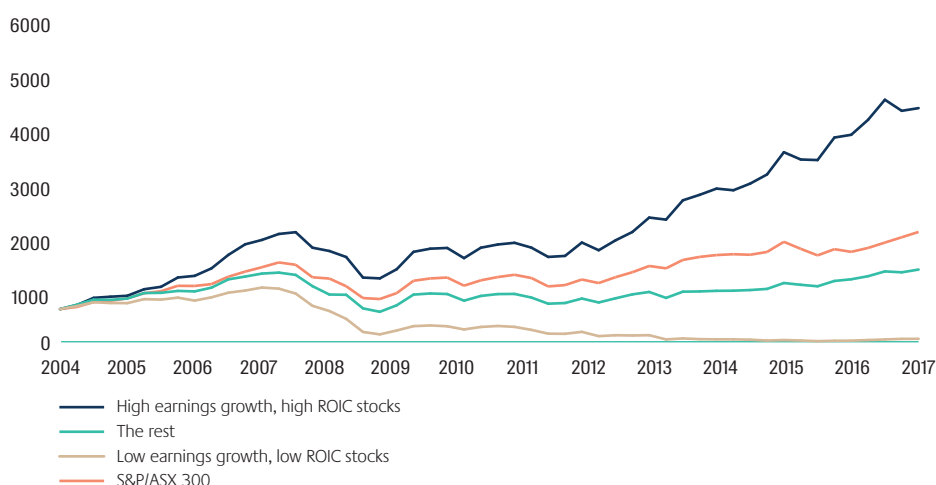
Invest in an active strategy that boosts the return potential of your portfolio

To better meet your portfolio's needs, First Sentier Investors manage both a concentrated and ex-20 strategy overseen by Head of Australian Equities Growth Dushko Bajic.

The Australian Equities Growth team is one of the largest and most experienced in the domestic share market. We invest to take advantage of the growth generated by companies with higher earnings potential than industry peers and the ability to reinvest in their business above their cost of capital.



Companies with higher earnings growth and the ability to reinvest above their cost of capital tend to significantly outperform peers over time



Source: Factset, S&P/ASX. Data from end 2004 to end 2017.

High earnings growth stocks are those in the top half of stocks in the S&P/ASX 300 by earnings per share (EPS) growth over 3 years, low earnings growth stocks are those in the bottom half.

High return on invested capital (ROIC) stocks are those in the top half of stocks in the S&P/ASX 300 by ROIC, low ROIC stocks are those in the bottom half.

Groupings are:

- 1) Those stocks that are in both the top half of EPS Growth and ROIC (currently around a quarter of the ASX 300 universe)
- 2) Those stocks that are in both the bottom half of EPS Growth and ROIC (again around a quarter of the universe)
- 3) 'The Rest' being those stocks that were either the top EPS Growth and bottom half of ROIC or vice-versa (the remaining half of the universe)

Meet the Manager

Dushko Bajic, CFA

Head of Australian Equities Growth

Dushko joined First Sentier Investors in 2014 and later assumed responsibility for the oversight of our range of broad based, small cap, imputation, concentrated and geared strategies. Prior to joining the business, Dushko was Equity Partner at Orion Asset Management where he led portfolio management responsibilities for broad market and small cap funds. He previously worked at Credit Suisse Asset Management as Portfolio Manager & Analyst Australian Equities.

First Sentier Concentrated Australian Share Fund

The First Sentier Concentrated Australian Share Fund contains a selection of our high conviction growth stock picks. We look for companies with higher earnings potential than industry peers and the ability to reinvest in their business above their cost of capital. Backed by the bottom-up research of one of the largest investment teams in the domestic equities market, we use our insight to target the investment ‘sweet spot’ of a company’s life cycle.



INVESTMENT RETURN OBJECTIVE

To outperform the S&P/ASX 200 Accumulation Index over rolling three year periods before fees

Investment universe	S&P/ASX 200 Accumulation Index plus securities expected to be added to the index within 18 months
Target asset allocation	Australian shares 90- 99% Cash 1- 10%
Number of securities	Typically 20 – 25

First Sentier Ex-20 Australian Share Fund

Tapping into the broader opportunity set of the S&P/ASX 300, the First Sentier Ex-20 Australian Share Fund contains a selection of our Australian Equities Growth team’s highest conviction stock picks. Because we don’t invest in companies found in the financials and resources dominated S&P/ASX 20 Index, our portfolio can help diversify a top-heavy Australian share portfolio.



INVESTMENT RETURN OBJECTIVE

To outperform the S&P/ASX 300 Accumulation Index ex the S&P/ASX Top 20 Index over rolling three year periods before fees

Investment universe	S&P/ASX 300 Accumulation Index ex the S&P/ASX Top 20 Index plus securities expected to be added to the index within 18 months
Target asset allocation	Australian shares 90- 99% Cash 1- 10%
Number of securities	Typically 20 – 50



Full market coverage

We are one of the large stand most experienced teams in the domestic equities market. We offer superior stock picking ability and commercial acumen built from many years of market participation.



In-depth research

We believe research garnered from our extensive network of company and industry contacts combined with experience is our competitive advantage.



Differentiated and repeatable process

A strong team culture encourages and rewards independent thought. Our best investment ideas are implemented via a robust, repeatable and proven investment process which fully integrates ESG considerations.

Why First Sentier Investors?

First Sentier Investors manages over A\$222.7 billion* on behalf of institutional investors, financial advisers and their clients worldwide. Our client-centric range of strategies – and industry leadership in responsible investment – has seen us grow to become one of the largest fund managers in the Australian market.

Our specialist equities expertise ranges from global property and infrastructure to home-grown Australian companies. While we have a number of teams who specialise in both active and passive Australian equities strategies, our Growth team was established in 1989 and currently manage over A\$12.2 billion** across a range of time-tested broad-based, small cap, imputation, concentrated and geared strategies. Established in 2008, our Realindex team manages \$A29.4 billion** in systematic and passive equities strategies, using a rules-based investment approach that combines the best of active and passive management.

*As at 30 June 2019.

**As at 31 December 2019.

Disclaimer

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