First Sentier Ex-20 Australian Share Portfolio

First Sentier Investors

Quarterly Factsheet

31 March 2024

For Adviser use only

Portfolio Description

A portfolio of 20-50 stocks that is benchmarked against the S&P/ASX 300 Accumulation ex the S&P/ASX Top 20 Index. As a result, the Portfolio will not hold the larger financials and resource companies that dominate the S&P/ASX Top 20 Index, focussing instead on the small to medium sized companies in its benchmark. Up to 10% can be held in cash with a minimum of 1%.

Investment Strategy

We believe stronger returns are achieved by investing in growing companies that generate consistent returns and reinvest above their cost of capital. Indepth industry, stock and valuation analysis is the foundation of our process. By tapping into the broader opportunity set of the S&P/ASX 300, the Portfolio is able to diversify away from the larger financials and resources companies that dominate the S&P/ASX 20 Index and focus on medium to small cap, quality Australian companies with strong balance sheets, earnings growth and high or improving returns on invested capital.

Investment Objective *

To provide higher long-term capital growth with some income by investing in the broader set of Australian companies in the S&P/ASX 300, but outside the S&P/ASX 20 Index. The Portfolio aims to outperform the S&P/ASX 300 Accumulation Index ex the S&P/ASX Top 20 Index over rolling three year periods before fees.

Key Investment Personnel and Experience (Industry / Firm)

Dushko Bajic	Head of Australian Equities Growth	(1996 / 2014)
David Wilson	Deputy Head	(1987 / 2015)
Christian Guerra	Head of Research	(1996 / 2016)

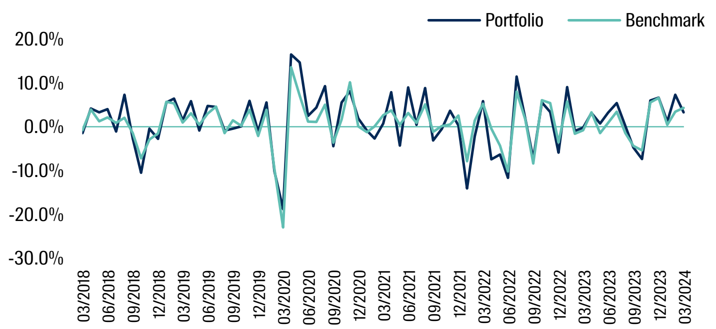
Product Overview

Inception date	23 March 2018
Benchmark	S&P/ASX 300 Ex S&P/ASX 20 Accumulation Index
Target Asset Allocation **	Australian shares 90-99% / Cash 1-10%
Number of stock holdings	Typically 20-50
Minimum investment	As per platform provider
Managed account fee (p.a.)***	0.75%

Standard Risk Measure

Risk band / label	7 - Very High
Suggested time frame	7 years

Monthly return (%)



Top 10 holdings

Stock
AUB Group
James Hardie
Megaport
Mineral Resources
Northern Star Resources
Pro Medicus
REA Group
Steadfast
WiseTech Global
Xero

Sorted alphabetically

Performance summary (%)

Period	3mth	6mth	1yr	2yr	3yr	5yr	SI
Net return	12.1	17.3	26.5	6.2	7.3	13.7	13.4
Benchmark return	8.3	15.2	15.3	5.1	8.0	8.2	8.0
Excess net return	3.8	2.1	11.2	1.1	-0.7	5.5	5.4

Past performance is not a reliable indicator of future performance.

Risk Characteristics

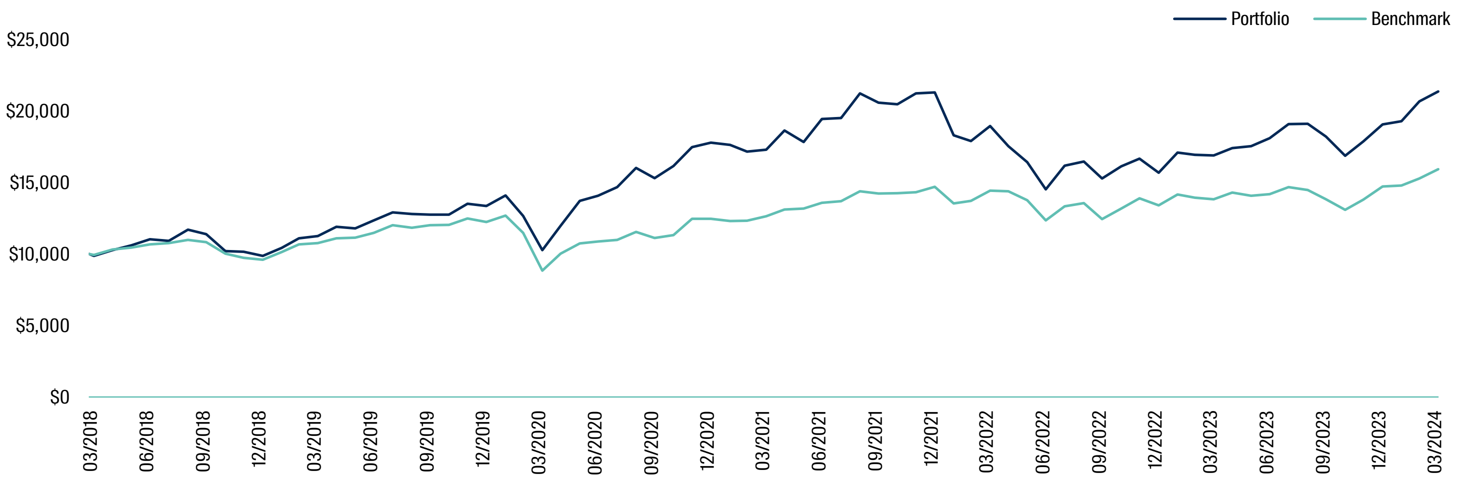
Period	1yr	2yr	3yr	5yr	SI
Portfolio standard deviation (%)	14.9	20.5	21.0	22.7	21.7
Benchmark standard deviation (%)	12.7	16.6	15.1	18.7	17.7
Tracking error (%)	5.5	8.0	9.7	9.4	9.1
Portfolio Sharpe ratio	1.5	0.2	0.2	0.5	0.5
Information ratio	2.0	0.1	-0.1	0.6	0.6
Beta	1.1	1.1	1.3	1.1	1.1

* Investment objective is not a forecast and returns are not guaranteed.

** The target asset allocation should only be used as a guide. The portfolio managers aim to maintain each portfolio within target investment allocation ranges, however, the actual asset allocation may vary from the target investment allocation.

*** Additional fees and charges may apply. Please consult your platform provider.

Growth of AUD 10,000 Investment Since Inception



Top 5 attributors to performance (3 months)

Sector	Attr.
Information Technology	4.51%
Health Care	0.62%
Consumer Discretionary	0.39%
Utilities	0.17%
Real Estate	0.15%

Top 5 detractors to performance (3 months)

Sector	Attr.
Financials	-0.94%
Materials	-0.31%
Consumer Staples	-0.26%
Energy	-0.11%
Communication Services	0.03%

Data source: First Sentier Investors 2024
Data as at: 31 March 2024

Market Review

Australian equities have finished the March quarter at an all-time high, making positive gains month on month. Growing investor optimism was fuelled by a broadly positive reporting season in February with companies producing more earnings beats than misses, a number of takeover offers announced and increasing hopes that central banks will cut interest rates this year. The S&P/ASX 300 ex 'Top 20' Accumulation Index finished the quarter +8.3% higher

The Information Technology sector was a standout performer over the quarter, soaring 23.6% higher off the back of solid interim earnings results reflecting strong fundamentals and also benefited from growing AI optimism globally. Megaport, NextDC and Altium posted returns between 30% and 63% with the latter benefiting from a $9.1bn takeover offer.

The Consumer Staples sector (+16.1%) also fared well, supported by positive performances Select Harvests (+53.4%), a2 Milk (+46.7%) and Elders (+24.6%).

Weaker commodity prices adversely impacted lithium miners such as Sayona Mining (-45.1%), Core Lithium (-38.0%) and Arcadium Lithium (-39.5%). On the other hand, gold prices rose above US$2,000/oz for the first time ever in March, which supported returns from selected miners and gold-related stocks in the Materials sector (-0.1%).

The Communication Services sector was also a relative underperformer, rising 'only' by 2.5%. Media constituents tended to struggled with Seven West Media and Nine Entertainment Co. each closing the month between 13% and 30% lower.

Portfolio Performance

The Ex-20 Australian Share Portfolio delivered a return of +12.1% in the March quarter after fees, outperformed its benchmark, the S&P/ASX 300 ex "Top 20" Accumulation Index, by +3.8%.

Contributing to the Portfolio's outperformance was its overweight position in cloud connectivity services producer Megaport (MP1) and logistics solutions company WiseTech Global (WTC). Megaport (+62.9%) released its quarterly activities report and 1H24 results during the quarter both of which emphasized the Company's continued pivot towards profitability. Revenue for 1H24 increased 35% vs pcp to $95.1m and EBITDA hit a record of $30.1m. The Company also provided an update on the initiatives in place to stimulate further growth including rebuilding its direct sales team, reinvigorating the go-to-market strategy and restructuring sales incentives. Management reiterated that they expect these initiatives to help improve KPIs in 4Q24. Another highlight in the quarterly trading update was the announcement of a global WAN services agreement with a major US health care provider. Moving forward, we maintain our conviction in MP1 given the Company is the global leader in cloud connectivity, we believe enterprises and Governments are still early in the cloud migration journey and MP1 is a share gainer, with its customers subscribing for more services over time, illustrating the power of the offering.

WiseTech Global rallied 24.8% after posting solid financial 1H24 results in February. WTC delivered 32% revenue growth to $500.4m driven by 40% growth its core CargoWise platform. Pleasingly EBITDA grew 23% to $230m implying a margin of 46%, surpassing consensus expectations. WTC also announced 3 new freight forwarder global rollouts during the half including Chinese giant Sinotrans, taking the Company's count of the Top 25 large global freight forwarders to 13. Having contracted the majority of the world's 25 largest freight forwarders WTC has unequivocally established itself as the global industry standard and further wins should accelerate from here. New product launches including Neo (container tracing for shippers), customs compliance and warehousing software enhance the attractiveness of the CargoWise platform and enlarge the addressable opportunity.

Somewhat offsetting these positive contributions was negative contributions from the Portfolio's overweight position in mining company IGO Limited (IGO) and zero-weight position in general insurance and reinsurance company QBE Insurance Group (QBE). The rapid deterioration in lithium and nickel pricing has challenged the IGO Limited stock price over the March quarter and coupled with a weaker quarterly in January resulted in the miner declining by 20.8%. IGO's quarterly update was broadly weaker across all of its assets with key disappointments relating to (1) Kwinana's struggle to ramp up to nameplate, (2) the decision taken to build further inventory, reduce production and sales at Greenbushes in a weak lithium market, (3) the lack of distribution paid by the JV partner at Greenbushes and (4) further impairments announced for its Cosmos and Forrestania nickel assets. As expected, IGO announced that it was transitioning Cosmos into care and maintenance as deteriorating nickel prices, higher costs and project delays adversely impacted the project's economics and investment case. The investment thesis in IGO remains its exposure to the Greenbushes lithium mine which is the highest grade, lowest cost hard rock lithium mine which has significant expansion optionality.

QBE Insurance rallied 21.9% higher, outperforming the broader market over the March quarter. QBE released its FY23 earnings result in February, delivering solid gross written premium growth (+10%) and group average renewal premium rate increases of 9.7% given the higher interest rate and inflationary environment. Similarly, QBE's investment portfolio was bolstered by better fixed income returns due to higher rates over the year.

Portfolio Activity

During the quarter we established a position in two new holdings, the first being in data centre operator and the second being a global fast fashion jewellery store. We are positive on the key medium-term structural driver for the data centre operator, namely the ongoing shift to the cloud from on-premise DCs. Recent results from the Big 3 Cloud Service Providers (AWS, Microsoft Azure, Google Cloud) suggests the spend optimisation headwinds of 2023 are likely behind us, essentially indicating that strong demand for cloud services – and hence data centres – will likely resume in 2024. Lastly, we see Information Technology constituent as a key AI enabler, as enterprises and governments seek its data centre capabilities for AI training and inference workloads.

We also took the opportunity to introduce a global fast fashion jewellery store in the Fund with the company having over 800 stores in over 40 countries today and market expectations of 1200-1500 in the next 5-7 years. New management are highly incentive to grow the business quickly and profitably which has seen the business nearly double profits over the past 3 years. With the entry to China and scale now being achieved in the USA, profitability is expected to increase further.

These new positions were partially funded by our decision to exit our position in Corporate Travel Management (CTD) given a disappointing result with the UK bridging contract. Management are now flagging that structural headwinds in the corporate travel industry and will now only expect ~70-75% of pre covid levels of travel to return as zoom and less travel are now embedded in the WFH environment. Management still expect market share gains in a fragmented market but this structural trend will slow growth forecasts.

We also exited from our position in the newly merge company Arcadium Lithium (LTM). Following the fall in lithium prices we believe the LTM is likely to slow project development which will adversely affect valuation. We are of the view that there is also the potential for a reduction in production at Mt Caitlin. The Company will have the lowest leverage to lithium prices as they look to hedge prices.

ESG Activity

Worker safety and decarbonisation were key features in February's reporting season, and Responsible AI is emerging as a topical theme for 2024.

Unfortunately, we have continued to see elevated fatalities at Australian-listed companies this year. BHP Group (BHP) reported its third fatality in 13 months when a contractor died at BMA in January and Rio Tinto (RIO) reported the deaths of four workers and two airline crew following a plane crash in Canada, which followed six fatalities at non-managed RIO operations in 2023.

We met with the executives of companies we own who have had fatalities or near misses (when disclosed) to discuss the circumstances that led to these fatalities and the initiatives that are needed to reduce the risk of fatalities in future.

On climate, there were interesting announcements from some of the country's heaviest emitters on their efforts to decarbonise. RIO, BHP and Bluescope Steel (BSL) announced a green steel making trial using Pilbara iron ore in an electric smelter furnace. RIO signed Australia's largest renewable power purchase agreement to date to supply its Gladstone aluminium operations with wind power, and Santos (STO) is close to commencing CO2 injections at Moomba.

With the rise of artificial intelligence (AI), Responsible AI is proving to be topical globally. In March, the European Union introduced the world's first legal framework on AI and in Australia, companies are starting to talk about their approach. For example, QBE Insurance Group (QBE) says it is working on data governance, testing and validation of AI models to ensure any biases are detected and algorithmic decision making is transparent.

Of the many meetings we held with companies during the quarter, we raised ESG issues with companies including BHP, JB Hi-Fi (JBH), RIO, Qantas (QAN), Woodside Energy Group (WDS), STO, Woolworths Group (WOW), Wesfarmers (WES) and Suncorp (SUN). The issues raised included climate change, emissions reduction targets, policy risk, decarbonisation challenges, modern slavery due diligence, nature-related risks, safety and relationships with traditional owners.

Only one company owned by the Australian Equities Growth team held a shareholder meeting this quarter (Aristocrat). This meeting was not controversial and we voted with the board on all resolutions.

Market Outlook

We maintain a positive outlook for Australian equities with corporate Australia being underpinned by a resilient economy in spite of the global tightening cycle. This was evidenced in company results during February reporting season whereby Management and business models demonstrated their ability to adjust to higher input and finance costs, with top lines supported by robust consumption expenditure and bottom lines benefiting from both inflationary cost pressures easing and the fruits of recent cost out initiatives. This resulted in better than expected or in some cases 'better than feared' earnings and margins. Price movements proved more volatile than usual with 15% of stocks moving by greater than +/- 10% (double the long term average). This is suggestive of a reasonable degree of pricing inefficiency, with trading flows being dominated by a large proportion of passive / high frequency 'investors', and an environment that is favourable for fundamental research to do well.

In aggregate the domestic and US economies are performing well, although with a variable pace of activity across different sectors. Expectations for early and multiple interest rate cuts may well be misplaced as result of this, but we note the Chinese economy has slowed and is exporting some deflation in terms of input costs. We will continue to adhere to our long-term fundamental, bottom-up investment process, investing in growing companies which generate consistent returns and can reinvest above their cost of capital. We believe that high quality, market-leading companies with distinctive products/services and strong structural tailwinds are well placed to generate superior returns for shareholders.

Any apparent discrepancies in the numbers are due to rounding. Performance returns are calculated net of management fees and transaction costs. Performance returns for periods greater than one year are annualised.

Portfolio Beta measures the portfolio's sensitivity to benchmark movements. Mathematically, it is the covariance of the portfolio vs the benchmark divided by the variance of the benchmark. The covariance and variance are ex ante calculations based on current weights and historic patterns of return over the past five years.

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