

Colonial First State Wholesale Developing Companies Fund



Monthly Factsheet

31 October 2020

For Adviser use only

Portfolio Description

The Fund invests in a broad selection of Australian listed companies, with a market capitalisation of less than \$500 million at the time of initial investment.

Investment Strategy

The manager's growth approach is based on the belief that, over the medium-to-long term, share prices are driven by growth in a company's earnings, despite the existence of sentiment that can lead to short-term price volatility. The strategy is therefore to invest primarily in a portfolio of Australian companies with a market capitalisation or free float of generally less than \$500 million at the time of initial investment, with strong balance sheets, whose earnings are expected to grow at a greater rate than the Australian economy as a whole. The fund predominantly invests in Australian companies and therefore does not hedge currency risk.

Investment Objective

To provide long-term capital growth that exceeds the S&P / ASX All Ordinaries Accumulation ex ASX 300¹ over rolling three-year periods before fees and taxes.

1. Excluding companies with a market capitalisation that exceeds \$500m.

Key Investment Personnel and Experience (Industry / Firm)

Tim Canham	Portfolio Manager	(1991 / 2000)
Wik Farwerck	Portfolio Manager	(1997 / 2006)

Product Overview

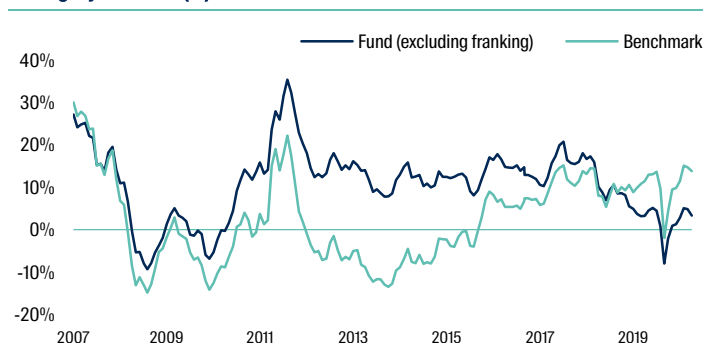
APIR code	FSF0468AU
Inception date	13 July 2004
Fund Size (AS)	85 million
Benchmark	All Ordinaries Under AUD 500M Ex-S&P/ASX 300 TR Index
Number of stock holdings	51
Buy / Sell spread	0.20% / 0.20%
Minimum investment (AS)	5,000
Management cost (p.a.)*	1.31%

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

Performance Summary (%)

Period	1mth	3mth	1yr	3yr	5yr	7yr	10yr	SI
Net return	0.2	11.6	2.3	3.3	7.6	7.9	9.7	10.9
Benchmark return	1.6	15.7	14.6	13.8	13.1	9.2	3.5	5.8
Excess net return	-1.4	-4.1	-12.3	-10.5	-5.5	-1.3	6.2	5.1
Income return	0.0	0.5	4.5	5.0	7.1	6.5	9.0	9.6
Growth return	0.2	11.1	-2.2	-1.7	0.5	1.4	0.7	1.3
Impact of >AS500m stocks on Benchmark Returns*	0.0	1.9	5.6	1.9	1.1	0.8	0.5	0.2

Rolling 3 year return (%)



Top 5 holdings

Stock
Alliance Aviation Services
Eroad Ltd
GR Engineering Services
Lifestyle Communities
RPMGlobal

Sorted alphabetically

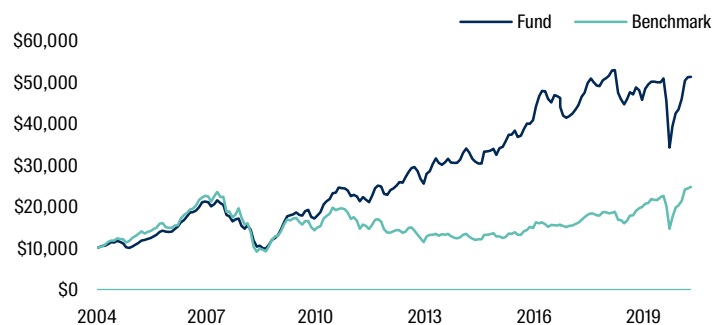
Risk Characteristics

Period	1yr	3yr	5yr	7yr	10yr	SI
Fund standard deviation (%)	33.7	21.7	18.1	16.6	16.0	17.2
Benchmark standard deviation (%)	39.8	25.2	20.7	18.8	19.0	20.7
Tracking error (%)	7.9	7.8	8.8	8.5	9.0	9.2
Fund Sharpe ratio	0.1	0.2	0.3	0.4	0.4	0.4
Information ratio	-1.6	-1.3	-0.6	-0.2	0.7	0.6
Beta	0.8	0.8	0.8	0.8	0.7	0.7

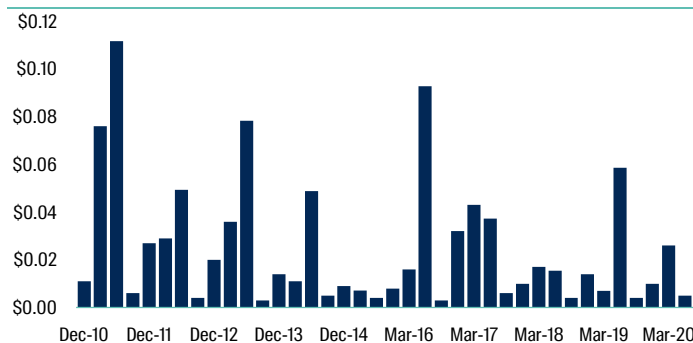
*: The CFS Wholesale Developing Companies Fund "the Fund" continues to adopt a concentrated strategy of high conviction securities that results in a high active share relative to the reference benchmark. Under its mandate, up until 8 June 2020, the Fund was unable to purchase stocks with market capitalisation above \$200m. On 8 June, this investment limit was then increased to \$500m. Coinciding with this change to the investment limit, a new benchmark was introduced - The All Ordinaries Under AUD 500m Ex S&P/ASX 300 TR Index. The aim was to better reflect the sub \$500m market cap investment limit of the mandate with the expectation that there would be little to no securities with a market capitalisation above \$500m at the inception of the new benchmark on 8 June.

Owing to market volatility and the subsequent decision by S&P to defer its 6-monthly rebalancing from March 2020 to 22 June 2020, the weighting to stocks with a market cap above AS500m in the new benchmark was substantially higher (~20%) at the inception of this benchmark than originally envisaged. Even after the subsequent rebalancing on 22 June (the first since 30 September 2019), the weighting to stocks with a market capitalisation above \$500m remained almost 7%. As a result, we have used FactSet to estimate the impact of those stocks with a market cap above \$500m on the benchmark returns over the period of 5 June to 30 September. We believe this impact is relevant to assessing the Fund's relative performance as it reflects both our initial intention in introducing this new benchmark and the Fund's mandate. From 30 September onwards, we will be able to manage any potential benchmark risks from stocks above \$500m coming into the benchmark by buying those stocks in the \$400m to \$500m range if considered appropriate. The \$200m market capitalisation limit in the Fund's mandate prior to 8 June 2020 did not enable us to do this prior to the introduction of the new benchmark.

Growth of AUD 10,000 Investment Since Inception



Distributions



Top 5 contributors to performance (1 month)

Sector	Value added
Consumer Discretionary	0.39%
Communication Services	0.30%
Financials	0.26%
Real Estate	0.17%
Other	0.00%

Top 5 detractors to performance (1 month)

Sector	Value added
Information Technology	-0.62%
Utilities	-0.26%
Energy	-0.26%
Materials	-0.15%
Consumer Staples	-0.03%

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 2020

Data as at: 31 October 2020

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.

Turnover is the average of sales and purchases divided by the average portfolio size.

Cashflow Adjusted Turnover is the same as above, except that the lesser of sales and purchases is used in place of the average of the two. This is to adjust for turnover that is related to investing inflows or selling stocks to meet outflows rather than related to active management of the portfolio.

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