

# First Sentier Wholesale High Growth Fund

Formerly the Colonial First State Wholesale High Growth Fund

## Quarterly Factsheet

30 September 2023

### Portfolio Description

The Fund is designed to provide exposure to a long-term strategic asset allocation strategy, blending a number of asset classes within the one portfolio.

### Investment Strategy

The fund's broad asset allocation is to be 100% invested in growth assets (shares). Allocations are reviewed regularly although a reallocation is only considered in response to a fundamental change in long-term expectations or market demand. The fund aims to add value through a disciplined approach to selection of the investments held by the fund. Derivatives may be used for risk management. The fund may hedge some or all of its currency exposure.

### Investment Objective

To provide long-term capital growth. The fund aims to outperform the composite benchmark over rolling three-year periods before fees and taxes.

### Key Investment Personnel and Experience (Industry / Firm)

Andrew Harman      Head of Multi-Asset Solutions      (2008 / 2008)

### Product Overview

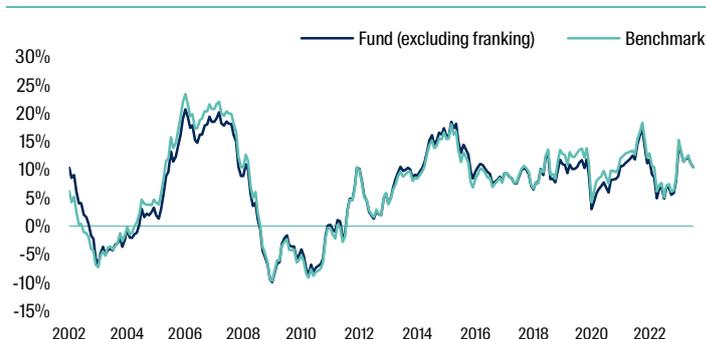
APIR code	FSF0498AU
Inception date	20 March 1999
Fund Size (A\$)	425 million
Benchmark	Wholesale High Growth Fund Composite Index
Buy / Sell spread	0.15% / 0.15%
Minimum investment (A\$)	5,000
Management fees and costs (p.a.)*	1.16%

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

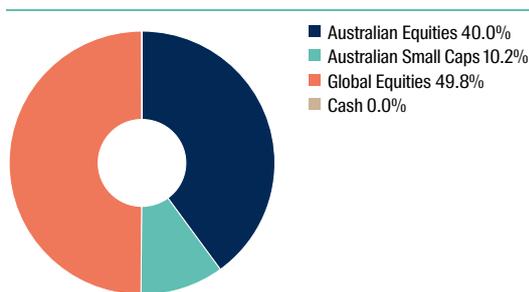
### Performance Summary (%)

Period	3mth	1yr	3yr	5yr	7yr	10yr	SI
Net return	-0.6	14.1	10.4	7.1	8.5	8.8	7.2
Benchmark return	-0.6	15.3	10.4	8.3	9.9	9.5	7.0
Excess net return	0.0	-1.2	0.0	-1.2	-1.3	-0.7	0.2
Income return	0.5	4.7	8.6	8.0	7.3	6.1	5.6
Growth return	-1.1	9.3	1.9	-0.9	1.3	2.7	1.6

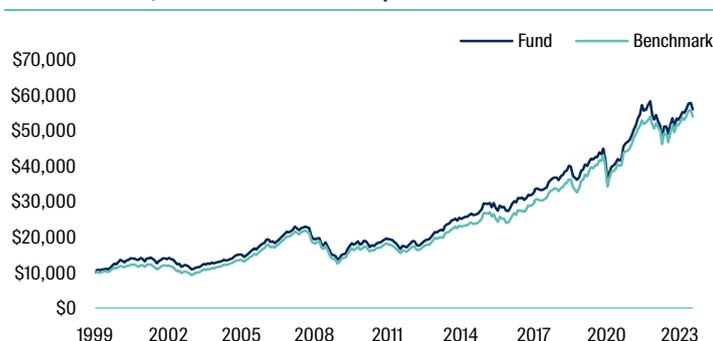
### Rolling 3 year return (%)



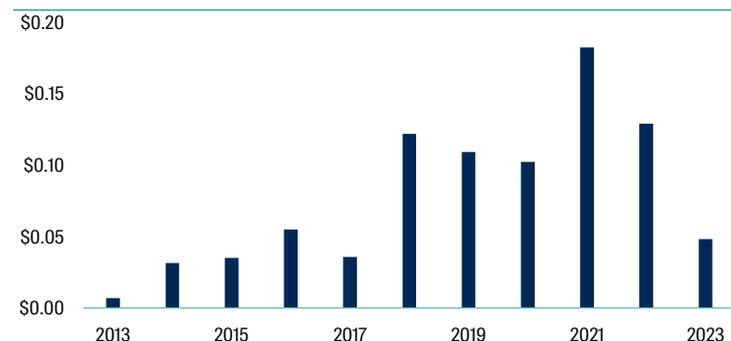
### Asset allocation



### Growth of AUD 10,000 Investment Since Inception



### Distributions



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 2023 Data as at: 30 September 2023

## Market review

The September quarter saw some of the optimism erased across equity markets, with both emerging and developed companies lowering in value.

Officials raised the Federal Funds rate by a further 0.25% during July, taking official borrowing costs in the US to their highest level since 2001. More importantly, there was a realisation that policymakers have no intention of lowering interest rates in the foreseeable future. The US Treasury curve remains inverted – with yields on 2-year notes above those on comparable 10-year bonds – but the gap has narrowed quite significantly. History suggests that inverted yield curves often flatten and then return to a 'normal' shape – with yields on longer-dated securities higher than those on shorter-dated issues – around the time that economic recessions begin. Time will tell whether that is the case this time around, although a sell-off in risk assets over the quarter suggests investors are contemplating the possibility.

Almost all major share markets struggled during September and just one – the UK FTSE 100 Index – finished the period in positive territory. The MSCI World Index closed 3.6% lower in local currency terms, as investors fretted about the prospect of interest rates in key regions remaining elevated for an extended period. In the US, the S&P 500 Index declined 3.3%. The NASDAQ fared even worse, closing down 4.12%. Elsewhere, there was little strength in the performance of share markets in Asia and Europe. As ever, there was some variance in returns among individual markets. In Asia, major indices in Hong Kong, China and Japan declined between 4% and 6%, although Singapore-listed shares managed to perform much better as the Straits Times closed the quarter 2.1% higher. Italian stocks were the standout performers in Continental Europe, with the MIB finishing the quarter flat. At the other end of the scale the German DAX lost 4.7%, hindered by further downbeat economic data releases. The general risk aversion among investors globally also affected shares in developing countries. The MSCI Emerging Markets Index shed 3.7% in local currency terms over the period, but is still showing strong gains (+8.8%) over the past 12 months. The UK's FTSE 100 advanced 1.0%, partly due to favourable performances from large, energy-related index constituents including BP and Shell, which benefited from the rising oil price.

The latest data showed the Australian economy grew at an annual rate of 2.1% in the year ending 30 June. This was slightly slower than the 2.4% year-on-year growth rate in the March quarter, but was above consensus forecasts. In other news, nearly 65,000 new jobs were created in Australia in August following a surprise drop in employment in July. Again, this was well ahead of the consensus estimate. The new Governor of the Reserve Bank of Australia was sworn in during the period, but for now no changes to previous monetary policy settings are anticipated. Michele Bullock left the official cash rate unchanged at 4.1% at her first meeting at the helm in early October. Official cash rates have now been unchanged at the past four Reserve Bank meetings, increasing suggestions that we might have seen the peak in interest rates in this cycle. Like in other regions, however, investors are becoming much less confident that borrowing costs might start to come down in 2024. Suggestions that interest rates might need to remain high for longer than was previously anticipated dampened sentiment towards Australian equities late in the quarter. Company-specific announcements were also generally subdued during the period, which failed to brighten the mood. By quarter end, the S&P ASX 200 Accumulation Index was down 0.7%.

## Fund activity and positioning

There were no significant changes to the composition of the Fund during the quarter.

A high level of diversification is maintained within domestic and global equity markets. Half of the Fund continues to be invested in global shares, which includes both developed and emerging markets. The other half of the Fund is invested in the Australian share market. This allocation includes an investment in small companies which we believe will perform well over time.

Investments in each asset class are maintained within prescribed bands. Re-weightings are carried out when market movements result in unintended deviations away from the Fund's strategic asset allocation.

## Market outlook

Widespread volatility has so far remained a prominent feature over 2023 to date, bringing an ongoing dispersion of returns and greater investment opportunities. In particular, we note that higher interest rates can be beneficial for fixed income and corporate bond investors through higher income. Having said that, we also recognise the prospect of increased exposure to duration in a rising rate environment can erode some of the attractiveness of this asset.

The repricing in equity markets over the year to date has led to pockets of valuation opportunities emerging. However, these opportunities need to be considered in the context of ongoing volatility and the potential for deteriorating economic conditions. While 2022 saw bouts of selloffs, the calendar year to date has been kinder to equity markets with developed market equities outperforming emerging.

Investors are scrutinising the latest economic data indicators and dissecting the wording of central bank policy statements, for clues regarding possible changes in monetary policy settings. In Australia, 10-year yields are now close to the top of a trading range that has been in place for more than 12 months. For yields to continue rising from here, we would likely need to see a combination of very strong labour market data – both employment numbers and wage growth – and inflation that is persistently above the Reserve Bank of Australia's forecasts.

It is a similar story offshore and even though investors will likely start turning their attention towards the possibility of interest rate cuts in 2024 as economic indicators start to weaken; there is still scope for bond yields to rise further. We are seeing this scenario play out in New Zealand. The economy has entered a technical recession, following two consecutive quarters of economic contraction, and central bank officials have made it clear they are willing to pause the interest rate-hiking cycle to see how the economy and inflation respond to the aggressive policy tightening that has already occurred. Government bond yields have continued their ascent, however, which underlines the difficulty in confidently calling the direction of bond markets.

At the beginning of April, consensus forecasts suggested the Federal Funds rate would peak below 5% and that an additional hike in May was likely to be the last for the foreseeable future. Interest rate forecasts rose during the quarter, however, against a background of persistently high inflation and as officials refused to rule out the possibility of further policy tightening. In fact, Jerome Powell, Chair of the Federal Reserve, indicated that two or three additional rate hikes might be necessary.

While tightening has resulted in downward pressure exerted on equity valuations, corporate balance sheets have so far remained solid. Investment markets calmed during the quarter, following a period of heightened volatility in March when banking failures in the US and Europe had shaken confidence. Overall, there was increasing optimism that major economies might be able to avoid recessions this year, despite persistently high inflation and rising borrowing costs. This augurs well for company profitability and supported investor sentiment.

[www.firstsentierinvestors.com.au](http://www.firstsentierinvestors.com.au)

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### Personal investors

Speak with your Financial Adviser whether our products are appropriate, in light of your investment needs, objectives and financial situation.

Download Product Disclosure Statements from below website link.

[www.firstsentierinvestors.com.au/individual-pds](http://www.firstsentierinvestors.com.au/individual-pds)

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Total returns shown for the Fund or any Portfolio have been calculated using exit prices after taking into account all ongoing fees and assuming reinvestment of distributions. No allowance has been made for taxation. Past performance is no indication of future performance.

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