

# ACADIAN AUSTRALIAN EQUITY FUND

SEPTEMBER 2024

The Acadian Australian Equity Fund strategy seeks to maximise risk-adjusted, long-term returns by investing in stocks listed on the Australian Securities Exchange while carefully controlling portfolio risk and transaction costs. The option aims to outperform the S&P/ASX 300 Accumulation Index over rolling four year periods before fees and taxes.

<b>APIR Code</b>	FSF0787AU
<b>Inception Date</b>	15 November 2005
<b>Management Cost</b>	0.81%
<b>Buy / Sell spread</b>	0.10/0.10%
<b>Exit Unit Price</b>	1.6748
<b>Product Size</b>	\$65 million
<b>Benchmark</b>	S&P / ASX 300 Accumulation Index

## PERFORMANCE

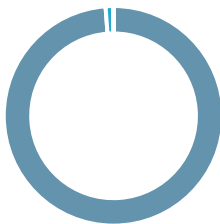
	FUND (GROSS)	FUND (NAV)	BENCHMARK	VALUE-ADDED VS. BENCHMARK
One-Month Return	3.2	3.2	3.1	0.1
Three-Month Return	8.7	8.5	7.8	0.7
Year-to-Date Return	16.4	15.6	12.3	3.3
One Year Annualized Return	26.2	25.2	21.7	3.5
Three Year Annualized Return	10.1	9.2	8.1	1.1
Five Year Annualized Return	9.9	8.9	8.3	0.6
Ten Year Annualized Return	10.6	9.7	8.9	0.7
SINCE INCEPTION ANNUALIZED RETURN	8.2	7.1	7.6	-0.4

## TOP TEN HOLDINGS

	% OF PORTFOLIO
BHP GROUP LTD	9.1
COMMONWEALTH BANK OF AUSTRALIA	8.6
WESTPAC BANKING CORP	5.2
AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED	4.6
CSL LTD	4.4
NATIONAL AUSTRALIA BANK LTD	3.5
MACQUARIE GROUP LTD	3.2
ARISTOCRAT LEISURE LTD	2.6
WESFARMERS LTD	2.3
BRAMBLES LTD	2.1
NUMBER OF SECURITIES	128
% OF PORTFOLIO FOR TOP 10 CURRENT HOLDINGS	45.8
% OF NON-BENCHMARK PORTFOLIO HOLDINGS	2.5

## CURRENT POSITIONING - REGION

ABSOLUTE



AU/NZ	96.8%
NAM	1.1%
EUR	0.0%

## CURRENT POSITIONING - SECTOR

ABSOLUTE



FIN	31.5%
MAT	22.2%
HTH	8.7%
IND	7.4%
DIS	7.3%
REI	6.1%
TCH	4.1%
ENR	3.8%
COM	3.6%
STP	2.6%
UTL	0.5%

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Returns that include the most recent month are preliminary. All returns are calculated on an annualised basis using exit price to exit price with distributions reinvested, net of management costs, transaction costs. All return calculations exclude any individual taxes payable by the investor and all other fees and rebates disclosed in the relevant product disclosure statements available on our website or by calling us. The 'distribution' component is the amount paid by the way of distribution, which may include net realised capital gains. Portfolio holdings are subject to change and should not be considered a recommendation to buy or sell individual securities. Reference to the benchmark is for comparative purposes only and is not intended to indicate that the Fund will contain the same investments as the benchmark. Investors have the opportunity for losses as well as profits. Past performance is no guarantee of future results. Index Source: Copyright © 2024, Standard & Poor's Financial Services LLC. All rights reserved.

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## QUARTERLY REVIEW

### Fund Performance and Activity

The portfolio outperformed its benchmark, the S&P/ASX 300 Accumulation Index, 89 basis points for the quarter ending September 30, 2024. Contributing returns from stock selection were joined by positive payoffs from sector allocations. Key sources of positive active return included stock selection in industrials, a combination of stock selection and an underweight position in health care, and a combination of stock selection and an overweight position in information technology. Leading advances within these sectors respectively included positions in Brambles, Pro Medicus and Technology One. Detractors included a combination of stock selection and an underweight position in financials and stock selection in communication services. Leading declines within these sectors in turn included holdings in FleetPartners Group and Telstra Group.\*

### Key Holdings<sup>1</sup>

#### Positive

Our overweight to Technology One Ltd., a developer of integrated enterprise business software solutions, was rewarded with 23 basis points of active return as share prices rose 32.5% over the quarter. The company continues to benefit from steady customer growth, a strong product portfolio, investment in R&D, and momentum in its enterprise software business segment. It expects its FY25 annual recurring revenue (ARR) to surpass \$500 million.

#### Negative

Our overweight to Cochlear Ltd, a provider of implantable hearing solutions, cost the portfolio 25 basis points of active return as share prices lost 9.7% in the period. The company has been experiencing softer demands from emerging markets, particularly, India and Argentina. Cochlear reported sales revenues of \$387 million in FY24, missing the market expectation of \$397 million.

### Market Review

Australian equities (S&P/ASX 300 Accumulation Index) rallied 7.8% in Q3 2024 on easing inflation. Abroad, the Fed kicked off its easing cycle in September, reducing rates by 50 bps after holding steady for more than a year. The Reserve Bank of Australia (RBA), meanwhile, left rates unchanged in the quarter, as inflation, although cooling, had remained above its target. In August, inflation softened to the central bank's 2-3% target—for the first time since August 2021 – as the monthly consumer price index (CPI) retreated to 2.7% from 3.5% in July. This deceleration was largely attributed to government rebates on electricity bills.

Australia's consumer confidence wobbled throughout the quarter before settling at 84.6% in September, falling from a six-month high in the previous month. Consumers' outlook on the Australian economy remained bleak after the GDP growth weakened in Q2, sparking fears of job losses. Meanwhile, views on economic conditions for the next 12 months slipped to 81.2, while unemployment expectations rose 3.7% to 138.4 (vs long-run average of 129) by the end of the quarter.

Contrary to the continued pessimism among consumers about the future of the Australian economy, the RBA expects stronger GDP growth over the next year than its initial forecast as domestic demand recovers. It expects consumption to increase steadily as real household disposable income rebounds thanks to cooling inflation.

From a sector perspective, information technology (+15.3%) was the largest contributor, followed by real estate (+14.3%). Energy stocks (-6.4%) fell the most during the period.

### Outlook and Strategy

The global economy ended the second quarter of 2024 on a strong note as concerns over inflation and interest rates abated and hopes of a soft landing were revived. The momentum continued into the third quarter, buoyed by steadily slowing inflation and the beginning of the rate cut cycle by major central banks. The U.S. Federal Reserve (Fed) finally slashed rates by 50bps after holding steady for 13 months. Marking the first cut since March 2020, the decision lowered the federal funds rate to 4.75-5.0%. In China, the government announced the biggest stimulus package in years to shore up the country's ailing economy. The People's Bank of China slashed interest rates by 20bps and its reserve requirement ratio by 50bps to boost loan demand.

The Organisation for Economic Cooperation and Development (OECD) believes that the global economic growth is in the process of stabilizing as concerns over interest rates ease with central banks' reducing rates and falling inflation, boosting household incomes. The OECD raised its growth outlook for the global economy recently, expecting it to grow 3.2% year-over-year both this and next year. The Paris-based organization had earlier projected the global economy to grow 3.1% in 2024. As central banks continue to lower rates, the lagged impact of monetary tightening will likely gradually fade. Additionally, falling inflation will likely boost consumer spending going forward. The OECD believes that if oil prices continue to fall, global headline inflation could drop 50bps more than it anticipated earlier.

Experts believe that a soft landing is in sight for the West. With fears of a new surge in inflation receding, central banks may cut rates more aggressively than previously thought. Consequently, looser monetary policies and a rally in real income growth are expected to remain the key growth drivers in advanced economies. However, emerging markets may suffer from a structural slowdown in China.

The U.S. Energy Information Agency expects oil inventories to fall in the fourth quarter of 2024 because of the recent announcement by OPEC+ to delay production increase until December. It expects Brent crude oil spot price to average \$82/b in the fourth quarter and \$84/b in 2025. Persistent uncertainty, due to geopolitical tensions, particularly in the Middle East, will likely lead to further hikes in oil prices. However, weak oil demand from China will likely remain a drag.

Meanwhile, the Reserve Bank of Australia expects the Australian GDP growth over the next year to be stronger than initially forecast, as domestic demand remains strong. Consumption is expected to increase steadily as real household disposable income rebounds thanks to cooling inflation. Unemployment is forecast to rise steadily but the expected recovery in the Australian economy will provide some relief to the labor market.

<sup>1</sup>Top contributing/detracting individual positions over the period as measured by basis point impact. \*This should not be considered a recommendation to buy or sell any specific security. Colonial First State Investments Limited ("CFS") is the responsible entity for this fund, ABN 98 002 348 352, AFS Licence 232468. You can find the target market determinations (TMD) for this fund at [www.cfs.com.au/tmd](http://www.cfs.com.au/tmd), which include a description of who a financial product might suit. You should also read the relevant Product Disclosure Statement (PDS) and Financial Services Guide (FSG) carefully, assess whether the information is appropriate for you, and consider talking to a financial adviser before making an investment decision. You can get the PDS and FSG at [www.cfs.com.au](http://www.cfs.com.au) or by calling CFS on 13 13 36. The information provided has been prepared by Acadian from our internal records. It is not intended to replace the official records of your account that you receive directly from the custodian. You are encouraged to compare the information provided to you by Acadian to that provided by the custodian and to contact us with any questions. The specific countries, sectors, and individual stocks discussed herein are non-exclusive and are provided as representative of the portfolio's performance during the period. For a complete list of markets, sectors, and stocks in which the portfolio was invested during the period and the performance of each, please contact Acadian. Please note that Acadian's system of portfolio attribution uses certain estimates and assumptions and the calculations provided herein are based upon Acadian's internal records and not those maintained by the Custodian. Additional details about our method of calculation will be furnished upon request. Reference to the benchmark is for comparative purposes only and is not intended to indicate that the portfolio will or did contain the same investments as the benchmark. This review contains confidential information of Acadian Asset Management LLC. Market conditions are subject to change. Past performance is no guarantee of future returns. Attribution data is gross of fees.

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