

ACADIAN DEFENSIVE INCOME FUND - CLASS A

SEPTEMBER 2024

The Acadian Defensive Income Fund - Class A seeks to provide investment returns in excess of the Reserve Bank of Australia (RBA) cash rate over rolling three-year periods before fees and taxes, with a relatively low degree of volatility. This will be achieved by combining cash and fixed interest investments with long and short equity holdings chosen using Acadian Australia's equity investment process. Sophisticated portfolio construction techniques will be used to implement this in a way that limits equity market exposure.

APIR Code	FSF0973AU
Inception Date	19 December 2008
Management Cost	0.46%
Buy / Sell spread	0.1 / 0.1%
Exit Unit Price	0.9689
Product Size	\$151 million
Benchmark	RBA Cash Rate

PERFORMANCE

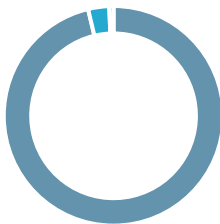
	FUND (GROSS)	FUND (NAV)	BENCHMARK	VALUE-ADDED VS. BENCHMARK
One-Month Return	0.7	0.6	0.4	0.3
Three-Month Return	3.8	3.6	1.1	2.5
Year-to-Date Return	9.2	8.7	3.2	5.5
One Year Annualized Return	12.5	11.8	4.3	7.4
Three Year Annualized Return	6.9	6.2	2.8	3.4
Five Year Annualized Return	4.0	3.4	1.8	1.6
Ten Year Annualized Return	3.4	2.8	1.7	1.0
SINCE INCEPTION ANNUALIZED RETURN	4.2	3.5	2.6	0.9

TOP TEN HOLDINGS

	% OF PORTFOLIO
PRO MEDICUS LTD	1.1
ARISTOCRAT LEISURE LTD	1.0
TECHNOLOGY ONE LTD	1.0
PINNACLE INVESTMENT MANAGEMENT GROUP LTD	1.0
XERO LTD	1.0
IGO LTD	1.0
GPT GROUP	1.0
SOUTH32 LTD	1.0
NRW HOLDINGS LTD	1.0
BRAMBLES LTD	1.0
NUMBER OF SECURITIES	309
% OF PORTFOLIO FOR TOP 10 CURRENT HOLDINGS	10.1
% OF NON-BENCHMARK PORTFOLIO HOLDINGS	11.8

CURRENT POSITIONING - REGION

% OF GROSS EXPOSURE



AU/NZ	95.7%
NAM	3.1%
EUR	0.6%

CURRENT POSITIONING - SECTOR

% OF GROSS EXPOSURE



FIN	16.7%
MAT	14.1%
REI	13.2%
DIS	13.2%
IND	12.7%
HTH	7.1%
ENR	6.5%
COM	6.0%
TCH	4.6%
STP	4.3%
UTL	1.6%

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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: RBA Cash Rate.

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QUARTERLY REVIEW

Fund Performance and Activity

The portfolio outperformed its benchmark, the RBA Cash Rate, by 364 basis points for the quarter ending September 30. The Fund's market neutral component contributed 3.29% to returns for the quarter. Long positions contributed 4.7%, while short positions detracted 1.41%. Key sources of positive returns included long exposures to real estate and financials. Detractors included short exposures to real estate and materials.

The Fund's cash position contributed 0.35% to returns for the quarter.

Key Holdings¹:

Positive:

Our long exposure to Zip Co Ltd, a provider of digital retail finance and payments solutions, was rewarded with 41 basis points of active return as share prices rallied 91.6% in the period. The company has been benefiting from strong growth in transactional volumes in international markets as well as impressive customer growth in the domestic market.

Negative:

Our short exposure Charter Hall Group, an Australian property development and funds management company, cost the portfolio 34 basis points of active return as share prices rallied 41.4% in the period. The company has benefited from its focus on the ongoing curation of the portfolios it manages. Additionally, it has a development pipeline worth approximately \$12 billion, which includes nearly \$5 billion of committed developments.

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.

Market 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.

¹Top 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, 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 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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Please contact Mark Mukundan, SVP, Director, Wholesale Markets – 0411 615 685 or contact Acadian on (02) 9093 1000 or email us at australiaclientservice@acadian-asset.com

If you are a Personal Investor or Retail Client:

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