

ACADIAN AUSTRALIAN EQUITY FUND

JUNE 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.

APIR Code	FSF0787AU
Inception Date	15 November 2005
Management Cost	0.81%
Buy / Sell spread	0.10/0.10%
Exit Unit Price	1.5742
Product Size	\$59 million
Benchmark	S&P / ASX 300 Accumulation Index

PERFORMANCE

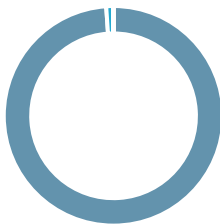
	FUND (GROSS)	FUND (NAV)	BENCHMARK	VALUE-ADDED VS. BENCHMARK
One-Month Return	1.2	1.1	0.9	0.2
Three-Month Return	0.2	0.0	-1.2	1.2
Year-to-Date Return	7.0	6.6	4.2	2.4
One Year Annualized Return	15.9	14.9	11.9	3.0
Three Year Annualized Return	7.6	6.7	6.1	0.7
Five Year Annualized Return	8.7	7.8	7.2	0.6
Ten Year Annualized Return	9.7	8.7	8.0	0.7
SINCE INCEPTION ANNUALIZED RETURN	7.8	6.8	7.2	-0.5

TOP TEN HOLDINGS

	% OF PORTFOLIO
BHP GROUP LTD	8.6
COMMONWEALTH BANK OF AUSTRALIA	8.3
CSL LTD	4.9
AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED	4.6
WESTPAC BANKING CORP	4.1
NATIONAL AUSTRALIA BANK LTD	3.6
WESFARMERS LTD	2.7
ARISTOCRAT LEISURE LTD	2.6
COCHLEAR LTD	2.1
MACQUARIE GROUP LTD	2.0
NUMBER OF SECURITIES	119
% OF PORTFOLIO FOR TOP 10 CURRENT HOLDINGS	43.4
% OF NON-BENCHMARK PORTFOLIO HOLDINGS	3.4

CURRENT POSITIONING - REGION

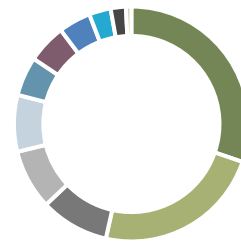
ABSOLUTE



AU/NZ	97.4%
NAM	1.0%
EUR	0.0%

CURRENT POSITIONING - SECTOR

ABSOLUTE



FIN	29.8%
MAT	22.9%
HTH	9.3%
DIS	8.1%
IND	7.7%
REI	5.3%
ENR	5.3%
TCH	4.4%
COM	2.9%
STP	2.1%
UTL	0.7%

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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, by 124 basis points for the quarter ending June 30. Stock selection contributed to return, while sector allocations were negative. Key sources of positive active return included stock selection in consumer discretionary, stock selection in industrials, and stock selection in health care. Leading advances within these sectors respectively included a position in Aristocrat Leisure, a holding in Qantas Airways, and an investment in Pro Medicus. Detractors included an overweight position in energy, an overweight position in materials, and an underweight position in utilities. Leading declines within these sectors in turn included a position in Viva Energy Group, a holding in James Hardie Industries, and an investment in Origin Energy.*

Key Holdings¹

Positive

Our overweight to Pro Medicus Ltd., an Australia-based healthcare informatics company, was rewarded with 27 basis points of active return as share prices rose 28.3% over the quarter. The company continues to benefit from new contracts and a strong project pipeline. Pro Medicus recently announced five new contracts with a combined minimum contract value of \$45 million. Additionally, strong revenue growth in North America has been supporting gains for the stock.

Negative

Our overweight to James Hardie Industries PLC, a global building materials company, cost the portfolio 22 basis points of active return as share prices fell 21.7% in the period. The company continues to suffer from high interest rates and weak housing demand. It recently lowered earnings forecast for fiscal year 2025, citing weak housing demand in North America.

Market Review

Australian equities (S&P/ASX 300 Accumulation Index) fell 1.2% in Q2 2024, due to high inflation and cost-of-living pressures. High risks associated with potential rate hikes led the Reserve Bank of Australia (RBA) to hold the rate steady at a 12-year high of 4.35% throughout the period, despite surprise spikes in inflation. The central bank ruled out the prospects of rate cuts, emphasising the need to remain vigilant to risks stemming from high inflation, as it remained well above the target range. The Australian economy experienced minimal growth in the first quarter of the year, hindered by high interest rates, persistent inflation, and global economic uncertainty.

Australia's manufacturing-sector woes continued in the second quarter, with the manufacturing PMI declining to 47.2 by the end of the quarter amid a fall in new orders placed with Australian goods producers. Furthermore, consumer confidence improved slightly by the end of the quarter but remained in negative territory, due to high inflation, concerns surrounding interest rates and pessimism on the near-term outlook for the economy.

The country's economic outlook remained uncertain, and the RBA stated that the process of reducing inflation to its target was not going to be smooth, as economic growth remained weak, weighed down by a rise in unemployment and slower-than-expected wage growth. According to experts, the federal and state energy rebates would likely bring about a temporary slowdown in headline inflation.

From a sector perspective, utilities (+13.27%) was the best performing sector followed by financials (+3.99%). Energy stocks (-6.66%) fell the most during the period.

Outlook and Strategy

The global economy ended the first quarter of 2024 on a strong note, buoyed by optimism surrounding future rate cuts, excellent corporate earnings, and slowing inflation. The momentum continued into the second quarter as concerns around inflation and interest rates eased. Major central banks opted to hold rates steady during the period, except for the European Central Bank (ECB), which slashed rates for the first time in five years. China's government introduced new stimulus measures aimed at stabilizing its struggling property sector, sparking renewed optimism for an economic recovery.

The International Monetary Fund (IMF) believes the global economy will remain resilient, with growth holding steady as headline inflation starts returning to target. The global lending agency estimates headline inflation to cool to 5.9% this year and 4.5% in 2025, driven by lower energy prices and continued easing of supply chain pressures. It believes inflation in advanced economies will return to their targets sooner than emerging markets. Meanwhile, core inflation is projected to decline more gradually. In terms of economic growth, it expects the global economy to grow at 3.2% in 2024 and 2025.

The IMF believes that the likelihood of a hard landing has reduced amid disinflation and steady economic growth. Furthermore, as disinflation gains pace, financial conditions could ease further. Meanwhile, there is likely to be significant growth divergence across emerging-market economies. Growth is expected to moderate in countries that outperformed in 2023 – i.e., Brazil, Mexico, and India – due to the lagged effects of high interest rates.

The U.S. Energy Information Agency (EIA) expects global demand for oil to grow in 2024, albeit at a slow pace. However, global oil production is likely to suffer due to OPEC+ extending production cuts, causing a significant reduction in oil inventories and increased oil prices. The EIA expects the Brent crude oil spot price to average \$83.25 per barrel in the third quarter, and persistent uncertainty due to geopolitical tensions will likely lead to further hikes in oil prices.

Meanwhile, the Reserve Bank of Australia expects the growth of the Australian economy to remain subdued in the near term as restrictive interest rates amid high cost of living continue to weigh on household consumption. The central bank believes that the process of bringing inflation to target is not likely to be smooth, as rate hikes have not had much impact in curbing prices.

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

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