

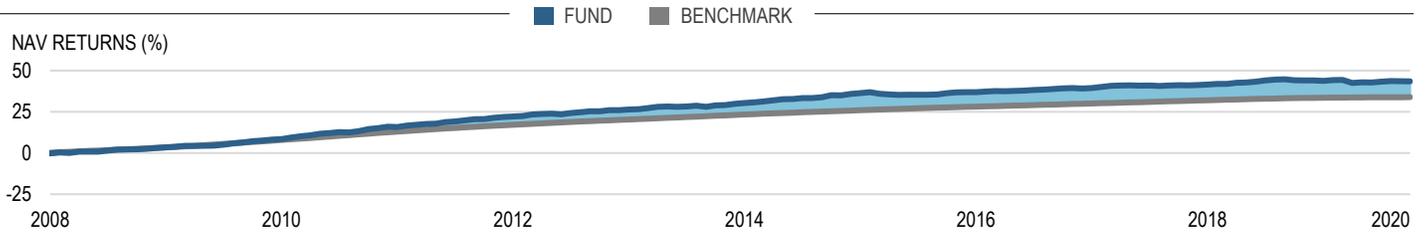
ACADIAN DEFENSIVE INCOME FUND - CLASS A

SEPTEMBER 2020

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	0.9323
Product Size	\$131.7 million
Benchmark	RBA Cash Rate

CUMULATIVE PERFORMANCE



PERFORMANCE

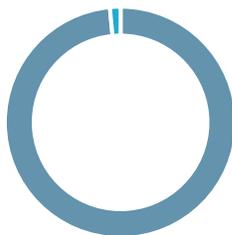
	FUND (NAV)	BENCHMARK	VALUE-ADDED VS.BENCHMARK
One Month Return	-0.1	0.0	-0.1
Three Month Return	0.1	0.1	0.0
Year-to-Date Return	-0.3	0.3	-0.6
One Year Annualized Return	-0.5	0.4	-0.9
Three Year Annualized Return	1.0	1.1	-0.1
Five Year Annualized Return	1.2	1.3	-0.1
SINCE INCEPTION ANNUALIZED RETURN	3.1	2.5	0.6

TOP TEN HOLDINGS

	% OF PORTFOLIO
NETWEALTH GROUP LTD	0.3
COLES GROUP LTD	0.3
CHARTER HALL GROUP	0.3
HARVEY NORMAN HOLDINGS LTD	0.3
GPT GROUP	0.3
BWP TRUST	0.3
A2 MILK CO LTD	0.3
SCENTRE GROUP	0.3
BRAMBLES LTD	0.3
PREMIER INVESTMENTS LTD	0.3
NUMBER OF SECURITIES	147
% OF PORTFOLIO FOR TOP 10 CURRENT HOLDINGS	2.8
% OF NON-BENCHMARK PORTFOLIO HOLDINGS	1.7

CURRENT POSITIONING - REGION

% OF GROSS EXPOSURE



AU/NZ	98.1%
NAM	1.5%

CURRENT POSITIONING - SECTOR

% OF GROSS EXPOSURE



FIN	15.2%
REI	15.1%
DIS	11.6%
MAT	11.4%
TCH	9.7%
IND	9.6%
HTH	6.8%
STP	6.8%
ENR	6.0%
COM	5.3%
UTL	2.4%

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ACADIAN DEFENSIVE INCOME FUND - CLASS A

QUARTERLY REVIEW

Fund Performance and Activity

The Fund returned 0.27% for the quarter (gross of fees, including franking credits), outperforming the RBA Cash Rate by 0.21%.

The Fund's market neutral component added 0.10% to returns for the quarter. Long positions contributed 0.75%, while short positions detracted 0.65%. Key sources of positive return included a net short position in Financials, a net short position in Consumer Discretionary, and a net long exposure to Information Technology, and a net short exposure to Financials. Detractors included a net short position in Energy, a net short position in Industrials, and a net long position in Consumer Staples.

Key Holdings:

Positive:

A net long position in Netwealth Group contributed 16 basis points to active return as share prices rose 69.2% over the period. Positive price movement was further sustained after Australia's largest non-institutional platform provider reported a 35% increase in funds under administration for the financial year. The specialist wealth management platform partnered with Milliman, Inc., a global consulting and actuarial firm, to distribute the new SmartShield Managed Account solutions, one of the fastest growing platforms in Australia.

Negative:

On the short book, our exposure to ARB Corp Ltd detracted 10 basis points from active return. The auto part manufacturer's shares rose on a sizable boost in sales revenue for the quarter ending September 30th, up 17.7% over the previous corresponding period. The longevity of the uptrend in revenue may be finite as it is likely the culmination of pent up demand that had accumulated during the lockdown.

The Fund's cash position added approximately 0.11% to returns for the quarter.

Market Review

Australian equities declined over the third quarter. In September, the risk assets retreated after a massive rebound to new highs in August off of the March lows. The trend reversal was evident across all of Australia's largest sectors as performance declined quarter-over-quarter, most dramatically within Energy and Information Technology. Information Technology lost momentum yet remained the best performing sector (12.6%) whereas Energy was the worst (-14.1%).

Commodity prices wavered amid concerns over the pace of economic recovery – led by iron ore and gold. Iron ore prices surged alongside the Chinese economy picking up pace, only to swell even more dramatically after the Brazilian Vale suspension. Gold prices continue to climb as investors look to hedge against frothy equities, record low interest rates, and sluggish global growth. Oil prices stalled on declining travel and lower fuel demand whereas copper prices hit a multi-year high in mid-September, encouraged by an upbeat recovery trend in China. The Australian dollar rebounded from its mid-March pandemic lows on rallying gold and iron ore prices, while also benefitting from weakness in the U.S. dollar and the strengthening Chinese economy. Furthermore, the average PMI reading for the third quarter (54.3) showed improvement, particularly in the Australian manufacturing sector, which garnered steam with rising output and new orders over most of the quarter. While the second-wave outbreak in Victoria was a tailwind, export orders returned to growth over the quarter and firms added more workers for the first time in ten months.

The China-dependent Australian economy was initially hit hard by the corona-virus induced slowdown but has benefitted from China's stronger-than-expected recovery. Investor sentiment remained cautiously optimistic, spurred on by a flattening contagion curve, expectations of additional policy support in the not too distant horizon, and on hopes of an effective vaccine. Monetary policy remains accommodative and is working as expected. The influx of liquidity and record low borrowing costs have sheltered the economy from a more disadvantageous outcome. Reducing the high rate of unemployment remains a national priority and the RBA affirmed that it would maintain highly accommodative policy settings until meaningful progress is made towards full employment.

Outlook and Strategy

A recovery is underway in most of Australia; however, the recovery is likely to be protracted and uneven. The second-wave outbreak in Victoria was a tailwind and contributed to the recent moderation in the recovery. The national recovery remains uncertain, with outcomes strongly intertwined with the evolution of the pandemic, the measures required to contain it, and the time until an effective vaccine is deployed. New cases continue to rise in some regions of the world, led by some emerging market countries and a second wave in Europe. Further, the severity and progression of the disease could intensify as the northern hemisphere enters fall and winter seasons.

The China-dependent Australian economy has benefitted from the upbeat recovery trend in China yet worries of dissipating global stimulus, U.S. election uncertainty, and rising COVID-19 cases in Europe weighed on sentiment. Investors remain cautiously optimistic, spurred on by a flattening contagion curve within the country, expectations of additional policy support in the not too distant horizon, and on hopes of an effective vaccine. Though progress has been made on the development of a vaccine, there remain many unknowns around accessibility, adoption rate, and degree of protection any vaccine can provide.

In September, the OECD upgraded its 2020 GDP growth estimates for Australia to -4.1% for 2020, up 0.9% from its June projection. Prompt and effective policy support provided critical relief, averted a more significant contraction, and set the stage for quicker-than-expected recovery. Monetary policy remains accommodative and is working as expected. The influx of liquidity and record low borrowing costs have sheltered the economy from a more disadvantageous outcome. The economy has also benefitted from the substantial easing of fiscal policy. Fortunately, additional fiscal capacity is available for prolonged support due to healthy public sector balance sheets. Reducing the high rate of unemployment remains a national priority and the country has affirmed that it will maintain highly accommodative policy settings until meaningful progress is made towards full employment.

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Please contact Mark Mukundan, VP, Product and Wholesale Markets – 0411 615 685 or contact Acadian on (02) 9093 1000 or email us at australiaclientservice@acadian-asset.com.au

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