Managed Volatility

ACADIAN GLOBAL MANAGED VOLATILITY FUND - CLASS A

MARCH 2024

The Acadian Global Managed Volatility Fund - Class A seeks to provide returns similar to those of a global equity index, but with significantly lower absolute volatility and superior downside protection, over the longer term. Limiting absolute risk has the potential to allow investors to compound wealth more efficiently and steadily than traditional capitalisation weighted indices. The option aims to perform in line with the MSCI All Country World Index over rolling three-year periods before fees.

APIR Code	FSF1240AU
Inception Date	19 January 2012
Management Cost	0.62%
Buy / Sell spread	0.05/0.05%
Exit Unit Price	1.7395
Product Size	$310 million
Benchmark	MSCI All-Country World Index

PERFORMANCE

	FUND (GROSS)	FUND (NAV)	BENCHMARK	VALUE-ADDED VS. BENCHMARK
One-Month Return	2.9	2.8	2.9	-0.1
Three-Month Return	10.4	10.3	13.2	-2.9
Year-to-Date Return	10.4	10.3	13.2	-2.9
One Year Annualized Return	18.0	17.2	26.5	-9.3
Three Year Annualized Return	13.6	12.9	12.6	0.3
Five Year Annualized Return	9.8	9.2	12.8	-3.6
Ten Year Annualized Return	11.2	10.5	12.5	-2.0
SINCE INCEPTION ANNUALIZED RETURN	13.1	12.4	14.2	-1.8
SINCE INCEPTION SHARPE RATIO	1.4	1.3	1.2	
SINCE INCEPTION BETA	0.7	1.1	1.0	

TOP TEN HOLDINGS

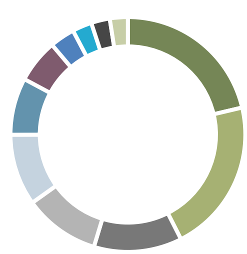
	% OF PORTFOLIO
APPLE INC	2.1
MICROSOFT CORP	1.7
RELIANCE INC	1.5
MCKESSON CORP	1.5
CADENCE DESIGN SYSTEMS INC	1.4
ALPHABET INC	1.4
COLGATE-PALMOLIVE CO	1.4
AGRICULTURAL BANK OF CHINA LTD.	1.3
MARSH & MCLENNAN COS INC	1.3
PROCTER & GAMBLE CO	1.3
NUMBER OF SECURITIES	402
% OF PORTFOLIO FOR TOP 10 CURRENT HOLDINGS	14.9
% OF NON-BENCHMARK PORTFOLIO HOLDINGS	28.3

CURRENT POSITIONING - REGION

ABSOLUTE

CURRENT POSITIONING - SECTOR

ABSOLUTE



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QUARTERLY REVIEW

Market Review

Global equities ended Q1 on a strong note, up 10.1%, buoyed by optimism surrounding future rate cuts, stellar corporate earnings, and slowing inflation. However, challenges in China's real estate market and tensions in the Middle East weighed on the markets. Regarding monetary policy, most major central banks were on hold, maintaining their interest rates while suggesting potential rate cuts in June. Japanese equities stood out, outperforming global stocks, on a weak yen and the Bank of Japan's (BoJ's) surprising reversal of its negative monetary policy stance. The BoJ hiked rates toward the end of the quarter, surprising market participants. However, investors were not convinced that the BOJ would keep hiking rates in the future, as the bank outlined it would continue its quantitative easing policy. Among the major markets, China's performance remained unimpressive, as the country struggled against an ailing property sector, high unemployment, and a continuation of slowing factory output. Nonetheless, the government's recent stimulus measures to shore up the country's languishing economy did bring some relief to investors. Emerging markets lagged behind their developed counterparts, largely weighed down by China. Notable gains from Indian and Turkish stocks within that region contributed to overall emerging market gains.

Fund Performance and Activity

The fund returned 10.3% versus returns of 13.2% for the MSCI ACW Index over the quarter. The fund's underperformance over the quarter is attributable to the fund's low beta positioning and associated stock and sector positioning. Approximately 34% of the fund was held in the lowest beta stocks, compared to roughly 10% for the index. The fund's allocation to the lowest beta quintile detracted 165 basis points; however, gains from stock selection within this quintile (50 basis points) offset these returns to yield a net detraction of 115 basis points.

A combination of stock selection and an underweight position in information technology detracted 99 basis points, led by an underweight in Nvidia. Meanwhile, stock selection in health care detracted 72 basis points, owing primarily to holding in Humana. Somewhat offsetting was 40 basis points of positive returns from stock selection in materials, driven by an exposure to Reliance.*

Key Holdings[1]

Positive

- A lack of exposure to EV maker Tesla was rewarded with 41 basis points of active return as the share price tumbled 27.6% during the quarter. Low sales amid a high-rate environment weighed on their share price. The company surprised investors when reporting a decline in vehicle sales during the first quarter.

Negative

- Our underweight to NVIDIA Corp. cost the fund 143 basis points of active return as the share price rallied 82.5% during the quarter. The main catalysts behind the stock's impressive performance have been the increasing adoption of generative AI, and the growing demand for graphics processing units (GPUs). The company's data centre platform, which accounts for over 83% of its revenues, has been a primary beneficiary of the robust demand from companies investing in generative AI capabilities.

Outlook and Strategy

The global economy surpassed growth expectations in 2023 withstanding a number of headwinds, such as high inflation and central banks' monetary tightening. The momentum continued in the first quarter of 2024 on strong labor markets and cooling inflation.

The International Monetary Fund (IMF) believes that resilience in the U.S. and emerging market economies will drive global growth in the next two years. It expects the global economy to grow 3.1% in 2024 and 3.2% in 2025. With prices falling faster than expected in most regions, the global lending agency expects headline inflation to cool to 5.8% this year and to 4.4% in 2025.

On the upside, the likelihood of a hard landing has reduced due to disinflation and steady economic growth. Furthermore, as disinflation gains pace, financial conditions could ease further. However, a potential spike in commodity prices due to geopolitical uncertainties could prolong tighter monetary conditions. This may impact developed markets more as emerging markets started raising interest rates sooner and, thus, will likely have more room to cut rates to stimulate growth. The IMF expects growth in developed economies to slow to 1.4% in 2024 from 1.5% in 2023 due to the impact of monetary tightening, leaving a very small margin for policy error on the part of developed markets' central banks. In contrast, macroeconomic conditions for emerging markets have been improving marginally since end-2023, primarily due to resilient global growth and financial conditions easing. However, 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 and an eventual slowdown in the U.S. economy.

The U.S. Energy Information Agency (EIA) expects global demand for oil to grow in 2024, albeit at a slower pace. However, global oil production is likely to suffer due to OPEC+ extending crude oil production cuts, causing a significant reduction in oil inventories thus increasing oil prices. The EIA expects the Brent crude oil spot price to average $88 per barrel in the second quarter. Furthermore, persistent uncertainty due to attacks targeting commercial ships crossing the Red Sea shipping channel could also lead to further escalation in oil prices.

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[1]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, 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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