

Ausbil Australian Emerging Leaders Fund

Monthly performance update

April 2021

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'April has seen further improvement in the earnings outlook for Australian listed companies'

Performance Review

Fund performance for April 2021 was +6.97% (net of fees) versus the benchmark return of +5.20%. The benchmark is represented by a composite, 70% of the S&P/ASX MidCap 50 Accumulation Index and 30% of the S&P/ASX Small Ordinaries Accumulation Index.

At a sector level, the Portfolio's overweight position in the Materials sector added to relative performance. The underweight positions in the Energy, Consumer Discretionary, Information Technology, Utilities and Real Estate sectors also added value. Conversely, the overweight positions in the Consumer Staples and Financials sectors detracted from performance. The underweight exposure to Industrials, Health Care and Communication Services also detracted value.

At a stock level, the overweight positions in Galaxy Resources, Chalice Mines, Domain Holdings, Uniti Group, IGO, BlueScope Steel and Mineral Resources contributed to relative performance. The nil positions in JB Hi-Fi, Beach Energy and AMP also added value. Conversely, the overweight positions in Lynas, Challenger, Webjet, Incitec Pivot and Corporate Travel Management detracted from relative performance. The nil positions in Reece, Evolution Mining and REA Group also detracted value.

Market Review

The market delivered a strong positive month with a return of +5.20% as measured by the Blended Benchmark (70% S&P/ASX MidCap 50 and 30% S&P/ASX Small Ordinaries Accumulation Index), building further on the +2.1% return delivered in the March quarter.

Across domestic sectors, Materials (+9.7%) and Industrials (+8.8%) delivered outstanding performance, with solid results achieved across Information Technology (+7.3%), Communication Services (+5.9%) and Health Care (+5.5%). Only Energy (-10.4%) and Consumer Staples (-1.8%) showed negative returns.

Outlook

April has seen further improvement in the earnings outlook for Australian listed companies, particularly since the historic reversal in consensus across the February reporting season that saw the FY21 consensus earnings outlook for the broad market rebound.

This multi-year growth outlook is tempered by the risk of some inflation and the ongoing risks around COVID-19, new variants, and a slowing down of vaccinations due to complications. Further unquantifiable risks remain around China trade relations and the potential for geopolitical instability in the Pacific region. At this stage in the recovery, the house view remains that while there might be some unanticipated higher reads on inflation, it is not in our view that inflation will become a problem in the short to medium term such that it warrants central banks to move.

Ausbil's portfolios have been positioned for a clear path to recovery, but with some volatility and uncertainty along the way. We are expecting a multi-year earnings growth cycle before inflation becomes a problem, and we maintain the position that investors are compelled to participate. While we maintain a positive outlook on earnings, this is still a time to invest in only the best quality companies, which exhibit superior underlying earnings growth and strength, in order to achieve longer-term outperformance.

Fund Characteristics

Returns¹ as at 30 April 2021

| Period | Fund Return ¹ % | Benchmark ² % | Out/Under performance % |
|--------------------|-------------------------------|-----------------------------|----------------------------|
| 1 month | 6.97 | 5.20 | 1.78 |
| 3 months | 11.33 | 6.89 | 4.45 |
| 6 months | 28.96 | 17.77 | 11.19 |
| FYTD | 41.29 | 29.48 | 11.81 |
| CYTD | 13.33 | 5.99 | 7.34 |
| 1 year | 55.40 | 43.82 | 11.57 |
| 2 years pa | 16.24 | 13.73 | 2.51 |
| 3 years pa | 8.16 | 10.76 | -2.60 |
| 5 years pa | 11.82 | 12.91 | -1.10 |
| 10 years pa | 8.92 | 9.13 | -0.20 |
| 15 years pa | 7.32 | 6.36 | 0.96 |
| Since inception pa | 11.37 | 9.64 | 1.73 |

Date: April 2002

Top 10 Stock Holdings

| Name | Fund % | Index ² % | Tilt % |
|-------------------------|--------|----------------------|--------|
| BlueScope Steel | 6.23 | 2.78 | 3.45 |
| Bank of Queensland | 5.55 | 1.47 | 4.08 |
| Lynas | 5.27 | 1.27 | 4.00 |
| Zip | 4.76 | 0.38 | 4.38 |
| Northern Star Resources | 4.24 | 3.12 | 1.12 |
| Boral | 4.23 | 1.63 | 2.60 |
| Tabcorp | 3.90 | 2.81 | 1.09 |
| Domain | 3.72 | 0.14 | 3.58 |
| Galaxy Resources | 3.64 | 0.23 | 3.41 |
| IGO | 3.60 | 1.29 | 2.31 |

Sector Tilts

| Sector | Fund % | Index ² % | Tilt % |
|------------------------|---------------|----------------------|-------------|
| Energy | 2.29 | 4.80 | -2.51 |
| Materials | 40.50 | 25.34 | 15.16 |
| Industrials | 9.18 | 14.08 | -4.90 |
| Consumer Discretionary | 13.33 | 15.55 | -2.21 |
| Consumer Staples | 3.07 | 2.04 | 1.03 |
| Health Care | 2.40 | 6.70 | -4.30 |
| Financials | 12.11 | 10.65 | 1.46 |
| Information Technology | 9.69 | 10.56 | -0.87 |
| Communication Services | 3.10 | 1.66 | 1.44 |
| Utilities | 0.00 | 1.87 | -1.87 |
| Real Estate | 3.00 | 6.75 | -3.75 |
| Cash | 1.33 | 0.00 | 1.33 |
| Total | 100.00 | 100.00 | 0.00 |

1. Fund returns are net of fees and gross of taxes.

2. The composite benchmark is 70% S&P/ASX Midcap 50 Accumulation Index and 30% S&P/ASX Small Ordinaries Accumulation Index.



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A short notice on the COVID-19 public health event, and how it can impact investments

Given the currently evolving issues around the Coronavirus (or Covid-19) globally, which has officially been designated a pandemic by the World Health Organisation, we wish to notify that, as with many firms, business may be disrupted. A public health crisis, pandemic, epidemic or outbreak of a contagious disease, such as the recent outbreak of Coronavirus (or Covid-19) in Australia, Italy, China, South Korea, the United States and other countries, could have an adverse impact on global, national and local economies, which in turn could negatively impact investment returns in any of Ausbil Investment Management Limited's registered managed investment schemes (the Funds). Disruptions to commercial activity relating to the imposition of quarantines or travel restrictions (or more generally, an inability on behalf of authorities to contain this pandemic) may adversely impact any investment, including by delaying or causing supply chain disruptions or by causing staffing shortages. The outbreak of Coronavirus has contributed to, and may continue to contribute to, volatility in financial markets. The impact of a public health crisis such as the Coronavirus (or any future pandemic, epidemic or outbreak of a contagious disease) is difficult to predict, which presents material uncertainty and risk with respect to any investment or fund performance.