

Ausbil Australian Emerging Leaders Fund

Quarterly performance update

September 2021

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'Ausbil's outlook for equities remains positive, driven by the ongoing economic recovery and an eventual return to trend growth'

Performance Review

Fund performance for the quarter ending September 2021 was +8.36% (net of fees) versus the benchmark return of +3.79%. The benchmark is represented by a composite benchmark, 70% by the S&P/ASX MidCap 50 Accumulation Index and 30% by the S&P/ASX Small Ordinaries Accumulation Index.

Over the quarter, at a sector level, the overweight positions in Materials, Industrials, Consumer Discretionary, Information Technology and Communication Services contributed to relative performance. The underweight positions in the Health Care and Financials sectors added value. Conversely, the underweight positions in the Energy, Consumer Staples, Utilities and Real Estate sectors also detracted value.

At a stock level, the overweight positions in WiseTech Global, Galaxy Resources, Webjet, Lynas Rare Earths, IGO and Uniti Group contributed to relative performance. The underweight position in Mineral Resources and nil positions in Magellan Financial, Reece and Ansell also added value. Conversely, the overweight positions in Evolution Mining, Zip Co, Sims Metal Management, Orocobre, Nine Entertainment and Challice Mines detracted from relative performance. The underweight positions in Carsales.com, Domino's Pizza, AusNet Services and Spark Infrastructure Group also detracted value.

Market Review

This month the market gave back a little of the impressive returns earned this year, dropping 1.1% on a year's return of +33% to end September 2021 (Blended Benchmark: 70% S&P/ASX MidCap 50 and 30% S&P/ASX Small Ordinaries Accumulation Index). The quarter was positive, returning +3.8% in the context of a kaleidoscope of problems from hard lockdowns across Australia, economic and geopolitical issues with China, a cancelled A\$90 billion submarine contract with France, advances in the dates when central banks will start to taper their QE programs, and importantly for Australia, a temporary collapse in the iron ore price. Regardless, on the back of a strong reporting season with record resources profits and dividends, and record buybacks from banks, the markets refused to capitulate, looking through the noise at the potential earnings bonanza that lies beyond lockdowns, as states and the nation reopen on achieving mass-vaccination targets, and company management teams execute their post-lockdown spending plans.

This quarter, all sectors generated relatively strong returns, with Utilities (+33.5%) and Energy (+12.6%) the standouts: Energy due to tightening oil markets and strong demand from buoyant economies; Utilities due to takeover offers for both AusNet and Spark Infrastructure.

Outlook

Ausbil's outlook for equities remains positive, driven by the ongoing economic recovery and an eventual return to trend growth. Following reporting season, while companies were hesitant to guide on FY22 given lockdowns, a lead indicator for sustainable earnings growth was the bullish investment plans from management for beyond COVID as the economy normalises. Given the rapid progress on vaccines, we believe earnings growth is likely to surprise again in FY22 as the economy reopens following lockdowns. Our view is that FY23 earnings expectations will also be positive, with growth driven by a very strong post-Delta variant bounce-back, which will be evident in the final months of this calendar year, and will have duration into FY23. We remain invested to capture these opportunities as vaccination targets are achieved and the economy can recommence its path towards normalcy releasing pent-up consumer demand.

Fund Characteristics

Returns¹ as at 30 September 2021

Period	Fund Return ¹ %	Benchmark ² %	Out/Under performance %
1 month	-1.01	-1.09	0.09
3 months	8.36	3.79	4.56
6 months	18.43	13.81	4.62
FYTD	8.36	3.79	4.56
CYTD	25.46	14.67	10.79
1 year	46.60	33.00	13.60
2 years pa	20.65	15.71	4.94
3 years pa	11.79	11.54	0.25
5 years pa	11.74	12.32	-0.59
10 years pa	12.55	12.09	0.46
15 years pa	8.01	6.79	1.22
Since inception pa Date: April 2002	11.69	9.87	1.83

Top 10 Stock Holdings

Name	Fund %	Index ² %	Tilt %
BlueScope Steel	4.80	2.57	2.23
WiseTech Global	4.80	2.17	2.63
Bank of Queensland	4.79	1.49	3.30
Cleanaway Waste Management	3.97	1.42	2.55
Lynas	3.71	1.51	2.20
Seek	3.62	2.74	0.88
Evolution Mining	3.57	1.58	2.00
ALS	3.56	1.53	2.04
Domain Holdings	3.49	0.14	3.35
IGO	3.49	1.49	2.00

Sector Tilts

Sector	Fund %	Index ² %	Tilt %
Energy	4.12	7.17	-3.04
Materials	31.56	21.62	9.94
Industrials	15.60	14.49	1.12
Consumer Discretionary	17.07	14.38	2.69
Consumer Staples	0.00	3.52	-3.52
Health Care	2.76	4.12	-1.35
Financials	7.92	11.19	-3.27
Information Technology	13.73	11.88	1.85
Communication Services	2.22	1.03	1.19
Utilities	0.00	3.33	-3.33
Real Estate	3.15	7.27	-4.12
Cash	1.85	0.00	1.85
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.