

# Ausbil Australian Emerging Leaders Fund

Monthly performance update

July 2022

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'The outlook for equities remains positive, based on Ausbil's house view that Australia will avoid recession even though growth is slowing'

## Performance Review

Fund performance for July 2022 was +6.89% (net of fees) versus the benchmark return of +9.85%. The benchmark is 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 Fund's overweight positions in the Financials and Information Technology sectors added to relative performance. The underweight positions in the Industrials, Consumer Staples and Utilities sectors also added value. Conversely, the overweight positions in the Energy and Materials sectors detracted from performance. The underweight exposures to the Consumer Discretionary, Health Care, Communication Services and Real Estate sectors also detracted value.

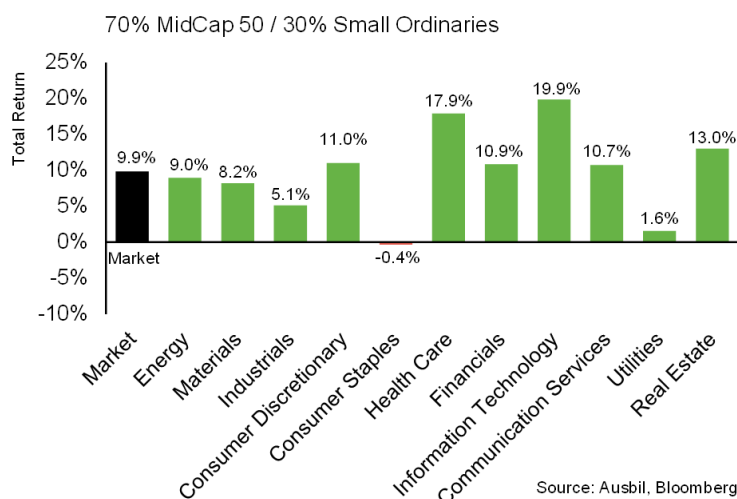
At a stock level, the overweight positions in Domain and AMP contributed to relative performance. The nil positions in Atlas Arteria, AGL Energy, Qube, Tabcorp, Metcash, Orora and Aurizon also added value. Conversely, the overweight positions in Ampol, Lynas Rare Earths, Webjet, Mineral Resources, Challenger, Worley and Iluka Resources detracted from relative performance. The nil positions in Whitehaven Coal and Pilbara Minerals also detracted value.

## Market Review

Markets showed a little more 'pluck' in July, rebounding from the poor June quarter with a monthly return of +9.85% (Composite Benchmark, comprising 70% S&P/ASX MidCap 50 and 30% S&P/ASX Small Ordinaries accumulation indices), bringing the rolling annual return to 31 July to -3.95%. There were signs that the sell-off of recent months may have overshoot as markets partially retraced on improved sentiment, on clear policy direction from central banks, and a view that the slowdown in growth might not be as drastic as feared.

The rebound in July was also felt across all sectors but one, as illustrated in chart below. Technology was the biggest mover following the stellar rise in the Nasdaq as earnings came in for big tech, and the market reconsidered the impact of inflation on large technology stocks with proven earnings growth and long track records of generating free cash flow.

## Sector returns – July 2022



## Fund Characteristics

Returns<sup>1</sup> as at 31 July 2022

Period	Fund Return <sup>1</sup> %	Benchmark <sup>2</sup> %	Out/Under performance %
1 month	6.89	9.85	-2.96
3 months	-10.68	-6.80	-3.88
6 months	-4.75	-2.43	-2.32
FYTD	6.89	9.85	-2.96
CYTD	-14.28	-10.99	-3.29
1 year	-5.35	-3.95	-1.39
2 years pa	16.96	13.20	3.77
3 years pa	7.87	7.13	0.74
5 years pa	8.98	9.52	-0.54
10 years pa	11.26	11.15	0.12
15 years pa	5.74	4.54	1.19
20 years pa	11.16	9.48	1.68
Since inception pa Date: April 2002	10.64	9.06	1.58

## Top 10 Stock Holdings

Name	Fund %	Index <sup>2</sup> %	Tilt %
Lynas	5.78	2.15	3.63
AMP	5.75	0.97	4.79
Orica	5.36	1.87	3.49
IGO	5.22	2.03	3.19
Ampol	5.16	2.18	2.98
Allkem	4.42	1.83	2.59
Block	4.16	1.29	2.87
Cleanaway Waste Management	4.00	1.54	2.46
Challenger	3.84	1.10	2.74
ALS	3.58	1.54	2.05

## Sector Tilts

Sector	Fund %	Index <sup>2</sup> %	Tilt %
Energy	11.86	8.19	3.67
Materials	33.25	25.72	7.53
Industrials	10.41	12.59	-2.17
Consumer Discretionary	6.16	12.01	-5.85
Consumer Staples	1.44	3.61	-2.17
Health Care	1.25	3.42	-2.17
Financials	17.20	11.26	5.93
Information Technology	13.24	12.58	0.66
Communication Services	0.00	0.97	-0.97
Utilities	0.00	1.54	-1.54
Real Estate	3.21	8.11	-4.91
Cash	1.99	0.00	1.99
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>

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.

## Outlook

The outlook for equities remains positive, based on Ausbil's house view that Australia will avoid recession even though growth is slowing, and the view that central banks have front-weighted rate rises and will begin to slow the tightening. With fundamental world demand for commodities strong and growing against a backdrop of underinvestment in supply, we expect to see Australia outperform relative to other developed markets, supporting earnings growth, and the A\$. Ausbil's outlook for earnings overall is strong for the coming August reporting season at around +25% for FY22, and in positive single-digit territory for FY23. Given softening economic growth, earnings growth will be harder to come by in FY23. However, in the key sectors which benefit from inflation and interest rates, and in some cycle-proof quality leaders that retain pricing power we expect stronger earnings outcomes.

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