

# Ausbil Australian Emerging Leaders Fund

Quarterly performance update

September 2022

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'We are confident that even in a slowing environment Ausbil will be able to find superior earnings and earnings growth'

## Performance Review

Fund performance for the quarter ending September 2022 was +2.70% (net of fees) versus the benchmark return of +3.48%. 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 Energy and Materials sectors added to relative performance. The underweight positions in the Industrials, Consumer Discretionary, Consumer Staples, Utilities and Real Estate sectors also added value. Conversely, the overweight position in the Financials sector detracted from performance. The underweight exposures to the Health Care, Information Technology and Communication Services sectors also detracted value.

At a stock level, the overweight positions in IGO, OZ Minerals, Allkem, Boss Resources, AMP and The a2 Milk Company contributed to relative performance. The underweight position in Atlas Arteria and the nil positions in AGL Energy, Bendigo and Adelaide Bank and Aurizon also added value. Conversely, the overweight positions in Orica, Lynas Rare Earths, Ampol, Challenger, Webjet, Beach Energy, Evolution Mining and Mineral Resources detracted from relative performance. The underweight positions in Whitehaven Coal and Pilbara Minerals also detracted value.

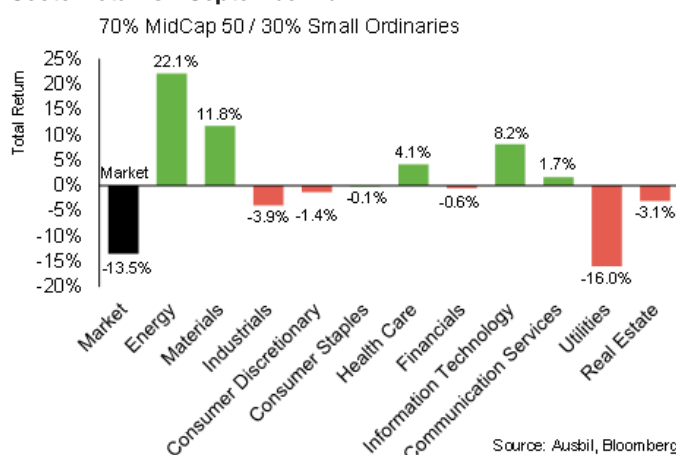
## Market Review

The September quarter has seen markets roiled by inflation and rate rises, the ASX no exception, with a 3-month return of +3.48%, a monthly return of -8.62%, and a trailing 1-year return of -12.24% (Composite Benchmark, comprising 70% S&P/ASX MidCap 50 and 30% S&P/ASX Small Ordinaries accumulation indices).

Interest rates globally have continued on a hawkish tear, with central banks raising the stakes in their war on inflation with another round of solid rate rises. While FY22 reporting season showed how resilient Australian companies are, moving into FY23 and a slowing economy has markets worrying about earnings growth. Despite this, we remain confident that even in a slowing environment Ausbil will be able to find superior earnings and earnings growth.

Energy and materials stocks have been beneficiaries of elevated commodity prices, which reflected positively not only in their reported annual results, but also across the September quarter, as illustrated in the chart below. A strong performance in information technology and health care contrasted sharply with the negative returns in utilities and real estate.

### Sector returns – September 2022



## Fund Characteristics

Returns<sup>1</sup> as at 30 September 2022

Period	Fund Return <sup>1</sup> %	Benchmark <sup>2</sup> %	Out/Under performance %
1 month	-8.08	-8.62	0.54
3 months	2.70	3.48	-0.78
6 months	-15.43	-13.53	-1.90
1 year	-13.08	-12.24	-0.84
2 years pa	12.88	8.04	4.84
3 years pa	8.16	5.52	2.63
5 years pa	7.33	7.82	-0.49
10 years pa	10.28	10.05	0.23
15 years pa	5.34	3.79	1.55
20 years pa	10.92	9.08	1.84
Since inception pa Date: April 2002	10.33	8.66	1.67

## Top 10 Stock Holdings

Name	Fund %	Index <sup>2</sup> %	Tilt %
AMP	6.01	1.02	4.99
IGO	5.43	2.63	2.80
OZ Minerals	5.31	2.46	2.85
Allkem	5.04	2.37	2.67
AMPOL	4.93	1.95	2.98
Lynas	4.59	1.94	2.64
Cleanaway Waste Management	4.54	1.70	2.84
Worley	3.39	1.35	2.04
Vicinity Centres	3.34	1.91	1.43
Orica	3.33	1.70	1.63

## Sector Tilts

Sector	Fund %	Index <sup>2</sup> %	Tilt %
Energy	15.63	9.18	6.46
Materials	32.93	28.30	4.63
Industrials	11.97	12.20	-0.23
Consumer Discretionary	7.37	10.99	-3.62
Consumer Staples	2.21	3.76	-1.55
Health Care	0.00	3.43	-3.43
Financials	14.48	10.22	4.26
Information Technology	8.85	11.97	-3.12
Communication Services	0.00	0.96	-0.96
Utilities	0.41	1.17	-0.76
Real Estate	3.34	7.84	-4.49
Cash	2.80	0.00	2.80
<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

Market volatility and concerns around inflation and rate rises continues to rankle investors. In this low earning environment, with slowing growth from rising rates, Ausbil's view is that the market will continue to diverge on performance. Sectors that benefit in an environment of inflation and rising rates are expected to outperform. Those sectors for which inflation creates an earnings drag and dampens demand will underperform. Overall, the economy is set to play a major part in earnings growth. As noted in our economic review, Ausbil does not currently see Australia entering recession.

Across the market, quality leaders, particularly those with relatively inelastic demand and the capacity to pass on higher input costs such as commodity prices through to their customers, are also expected to deliver superior earnings growth in FY23. Our portfolio is exposed to leaders in health care and pharmaceuticals, biotechnology and life sciences, some leaders in information technology, and in select global leaders.

We are avoiding sectors that are cyclical, over-exposed to slowing economic growth, and whose earnings are adversely impacted by inflationary pressures. This includes construction, retailing, consumer discretionary and housing.

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