

Ausbil Australian Emerging Leaders Fund

Monthly performance update

October 2022

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'While the trajectory of inflation and rates is still unknown, decisive, and balanced action by central banks saw markets respond with more confidence'

Performance Review

Fund performance for October 2022 was +6.08% (net of fees) versus the benchmark return of +6.91%. 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 position in the Financials sector added to relative performance. The underweight position in the Consumer Staples sector also added value. Conversely, the overweight positions in the Energy, Materials, Information Technology and Utilities sectors detracted from performance. The underweight exposures to the Industrials, Consumer Discretionary, Health Care, Communication Services and Real Estate sectors also detracted value.

At a stock level, the overweight positions in AMP, Challenger, IGO, Worley, Lynas Rare Earths, Domino's Pizza and Vicinity Centres contributed to relative performance. The underweight position in Iluka Resources and the nil positions in Reliance Worldwide and NIB Holdings also added value. Conversely, the overweight positions in OZ Minerals, Ampol, Cleanaway Waste Management, NextDC, Boss Resources, Evolution Mining and The a2 Milk Company detracted from relative performance. The nil positions in Pilbara Minerals, Bendigo & Adelaide Bank and Charter Hall Group also detracted value.

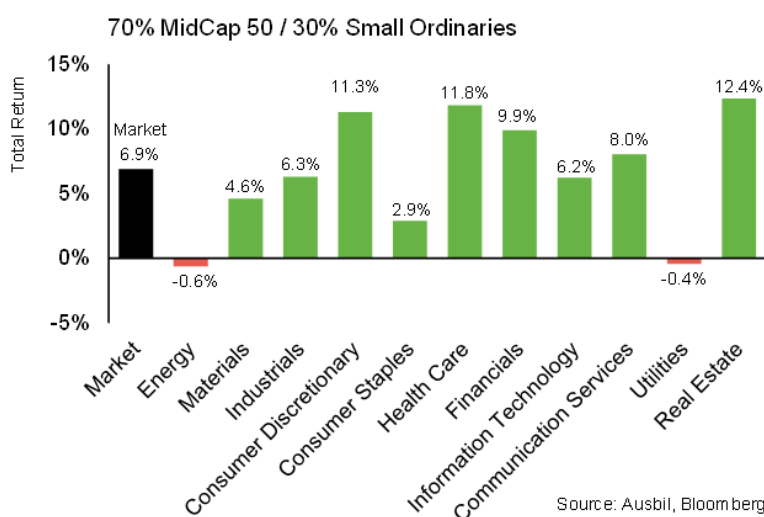
Market Review

The month of October saw markets post strong gains with the ASX returning +6.9%, with a trailing 1-year return of -6.63% (Composite Benchmark, comprising 70% S&P/ASX MidCap 50 and 30% S&P/ASX Small Ordinaries accumulation indices).

The Reserve Bank of Australia hinted at some softening in policy with just a 25 bps rise in October, suggesting the central bank was looking more at the data having executed the bulk of their move already. While the trajectory of inflation and rates is still unknown, decisive, and balanced action by central banks saw markets respond with more confidence.

Looking at sectors, other than Energy and Utilities, the upswing in prices was felt, as illustrated in the chart below.

Sector returns – October 2022



Fund Characteristics

Returns¹ as at 31 October 2022

Period	Fund Return ¹ %	Benchmark ² %	Out/Under performance %
1 month	6.08	6.91	-0.82
3 months	1.92	0.70	1.21
6 months	-8.97	-6.15	-2.82
1 year	-8.73	-6.63	-2.10
2 years pa	14.74	9.34	5.40
3 years pa	10.69	8.03	2.66
5 years pa	7.12	8.02	-0.91
10 years pa	10.57	10.45	0.12
15 years pa	5.42	4.04	1.38
20 years pa	11.39	9.49	1.90
Since inception pa Date: April 2002	10.60	8.98	1.62

Top 10 Stock Holdings

Name	Fund %	Index ² %	Tilt %
AMP	6.55	1.10	5.45
IGO	5.10	2.75	2.36
Lynas	4.78	2.00	2.78
Allkem	4.48	2.31	2.17
OZ Minerals	4.34	2.16	2.19
Block	4.21	0.94	3.27
Worley	4.13	1.41	2.72
Vicinity Centres	3.55	2.00	1.54
Challenger	3.23	1.10	2.13
Evolution Mining	3.13	1.02	2.12

Sector Tilts

Sector	Fund %	Index ² %	Tilt %
Energy	13.37	8.73	4.65
Materials	30.63	27.74	2.89
Industrials	8.20	12.05	-3.85
Consumer Discretionary	6.81	11.41	-4.60
Consumer Staples	2.04	3.63	-1.59
Health Care	0.00	3.60	-3.60
Financials	17.28	10.59	6.69
Information Technology	12.67	11.94	0.73
Communication Services	0.00	0.97	-0.97
Utilities	2.04	1.09	0.95
Real Estate	3.55	8.27	-4.72
Cash	3.42	0.00	3.42
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.

Outlook

Market volatility and concerns around inflation and interest rates remain an issue, but some clear caution in the rhetoric of central banks has given some hope that the hard steps may have been taken in the battle against inflation. We are expecting more caution, perhaps even a pause in 2023, around rate increases as central banks look at the data for feedback on how successful they have been to date in the arrest of inflation. We have clearly entered a period of slowing growth.

Given the strength of the Australian economy, the demand for our resources, and the current strength in the job market, Ausbil does not currently see Australia entering recession. Overall, the market is expecting positive earnings growth for FY23 of 6.7%, even though the recent AGM season has seen some an increase in earnings downgrades as a function of the slowing economy. Ausbil is still confident of finding superior earnings growth in the market in FY23.

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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