

Ausbil Australian Active Equity Fund

Quarterly performance update

March 2021

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'Ausbil's macro outlook, set early in the pandemic, has largely played out as the market rebounded, followed by a resurging economy'

Performance Review

Fund performance for the quarter ending March 2021 was +6.52% (net of fees) versus the benchmark return of +4.15%, as measured by the S&P/ASX 300 Accumulation Index.

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

At a stock level, the overweight positions in Lynas, OZ Minerals, National Australia Bank, Santos, BHP, ANZ Bank and Aristocrat Leisure contributed to relative performance. The nil positions in Fortescue Metals, Coles Group and The a2 Milk Company also added value. Conversely, the overweight positions in Afterpay, Nuix, NextDC, Charter Hall Group, Lendlease, CSL, Northern Star Resources, IGO and Goodman Group detracted from relative performance. The nil position in Telstra also detracted value.

Market Review

The market delivered a strong quarter, up 4.2% as measured by the S&P/ASX 300 Accumulation Index. The March quarter confirmed that economic growth is on track, with a consequent recovery in earnings from improved trading conditions and emergence from intense lockdowns, though the experience of sporadic localised lockdowns is likely to be the norm for some time yet.

Returns for the quarter suggest that a steady rotation towards cyclicals from growth continues, with rising bond yields adding complexity in a macro environment dominated by government and central bank stimulus, and driving some reduction in equity duration across portfolios. These changes are incremental and not revolutionary, and as outlined in Ausbil's economic review and outlook, we believe that economic growth can run for some years before it becomes a real risk for sustained inflation.

As in February, cyclicals closed the March quarter strongly (Financials: +12.1%, Consumer Discretionary: +8.9%, Energy: +3.3% and Materials: +2.7%), outperforming both non-cyclicals (including Health Care: -2.1%, Utilities: -1.8%, Real Estate: -0.4% and Consumer Staples: +0.1%) and growth (Information Technology: -10.3%).

Outlook

Ausbil's macro outlook, set early in the pandemic, has largely played out as the market rebounded, followed by a resurging economy. The current economic growth path is expected to run through the balance of 2021 and 2022, and possibly beyond, and is expected to be accompanied by solid years of earnings growth.

Markets are still, on average, tentative around the impact of firming bond yields and the potential for unanticipated inflation. 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 believe the next two years will see strong earnings growth in which investors are compelled to participate.

Fund Characteristics

Returns¹ as at 31 March 2021

Period	Fund Return ¹ %	Benchmark ² %	Out/Under performance %
1 month	1.56	2.30	-0.74
3 months	6.52	4.15	2.37
6 months	24.90	18.51	6.39
FYTD	27.56	18.45	9.11
CYTD	6.52	4.15	2.37
1 year	50.69	38.34	12.35
2 years pa	12.61	8.74	3.87
3 years pa	11.27	9.73	1.54
5 years pa	11.62	10.32	1.30
7 years pa	8.35	7.77	0.58
10 years pa	8.77	7.86	0.92
15 years pa	7.04	6.28	0.76
20 years pa	9.77	8.37	1.39
Since inception pa Date: July 1997	10.23	8.24	1.99

Top 10 Stock Holdings

Name	Fund %	Index ² %	Tilt %
BHP	9.68	6.75	2.92
Commonwealth Bank	8.07	7.73	0.34
CSL	7.24	6.09	1.14
National Australia Bank	7.21	4.34	2.87
Westpac Bank	5.49	4.53	0.95
ANZ Bank	5.02	4.06	0.96
Santos	4.08	0.67	3.40
Macquarie Group	3.88	2.63	1.25
Qantas	3.55	0.49	3.06
Rio Tinto	3.45	2.08	1.37

Sector Tilts

Sector	Fund %	Index ² %	Tilt %
Energy	4.08	3.73	0.34
Materials	26.74	19.90	6.85
Industrials	9.70	7.33	2.37
Consumer Discretionary	4.40	8.42	-4.02
Consumer Staples	2.34	5.61	-3.27
Health Care	10.73	9.99	0.73
Financials	32.45	29.34	3.12
Information Technology	4.35	4.89	-0.54
Communication Services	0.00	2.64	-2.64
Utilities	0.00	1.27	-1.27
Real Estate	4.58	6.87	-2.29
Cash	0.62	0.00	0.62
Total	100.00	100.00	0.00

1. Fund returns are net of fees but before taxes.

2. The benchmark is S&P/ASX 300 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.