

Ausbil 130/30 Focus 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 +5.05% (net of fees) versus the benchmark return of +4.26%, as measured by the S&P/ASX 200 Accumulation Index.

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

The largest short positions were in selected stocks within the Energy, Financials and Consumer Discretionary sectors.

At a stock level, the overweight positions in ANZ Bank, Lynas, Santos, GrainCorp, National Australia Bank, Tabcorp and OZ Minerals contributed to relative performance. The underweight position in Afterpay, and the nil positions in Coles Group and The a2 Milk Company also added to performance. Conversely, the overweight positions in Northern Star Resources, CSL, Charter Hall Group, United Malt Group, Medibank and Stockland detracted from relative value. The underweight positions in Telstra, Westpac Bank, James Hardie and South32 also detracted value.

Market Review

The market delivered a strong positive quarter, up 4.3% as measured by the S&P/ASX 200 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: +12.2%, Consumer Discretionary: +8.8%, Energy: +3.8% and Materials: +3.0%), outperforming both non-cyclicals (including Health Care: -2.3%, Utilities: -1.8%, Real Estate: -0.4% and Consumer Staples: +0.4%) and growth (Information Technology: -11.3%).

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	1.93	2.44	-0.51
3 months	5.05	4.26	0.79
6 months	18.70	18.54	0.16
FYTD	18.08	18.02	0.06
CYTD	5.05	4.26	0.79
1 year	35.25	37.47	-2.22
2 years pa	10.59	8.46	2.13
3 years pa	9.85	9.65	0.20
5 years pa	12.13	10.25	1.88
7 years pa	8.35	7.70	0.65
10 years pa	9.10	7.95	1.15
Since inception pa Date: July 2010	9.85	8.56	1.28

Market Exposure

	% of Fund
Long	98.48
Short	-3.08
Net	95.40

Top 10 Stock Holdings

Name	Fund %	Index ² %	Tilt %
BHP	9.04	7.00	2.04
Commonwealth Bank	8.41	8.01	0.40
CSL	8.21	6.32	1.89
National Australia Bank	6.51	4.50	2.01
ANZ Bank	5.71	4.21	1.51
Macquarie Group	4.82	2.73	2.09
Wesfarmers	4.06	3.13	0.93
Westpac Bank	3.68	4.70	-1.01
Rio Tinto	3.67	2.16	1.52
Woolworths	3.41	2.71	0.69

Sector Tilts

Sector	Fund %	Index ² %	Tilt %
Energy	3.30	3.74	-0.43
Materials	20.87	19.90	0.97
Industrials	6.83	7.31	-0.48
Consumer Discretionary	9.79	8.15	1.64
Consumer Staples	5.08	5.63	-0.55
Health Care	11.36	9.99	1.37
Financials	30.10	30.05	0.05
Information Technology	1.90	4.64	-2.74
Communication Services	1.78	2.62	-0.84
Utilities	-0.11	1.31	-1.42
Real Estate	4.52	6.66	-2.15
Cash	4.60	0.00	4.60
Total	100.00	100.00	0.00

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

2. The benchmark S&P/ASX 200 Accumulation Index.

ASIC Benchmark 2. - Periodic Reporting

This benchmark is aimed at ensuring that investors receive timely, basic fund investment performance information on a periodic basis to make informed investment decisions. Please refer to the below information relating to this benchmark.

The Fund's current net asset value and redemption price are available at www.ausbil.com.au/unit-prices. The Ausbil 130/30 Focus Fund – wholesale class' net performance returns are available at www.ausbil.com.au/performance-tables. There have been no changes to the key service providers, the related party status of the Fund, the Fund's risk profile, the Fund's strategy or the investment team.

Please refer to the Update of Information available at <http://www.ausbil.com.au/products/ausbil-130-30-focus-fund> (Important Notice to Investors) for more information on the appointment of additional securities lenders.

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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.