

Ausbil 130/30 Focus Fund

Quarterly performance update

June 2021

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'The 2021 financial year has seen an impressive performance by markets across equities and commodities'

Performance Review

Fund performance for the quarter ending June 2021 was +6.85% (net of fees), versus the benchmark return of +8.29%, as measured by the S&P/ASX 200 Accumulation Index.

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

The largest short positions were in selected stocks within the Real Estate, Industrials and Consumer Discretionary sectors.

At a stock level, the overweight positions in ResMed, Goodman Group, Evolution Mining, Aristocrat Leisure, Boral and BlueScope Steel contributed to relative performance. The nil position in APA Group also added value. Conversely, the overweight positions in Qantas, Northern Star Resources, Incitec Pivot, Santos, National Australia Bank and Macquarie Group detracted from relative performance. The nil position in Mineral Resources also detracted value.

Market Review

The market delivered another positive month with a return of +2.3% as measured by the S&P/ASX 200 Accumulation Index, which is up +8.3% for the quarter, +12.9% for calendar year 2021, and +27.8% for the year to 30 June 2021.

The 2021 financial year has been impressive in the performance produced by the markets, across sectors and commodities, and in the radical about-turn from derating earnings following FY20 reporting season, and a negative EPS growth outlook of -1.7%, to an earnings outlook of +15.9% EPS growth just after HY21 reporting season (S&P/ASX 200). The outlook for earnings in FY21, 22 and 23 remains strong.

With the July announcement of a takeover offer for Sydney Airport by a consortium of super funds, capital markets remain buoyant with transactions (Boral and Seven Holdings), spin-offs (Woolworths and Endeavour), and divestments (Telstra and towers). Despite ongoing inflationary fears, the expectations for company profits remains buoyant and the prospect of rampant inflation remains muted, we believe for the short to medium term.

Outlook

As 30 June closes the Australian financial year, a look back at performance across markets and commodities illustrates the power of the rebound we have experienced, even as the virus remains an overhanging risk. Markets are riding the strong multi-year outlook for earnings driven by the economic growth cycle. Massive stimulus and monetary support since the pandemic has seen the Australian economy rebound from the two-quarter technical recession (with pandemic contraction of -2.4% in 2020) towards a consensus growth outlook for 2021 of 4.9%, and an Ausbil forecast of 5.1%. The consensus earnings outlook for both indices is only now starting to catch-up, with the EPS growth outlook for 2021 now at +24.6%, and +15.9% for 2022.

We still think that the market is under-estimating the rebound in earnings that will occur in the prevailing economic conditions, with low rates, and world economic growth a strong tailwind. We do not see inflation as a persistent problem for some years, consistent with the emphatic guidance of the key central banks around the world. Rather than worry about inflation, which we do not see as a sustained threat for some years, investors should instead be looking to capture this multi-year earnings growth while it is on offer, preferably in the best quality companies they can find.

Fund Characteristics

Returns¹ as at 30 June 2021

Period	Fund Return ¹ %	Bench-mark ² %	Out/Under performance %
1 month	0.98	2.26	-1.28
3 months	6.85	8.29	-1.44
6 months	12.24	12.90	-0.65
FYTD	26.16	27.80	-1.64
CYTD	12.24	12.90	-0.65
1 year	26.16	27.80	-1.64
2 years pa	10.12	8.62	1.50
3 years pa	9.51	9.59	-0.08
5 years pa	12.04	11.16	0.89
7 years pa	9.65	8.79	0.86
10 years pa	10.27	9.26	1.01
Since inception pa Date: July 2010	10.28	9.15	1.13

Market Exposure

	% of Fund
Long	98.46
Short	-4.47
Net	93.99

Top 10 Stock Holdings

Name	Fund %	Index ² %	Tilt %
BHP	8.79	6.97	1.82
Commonwealth Bank	8.74	8.63	0.11
CSL	8.05	6.33	1.73
National Australia Bank	5.80	4.21	1.59
Macquarie Group	4.08	2.59	1.49
ANZ Bank	3.91	3.90	0.01
Goodman Group	3.72	1.73	1.99
Westpac Bank	3.55	4.61	-1.07
Wesfarmers	3.29	3.27	0.03
Telstra	2.96	2.18	0.78

Sector Tilts

Sector	Fund %	Index ² %	Tilt %
Energy	1.89	3.41	-1.52
Materials	22.40	20.29	2.11
Industrials	5.96	7.22	-1.25
Consumer Discretionary	8.91	8.42	0.48
Consumer Staples	4.00	5.18	-1.17
Health Care	10.54	10.15	0.39
Financials	28.23	30.02	-1.78
Information Technology	4.63	4.96	-0.32
Communication Services	2.96	2.58	0.38
Utilities	-0.30	1.11	-1.41
Real Estate	4.56	6.67	-2.11
Cash	6.21	0.00	6.21
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.