

Ausbil Active Dividend Income 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 +6.77% (net of fees), versus the benchmark return of +8.29%, as measured by the S&P/ASX 200 Accumulation Index.

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

At a stock level, the overweight positions in Aristocrat Leisure, Rio Tinto, Charter Hall Group and IGO contributed to relative performance. The nil positions in Woodside Petroleum, Sydney Airport, The a2 Milk Company, Lendlease, Scentre Group and Incitec Pivot also added value. Conversely, the overweight positions in Perenti Global, NRW Holdings, Santos, APA Group, NAB, Elders and ANZ Bank detracted from relative performance. The underweight exposures to Commonwealth Bank and Woolworths, and 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.

Fund Characteristics

Returns¹ as at 30 June 2021

Period	Distribution Return ² % Net	Growth Return % Net	Total Return % Net	Benchmark ³ %	Excess Return ⁴ %
1 month	1.05	0.07	1.12	2.26	-1.14
3 months	1.77	5.00	6.77	8.29	-1.52
6 months	2.87	8.91	11.78	12.90	-1.12
FYTD	5.60	23.60	29.19	27.80	1.38
CYTD	2.87	8.91	11.78	12.90	-1.12
1 year	5.60	23.60	29.19	27.80	1.38
2 years pa	5.07	4.49	9.56	8.62	0.93
3 years pa	6.91	4.28	11.19	9.59	1.60
Since inception pa Date: July 2018	6.91	4.28	11.19	9.58	1.60

Top 10 Stock Holdings

Name	Fund %	Index ³ %	Tilt %
Commonwealth Bank	8.94	8.63	0.30
CSL	7.70	6.33	1.38
BHP	7.55	6.97	0.58
National Australia Bank	6.72	4.21	2.51
Westpac Bank	4.93	4.61	0.32
Macquarie Group	3.68	2.59	1.09
Rio Tinto	3.64	2.29	1.35
Telstra	3.55	2.18	1.37
Wesfarmers	3.03	3.27	-0.24
ANZ Bank	2.99	3.90	-0.92

Sector Tilts

Sector	Fund %	Index ³ %	Tilt %
Energy	4.01	3.41	0.61
Materials	21.68	20.29	1.39
Industrials	3.81	7.22	-3.40
Consumer Discretionary	7.11	8.42	-1.32
Consumer Staples	2.90	5.18	-2.27
Health Care	10.73	10.15	0.58
Financials	32.30	30.02	2.28
Information Technology	1.33	4.96	-3.63
Communications Services	3.55	2.58	0.97
Utilities	3.44	1.11	2.32
Real Estate	7.93	6.67	1.26
Cash	1.22	0.00	1.22
Total	100.00	100.00	0.00

1. Fund returns are net of fees but before taxes and exclude franking credits.
2. Distribution return calculated in accordance with FSC Standard 6.
The 2018/2019 distribution was 92% franked. The 2019/2020 distribution was 70% franked.
3. S&P/ASX 200 Accumulation Index.
4. Excess returns are net of fees but before taxes and exclude franking credits.

Monthly Distributions

	Ex-Price 30 June	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Ex-Price 30 June	Total CPU	Franking Credit Per Unit	Franking level
FY 2019	\$1.000000	0.45	0.45	0.45	0.44	0.44	0.44	0.44	4.77	0.44	0.44	0.44	2.43	\$1.019293	11.63	4.58	92%
FY 2020	\$1.019293	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.54	\$0.893822	5.60	1.67	70%
FY 2021	\$0.893822	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	1.15	\$1.096971	5.00	1.52	71%

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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.