

# Ausbil Australian Active Equity 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 +7.90% (net of fees), versus the benchmark return of +8.48%, as measured by the S&P/ASX 300 Accumulation Index.

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

At a stock level, the overweight positions in Boral, Aristocrat Leisure, Galaxy Resources, IGO, Afterpay, Charter Hall Group and Seek all contributed to relative performance. The nil positions in Woodside Petroleum, APA Group and The a2 Milk Company also added value over the quarter. Conversely, the overweight positions in Qantas, Lynas, Santos, Webjet, OZ Minerals, Ramsay Health Care, NAB and Sydney Airport detracted from relative performance. The nil position in Fortescue Metals also detracted value.

## Market Review

The market delivered another positive month with a return of +2.3% as measured by the S&P/ASX 300 Accumulation Index, which is up +8.5% for the quarter, +13.0% for calendar year 2021, and +28.5% 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 +15.6% EPS growth just after HY21 reporting season (S&P/ASX 300). 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

Returns<sup>1</sup> as at 30 June 2021

Period	Fund Return <sup>1</sup> %	Benchmark <sup>2</sup> %	Out/Under performance %
1 month	1.46	2.25	-0.80
3 months	7.90	8.48	-0.58
6 months	14.93	12.98	1.95
FYTD	37.64	28.49	9.14
CYTD	14.93	12.98	1.95
1 year	37.64	28.49	9.14
2 years pa	13.33	8.95	4.38
3 years pa	10.87	9.77	1.10
5 years pa	12.54	11.26	1.28
7 years pa	9.65	8.90	0.75
10 years pa	10.12	9.21	0.91
15 years pa	7.62	6.88	0.74
20 years pa	9.54	8.21	1.32
Since inception pa Date: July 1997	10.47	8.52	1.95

## Top 10 Stock Holdings

Name	Fund %	Index <sup>2</sup> %	Tilt %
BHP	9.68	6.73	2.95
Commonwealth Bank	8.88	8.34	0.54
CSL	7.43	6.11	1.32
National Australia Bank	6.60	4.07	2.53
Westpac Bank	5.33	4.46	0.87
ANZ Bank	4.55	3.77	0.78
Aristocrat Leisure	3.96	1.29	2.66
Macquarie Group	3.82	2.50	1.32
Rio Tinto	3.81	2.21	1.60
Santos	3.52	0.63	2.90

## Sector Tilts

Sector	Fund %	Index <sup>2</sup> %	Tilt %
Energy	3.52	3.42	0.10
Materials	27.70	20.28	7.42
Industrials	8.84	7.27	1.57
Consumer Discretionary	5.00	8.73	-3.73
Consumer Staples	3.05	5.15	-2.10
Health Care	10.65	10.13	0.52
Financials	33.18	29.36	3.82
Information Technology	4.18	5.16	-0.97
Communication Services	0.00	2.53	-2.53
Utilities	0.00	1.07	-1.07
Real Estate	3.31	6.90	-3.59
Cash	0.58	0.00	0.58
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>

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.