

Ausbil Australian Geared Equity Fund

Quarterly performance update

June 2021

Ausbil Investment Management Limited
ABN 26 076 316 473
AFSL 229722
Level 27
225 George Street
Sydney NSW 2000
GPO Box 2525
Sydney NSW 2001
Phone 61 2 9259 0200
Fax 61 2 9259 0222

'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 +16.42% (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

Returns¹ as at 30 June 2021

Period	Fund Return %	Bench-mark ² %	Out/Under performance %
1 month	2.81	2.25	0.56
3 months	16.42	8.48	7.94
6 months	31.52	12.98	18.53
FYTD	86.60	28.49	58.11
CYTD	31.52	12.98	18.53
1 year	86.60	28.49	58.11
2 years pa	14.82	8.95	5.87
3 years pa	12.57	9.77	2.80
5 years pa	18.81	11.26	7.56
7 years pa	13.25	8.90	4.35
10 years pa	14.14	9.21	4.93
Since inception pa	4.11	5.47	-1.36

Date: May 2007

Top 10 Stock Holdings

Name	Fund %	Index ² %	Tilt %
BHP	19.75	6.73	13.01
Commonwealth Bank	18.16	8.34	9.83
CSL	15.17	6.11	9.06
National Australia Bank	13.32	4.07	9.25
Westpac Bank	10.85	4.46	6.40
ANZ Bank	9.23	3.77	5.46
Aristocrat Leisure	8.24	1.29	6.95
Rio Tinto	7.96	2.21	5.75
Macquarie Group	7.78	2.50	5.28
Santos	7.27	0.63	6.64

Sector Tilts

Sector	Fund %	Index ² %	Tilt %
Energy	7.27	3.42	3.84
Materials	56.63	20.28	36.35
Industrials	18.32	7.27	11.05
Consumer Discretionary	10.34	8.73	1.61
Consumer Staples	6.05	5.15	0.90
Health Care	21.88	10.13	11.75
Financials	67.45	29.36	38.09
Information Technology	8.32	5.16	3.17
Communication Services	0.00	2.53	-2.53
Utilities	0.00	1.07	-1.07
Real Estate	6.59	6.90	-0.31
Cash	-102.85	0.00	-102.85
Total	100.00	100.00	0.00

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

2. The benchmark S&P/ASX 300 Accumulation Index.



Ausbil Investment
Management Limited
Level 27
225 George Street
Sydney NSW 2000
Australia
Toll Free 1800 287 245

Unless otherwise specified, any information contained in this publication is current as at the date of this report and is prepared by Ausbil Investment Management Limited (ABN 26 076 316 473 AFSL 229722) (Ausbil). Ausbil is the issuer of the Ausbil Australian Geared Equity Fund (ARSN 124 196 407) (Fund). This report contains general information only and the information provided is factual only and does not constitute financial product advice. It does not take account of your individual objectives, financial situation or needs. Before acting on it, you should seek independent financial and tax advice about its appropriateness to your objectives, financial situation and needs. Securities and sectors mentioned in this monthly report are presented to illustrate companies and sectors in which the Fund has invested and should not be considered a recommendation to purchase, sell or hold any particular security. Holdings are subject to change daily. The value of an investment and the income from it can fall as well as rise and you may not get back the amount originally invested. Past performance is not a reliable indicator of future performance. Unless otherwise stated, performance figures are calculated net of fees and assume distributions are reinvested. Due to rounding the figures in the holdings, breakdowns may not add up to 100. No guarantee or warranty is made as to the accuracy, adequacy or reliability of any statements, estimates, opinions or other information contained herein (any of which may change without notice) and should not be relied upon as a representation express or implied as to any future or current matter. You should consider the Product Disclosure Statement which is available at www.ausbil.com.au before acquiring or investing in the fund. Source: MSCI. The MSCI information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. Further information is available at www.msci.com.

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.