

Ausbil Australian Geared Equity Fund

Monthly performance update

July 2021

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'We are expecting excellent reports across the resources sector, and strong quarterly updates from the banks'

Performance Review

Fund performance for July 2021 was +5.65% (net of fees) versus the benchmark return of +1.11%, as measured by the S&P/ASX 300 Accumulation Index.

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

At a stock level, the overweight positions in Lynas Rare Earths, IGO, Galaxy Resources, BHP, Sydney Airport, BlueScope Steel, Rio Tinto, NextDC and OZ Minerals contributed to relative performance. The nil position in Crown Resorts also added value. Conversely, the overweight positions in Afterpay, Santos, Seek, Aristocrat Leisure, Qantas, National Australia Bank and Downer EDI detracted from relative performance. The nil holdings in Fortescue Metals, Wesfarmers and Mineral Resources also detracted value.

Market Review

The market delivered another positive month with a return of +1.1% as measured by the S&P/ASX 300 Accumulation Index. With an impressive performance across the 2021 (S&P/ASX 300: +29.1% for the year to 31 July) for context, the FY21 reporting season has begun. We will now see which of the market's expectations have been met or exceeded, and which have not, as companies report on their first full pandemic financial year.

This month, micro-cap equities took gold for performance, though the market delivered positives across the market-cap spectrum, with silver shared between the large caps, and bronze going to the broad market.

Looking at returns across global markets, the US led returns for the month (S&P 500: +2.4%, NASDAQ: +2.8%), outperforming a positive MSCI World return of +1.8%. Emerging (MSCI EM: -6.7%) and Asian (Hang Seng: -9.9%, Shanghai: -5.4% and Japan: -2.1%) markets all delivered strong negatives.

Outlook

Having entered FY21 reporting season, market attention is firmly focused on how successful the pandemic earnings recovery has been for Australia's listed companies, with the benchmark being the closing consensus for 30 June 2021 of a 24.8% earnings growth for the S&P/ASX 200. Ausbil maintains the view that this reporting season will see some of the best annual EPS growth returns in history. We are expecting excellent reports across the resources sector, and strong quarterly updates from the banks. That said, there will be some exceptions in a bumpy market, with operations and supply chains still hindered by lockdowns. These issues warrant caution, but they also offer some opportunity.

Ausbil's portfolios have been positioned for the continued economic expansion. We expect some volatility and uncertainty along the way. FY21 is the first stage of a multi-year earnings growth cycle, and we maintain the position that investors are compelled to participate. While we are not worried about inflation at this stage, we maintain a diligent watch on the global inflation numbers. Though we maintain a positive outlook on earnings, this is still a time to invest in only the best quality companies, which exhibit superior underlying earnings growth and strength, in order to achieve longer-term outperformance.

Fund Characteristics

Returns¹ as at 31 July 2021

Period	Fund Return %	Bench-mark ² %	Out/Under performance %
1 month	5.65	1.11	4.54
3 months	13.16	5.77	7.39
6 months	37.90	13.86	24.04
FYTD	5.65	1.11	4.54
CYTD	38.94	14.23	24.71
1 year	91.29	29.14	62.15
2 years pa	14.51	7.96	6.54
3 years pa	13.99	9.70	4.30
5 years pa	16.99	10.14	6.85
7 years pa	12.86	8.40	4.46
10 years pa	16.06	9.76	6.30
Since inception pa	4.49	5.52	-1.03

Date: May 2007

Top 10 Stock Holdings

Name	Fund %	Index ² %	Tilt %
BHP	20.84	7.34	13.50
Commonwealth Bank	17.36	8.23	9.13
CSL	14.72	6.12	8.60
National Australia Bank	12.62	3.98	8.64
Westpac Bank	9.42	4.19	5.23
ANZ Bank	8.62	3.67	4.95
Rio Tinto	8.03	2.31	5.73
Aristocrat Leisure	7.63	1.24	6.39
Macquarie Group	7.48	2.48	5.00
Lynas	6.79	0.31	6.49

Sector Tilts

Sector	Fund %	Index ² %	Tilt %
Energy	6.34	2.95	3.39
Materials	57.07	21.50	35.57
Industrials	17.55	7.34	10.21
Consumer Discretionary	9.68	8.58	1.10
Consumer Staples	7.33	5.17	2.17
Health Care	23.11	10.13	12.97
Financials	64.11	28.65	35.46
Information Technology	7.16	4.83	2.33
Communication Services	0.00	2.52	-2.52
Utilities	0.00	1.45	-1.45
Real Estate	6.89	6.89	0.00
Cash	-99.24	0.00	-99.24
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.



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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.