

# Ausbil Australian Geared Equity Fund

Monthly performance update

August 2021

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'FY21 was one of the best earnings years on record following the rebound from COVID lows in 2020'

## Performance Review

Fund performance for August 2021 was +6.76% (net of fees) versus the benchmark return of +2.61%, as measured by the S&P/ASX 300 Accumulation Index.

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

At a stock level, the overweight positions in Afterpay, Galaxy Resources, Aristocrat Leisure, Qantas, Downer EDI, QBE Insurance and Webjet contributed to relative performance. The nil positions in Fortescue Metals, Wesfarmers and Woodside Petroleum also added value. Conversely, the overweight positions in BHP, Lynas, Rio Tinto and Santos detracted from relative performance. The nil holdings in James Hardie, WiseTech Global, Domino's Pizza, ASX, Scentre Group and Amcor also detracted value.

## Market Review

The market delivered a strong month with a return of +2.6% as measured by the S&P/ASX 300 Accumulation Index, with an impressive performance of +28.6% for the year to 31 August.

This month, mid-cap (S&P/ASX MidCap 50 +3.9%), small-cap (S&P/ASX Small Ordinaries: +5.0%) and micro-cap (S&P/ASX Emerging Companies: +7.3%) equities significantly outshone large-cap equities (S&P/ASX 20: +0.8% and S&P/ASX 50: +2.0%), though all delivered a positive August. The broad market S&P/ASX 300 achieved a return of 2.6%.

## Outlook

Australian companies have just finished the FY21 reporting season. Ausbil had projected FY21 to be one of the best earnings years on record following the rebound from COVID lows in 2020. FY21 reporting season delivered circa +27% in EPS growth (S&P/ASX 200), rebounding from a -17% EPS decline in the FY20 pandemic year. With stimulus in place, low interest rates, and inflation that is not threatening to monetary policy in the near term, we see stronger company balance sheets ready to deliver another strong year of earnings growth in FY22, with consensus EPS growth at +16.1% (S&P/ASX 300). While FY22 lacked guidance from companies, during reporting management teams have flagged significant investment plans for when economies normalise beyond lockdowns. We see this as a lead indicator for earnings growth surprises in FY22, and moving into FY23. In our view, FY21 is the first of a trilogy of strong positive earnings years that we expect to see play out across FY22 and FY23, with a backdrop of Australia achieving vaccination targets in the near term, and releasing pent-up spending and demand.

Ausbil remains positioned for the continued economic expansion, albeit somewhat impacted by lockdowns, with the added boost of a rebound once vaccination targets are achieved and the economy can recommence its path towards normalcy. While we are not worried about inflation at this stage, we maintain a diligent watch on the global inflation numbers. We remain invested in companies which exhibit superior underlying earnings growth and strength in order to achieve longer-term outperformance.

## Fund Characteristics

Returns<sup>1</sup> as at 31 August 2021

Period	Fund Return %	Benchmark <sup>2</sup> %	Out/Under performance %
1 month	6.76	2.61	4.15
3 months	15.96	6.08	9.88
6 months	35.53	15.13	20.40
FYTD	12.78	3.74	9.04
CYTD	48.33	17.21	31.12
1 year	88.84	28.58	60.25
2 years pa	19.84	10.63	9.21
3 years pa	15.81	10.13	5.68
5 years pa	19.77	11.05	8.72
7 years pa	13.90	8.70	5.20
10 years pa	17.96	10.26	7.70
Since inception pa Date: May 2007	4.94	5.68	-0.73

## Top 10 Stock Holdings

Name	Fund %	Index <sup>2</sup> %	Tilt %
BHP	17.55	6.14	11.40
Commonwealth Bank	16.80	8.12	8.67
CSL	15.51	6.49	9.02
National Australia Bank	12.23	4.18	8.05
Westpac Bank	10.01	4.33	5.68
ANZ Bank	8.42	3.62	4.79
Aristocrat Leisure	8.16	1.33	6.82
Macquarie Group	7.92	2.59	5.32
QBE Insurance	6.50	0.80	5.70
Afterpay	6.14	1.46	4.68

## Sector Tilts

Sector	Fund %	Index <sup>2</sup> %	Tilt %
Energy	5.70	2.75	2.95
Materials	51.40	19.17	32.23
Industrials	17.64	7.53	10.11
Consumer Discretionary	12.18	8.69	3.49
Consumer Staples	7.39	5.40	1.99
Health Care	24.60	10.61	13.99
Financials	64.88	29.31	35.57
Information Technology	11.78	5.42	6.36
Communication Services	0.00	2.55	-2.55
Utilities	0.00	1.43	-1.43
Real Estate	7.29	7.13	0.16
Cash	-102.88	0.00	-102.88
<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 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.