

Ausbil Australian Geared Equity Fund

Quarterly performance update

September 2021

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'Ausbil's outlook for equities remains positive, driven by the ongoing economic recovery and an eventual return to trend growth'

Performance Review

Fund performance for the quarter ending September 2021 was +8.72% (net of fees) versus the benchmark return of +1.79%, as measured by the S&P/ASX 300 Accumulation Index.

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

At a stock level, the overweight positions in Galaxy Resources, Qantas, Lynas Rare Earths, IGO, Webjet, Sydney Airport, Aristocrat Leisure and QBE Insurance contributed to relative performance. The nil positions in Fortescue Metals and Wesfarmers also added value. Conversely, the overweight positions in BHP, Rio Tinto, BlueScope Steel and Orocobre detracted from relative performance. The underweight position in Xero and nil positions in WiseTech Global, South32, Domino's Pizza, James Hardie and Telstra also detracted value.

Market Review

This month the market gave back a little of the impressive returns earned this year, dropping 1.9% on a year's return of +30.9% to end September 2021 (S&P/ASX 300). The quarter was relatively flat, returning +1.8% in the context of a kaleidoscope of problems from hard lockdowns across Australia, economic and geopolitical issues with China, a cancelled A\$90 billion submarine contract with France, advances in the dates when central banks will start to taper their QE programs, and importantly for Australia, a temporary collapse in the iron ore price. Regardless, on the back of a strong reporting season with record resources profits and dividends, and record buybacks from banks, the markets refused to capitulate, looking through the noise at the potential earnings bonanza that lies beyond lockdowns, as states and the nation reopen on achieving mass-vaccination targets, and company management team unleash their post-lockdown spending plans.

This quarter, all sectors generated relatively strong returns, with Energy (+8.0%) the standout due to tightening oil markets and strong energy demand from buoyant economies. However, other sectors also delivered impressive results, including Industrials (+6.3%), Communication Services (+5.3%), Utilities (+5.1%) and Financials (+5.0%). It was the Materials sector (-9.6%) that held the market to its modest +1.8% return for the quarter.

Outlook

Ausbil's outlook for equities remains positive, driven by the ongoing economic recovery and an eventual return to trend growth. Following reporting season, while companies were hesitant to guide on FY22 given lockdowns, a lead indicator for sustainable earnings growth was the bullish investment plans from management for beyond COVID as the economy normalises. Given the rapid progress on vaccines, we believe earnings growth is likely to surprise again in FY22 as the economy reopens following lockdowns. Our view is that FY23 earnings expectations will also be positive, with growth driven by a very strong post-Delta variant bounce-back, which will be evident in the final months of this calendar year, and will have duration into FY23. We remain invested to capture these opportunities as vaccination targets are achieved and the economy can recommence its path towards normalcy releasing pent-up consumer demand.

Fund Characteristics

Returns¹ as at 30 September 2021

Period	Fund Return %	Benchmark ² %	Out/Under performance %
1 month	-3.60	-1.89	-1.71
3 months	8.72	1.79	6.94
6 months	26.58	10.42	16.16
FYTD	8.72	1.79	6.94
CYTD	42.99	15.00	27.99
1 year	96.05	30.86	65.19
2 years pa	14.85	8.55	6.30
3 years pa	14.85	9.87	4.98
5 years pa	19.10	10.52	8.59
7 years pa	15.06	9.26	5.80
10 years pa	19.19	10.77	8.42
Since inception pa Date: May 2007	4.65	5.50	-0.85

Top 10 Stock Holdings

Name	Fund %	Index ² %	Tilt %
Commonwealth Bank	18.08	8.57	9.51
CSL	15.43	6.18	9.25
BHP	15.06	5.13	9.93
National Australia Bank	12.60	4.25	8.35
Westpac Bank	10.41	4.42	5.99
Macquarie Group	8.92	2.92	6.00
ANZ Bank	8.57	3.71	4.86
Aristocrat Leisure	8.39	1.39	7.00
Santos	6.98	0.62	6.36
QBE Insurance	6.74	0.80	5.95

Sector Tilts

Sector	Fund %	Index ² %	Tilt %
Energy	6.98	3.37	3.61
Materials	46.83	17.32	29.51
Industrials	19.60	7.82	11.78
Consumer Discretionary	13.15	8.82	4.32
Consumer Staples	7.33	5.20	2.13
Health Care	24.72	10.32	14.41
Financials	68.52	30.31	38.21
Information Technology	12.08	5.67	6.40
Communication Services	0.00	2.62	-2.62
Utilities	0.00	1.48	-1.48
Real Estate	7.12	7.07	0.05
Cash	-106.33	0.00	-106.33
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.