

Ausbil Australian Geared Equity Fund

Monthly performance update

October 2021

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'We expect cyclicals to continue to perform, with a strong earnings outlook for FY22, particularly from late calendar 2021'

Performance Review

Fund performance for October 2021 was +1.74% (net of fees) versus the benchmark return of +0.10%, 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 positions in the Consumer Staples, Communication Services and Utilities sectors also contributed to performance. Conversely, the overweight positions in the Energy, Materials and Industrials sectors detracted from relative performance. The underweight positions in the Consumer Discretionary and Real Estate sectors also detracted value.

At a stock level, the overweight positions in OZ Minerals, Lynas Rare Earths, IGO, Macquarie Group, IDP Education, 29Metals and National Australia Bank contributed to relative performance. The nil positions in Fortescue Metals, Domino's Pizza and Telstra also added value. Conversely, the overweight positions in Qantas, Treasury Wine Estates, Santos, BHP and Suncorp detracted from relative performance. The nil holdings in Newcrest Mining, Wesfarmers, Northern Star Resources, Liontown Resources and Ampol also detracted value.

Market Review

This month the market added +0.1%, a modest positive result, though still with an impressive one-year return of +28.6% to end-October 2021 (S&P/ASX 300). In a relatively muted month for the market there were few standouts. Information Technology (+2.4%), Health Care (+0.9%), Financials (+0.8%) and Real Estate (+0.4%) all outperformed. The worst performers were Industrials (-3.2%), Consumer Staples (-2.3%) and Energy (-1.9%).

October saw palpable excitement return across the nation as months-long lockdowns were brought to a close on a mammoth effort by all Australians and the medical community to vaccinate the population. As we write this report, as a nation Australia is now 78% double-dose vaccinated and counting. There has been much activity across the nation as people visit restaurants, cafes and shopping centres, and can now freely travel around the country, and overseas though with some restrictions. Ausbil's view is that this burgeoning activity will translate into a very strong 4Q2021 for growth leading into a strong calendar 2022.

Outlook

The phenomenal achievement in mass-vaccination has brought a general freedom across the country, subject to some limits, ahead of the Christmas season that will drive a resurging economy through Q4 2021 well into Q1 2022.

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 expressed by management for beyond COVID-lockdowns as the economy normalises. Meetings across reporting season showed that management had a means and a willingness to invest in the future of their companies beyond lockdowns. We are now in this phase. Balance sheets are strong and capable of supporting these investment plans. Ausbil's overall macro portfolio positioning remains for an ongoing economic recovery and eventual return to trend growth.

Looking ahead, we expect cyclicals to continue to perform, with a strong earnings outlook for FY22, particularly from late calendar 2021. Quality growth and structural leaders are also offering a strong earnings rebound into FY22 and FY23. 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 for these opportunities.

Fund Characteristics

Returns¹ as at 31 October 2021

Period	Fund Return %	Benchmark ² %	Out/Under performance %
1 month	1.74	0.10	1.64
3 months	4.70	0.77	3.93
6 months	18.48	6.59	11.90
FYTD	10.61	1.89	8.72
CYTD	45.47	15.12	30.36
1 year	89.96	28.57	61.39
2 years pa	15.15	8.81	6.34
3 years pa	21.16	12.26	8.90
5 years pa	20.51	11.03	9.49
7 years pa	14.17	8.63	5.55
10 years pa	17.47	10.01	7.46
Since inception pa Date: May 2007	4.74	5.48	-0.73

Top 10 Stock Holdings

Name	Fund %	Index ² %	Tilt %
CSL	16.03	6.35	9.68
Commonwealth Bank	15.61	8.29	7.32
BHP	15.61	5.00	10.60
National Australia Bank	13.58	4.40	9.19
Westpac Bank	10.51	4.37	6.14
Macquarie Group	10.02	3.18	6.83
Aristocrat Leisure	8.89	1.45	7.44
ANZ Bank	8.42	3.72	4.70
Santos	7.44	0.61	6.83
QBE Insurance	7.06	0.81	6.25

Sector Tilts

Sector	Fund %	Index ² %	Tilt %
Energy	7.44	3.31	4.13
Materials	47.61	17.41	30.19
Industrials	18.74	7.64	11.10
Consumer Discretionary	13.72	8.93	4.79
Consumer Staples	6.62	5.00	1.63
Health Care	25.48	10.43	15.05
Financials	68.60	30.30	38.30
Information Technology	13.23	5.80	7.43
Communication Services	0.00	2.56	-2.56
Utilities	0.00	1.48	-1.48
Real Estate	7.05	7.14	-0.09
Cash	-108.49	0.00	-108.49
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.