

Ausbil Australian Geared Equity Fund

Monthly performance update

November 2021

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'We remain optimistic that governments and the medical fraternity are better equipped now to manage Omicron compared to Delta, though we expect some short-term volatility'

Performance Review

Fund performance for November 2021 was -1.78% (net of fees) versus the benchmark return of -0.53%, 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 position in the Consumer Discretionary sector also contributed to performance. Conversely, the overweight positions in the Energy, Financials and Information Technology sectors detracted from relative performance. The underweight positions in the Consumer Staples, Communication Services, Utilities and Real Estate sectors also detracted value.

At a stock level, the overweight positions in Lynas Rare Earths, IGO, Orocobre, BHP, Charter Hall Group, OZ Minerals, Seek and Treasury Wine Estates contributed to relative performance. The underweight position in Commonwealth Bank and nil position in Woodside Petroleum also added value. Conversely, the overweight positions in Santos, Webjet, Aristocrat Leisure, Qantas, Afterpay and Downer EDI detracted from relative performance. The nil holdings in Fortescue Metals, Telstra, Wesfarmers and James Hardie also detracted value.

Market Review

This month the market fell by -0.53%, though this comes in the context of a one-year return of +16.02% to end-November 2021 (S&P/ASX 300 Accumulation Index).

November witnessed the emergence of what many had feared, another strain of COVID called 'Omicron'. Given that the Delta strain had sent most of Australia back into hard lockdowns, the reaction to this new strain was negative, though measured. The Australian dollar fell towards USD71 cents, and markets softened, but the reaction was relatively muted.

While November saw the market down slightly, there was a large dispersion across sector performance. Materials (+6.0%) delivered a solid return on the back of surging decarbonisation metals. Communication Services (+4.7%), Consumer Staples (+4.1%), Utilities (+3.9%) and Real Estate (+3.7%) benefited from a shift towards more defensive style income streams. In stark contrast, Energy (-7.8%) and Financials (-6.9%) delivered large negatives on fears around the emergence of omicron and the risk of lockdowns.

Outlook

At this stage, without a clearer scientific conclusion otherwise, we remain optimistic that governments and the medical fraternity are better equipped now to manage Omicron compared to Delta, though we expect some short-term volatility. Looking through this further complication, we are at the start of a very strong pre-Christmas post-lockdown reopening which Ausbil expects to translate into two exceptional quarters for growth, followed by above-trend growth throughout 2022 and leading into 2023.

With low rates and strong capital markets, both debt and equity are exceptionally attractive. The bullish investment plans management noted in FY21 reporting season for after lockdowns are expected to kick-in and drive this effervescent market.

Looking ahead, we expect cyclical leadership will change, but as a grouping will continue to perform, with strong earnings outlooks 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.

Fund Characteristics

Returns¹ as at 30 November 2021

Period	Fund Return %	Benchmark ² %	Out/Under performance %
1 month	-1.78	-0.53	-1.25
3 months	-3.67	-2.31	-1.36
6 months	11.70	3.63	8.07
FYTD	8.64	1.35	7.30
CYTD	42.88	14.51	28.38
1 year	49.62	16.02	33.60
2 years pa	11.45	6.83	4.62
3 years pa	24.78	12.89	11.89
5 years pa	18.69	10.30	8.40
7 years pa	15.02	9.06	5.97
10 years pa	18.51	10.34	8.18
Since inception pa Date: May 2007	4.59	5.41	-0.82

Top 10 Stock Holdings

Name	Fund %	Index ² %	Tilt %
BHP	17.09	5.45	11.64
CSL	16.62	6.56	10.06
Commonwealth Bank	15.20	7.47	7.73
National Australia Bank	13.40	4.23	9.17
Macquarie Group	11.31	3.27	8.04
Aristocrat Leisure	8.53	1.39	7.14
ANZ Bank	8.11	3.57	4.54
QBE Insurance	7.56	0.81	6.75
Lynas	7.55	0.38	7.18
Westpac Bank	6.99	3.54	3.45

Sector Tilts

Sector	Fund %	Index ² %	Tilt %
Energy	6.90	3.09	3.82
Materials	51.82	18.65	33.17
Industrials	17.93	7.80	10.12
Consumer Discretionary	13.03	8.81	4.22
Consumer Staples	7.06	5.26	1.80
Health Care	25.95	10.71	15.24
Financials	65.94	28.29	37.65
Information Technology	13.35	5.82	7.52
Communication Services	0.00	2.74	-2.74
Utilities	0.00	1.31	-1.31
Real Estate	8.03	7.51	0.52
Cash	-110.01	0.00	-110.01
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.