

# Ausbil Australian Geared Equity Fund

Monthly performance update

January 2022

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'January brought with it a surprise end-of-month drawdown which saw the index fall, largely driven by a sell-off in Information Technology'

## Performance Review

Fund performance for January 2022 was -13.31% (net of fees) versus the benchmark return of -6.45%, as measured by the S&P/ASX 300 Accumulation Index.

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

At a stock level, the overweight positions in BHP, Santos, IGO, QBE Insurance, Suncorp and Qantas contributed to relative performance. The nil positions in Wesfarmers, James Hardie, WiseTech Global and Newcrest Mining also added value. Conversely, the overweight positions in OZ Minerals, Allkem, Block, Lynas Rare Earths, BlueScope Steel, NextDC, CSL and Macquarie Group detracted from relative performance. The nil holdings in Woodside Petroleum and Fortescue Metals also detracted value.

## Market Review

After a 2021 return of +17.5% (S&P/ASX 300 Accumulation Index), January brought with it a surprise end-of-month drawdown driven by over-exuberant imaginings about what life would be like if central banks increase the lowest rates in history by 25 basis points, earlier than expected. This saw the index fall 6.5%, largely driven by a sell-off in Information Technology. With the economy growing strongly, and company earnings expected to reflect the buoyant conditions despite COVID and the potential for some sustained inflation, we think this sell-off is overblown. The market has since rebounded in early February from the January low as the hawkish views of central banks were accepted and the market instead looked towards the HY22 reporting season now underway, with FY22 consensus currently expecting +13.2% in EPS growth (S&P/ASX 300).

As expected, the Information Technology sector (-17.1%) led the falls in sectors, though most were off significantly for the month. Energy (+7.5%) was a major standout as the economy continues to drive demand growth for energy. Utilities (+2.6%) and Materials (+0.4%) were the only other positive sectors.

## Outlook

Ausbil's overall macro portfolio positioning remains for an ongoing economic recovery and eventual return to trend growth. We now see rates rising in Australia in February 2023, the result of a successful economy and an earlier return to more normal inflation. While the market is fearful of a major policy mistake, we think this is overplayed given the exhaustive signalling from central banks.

The emergence of Omicron, while broadening the spectrum of risks faced, will not in our view derail the current economic resurgence, nor will its sub-variants, BA.1 or BA.2. Data on Omicron, its symptoms, the voracity of vaccines, and the normal path of a virus, are increasingly positive. Unless something material changes in terms of clinical findings, we continue to look through this noise at the path of the economy post-lockdown.

The HY22 reporting season is upon us. This time last year, HY21 saw companies recover from the massive fall in FY20 earnings reported after COVID. FY21 delivered over 27% EPS growth, rebounding from a 17% decline in FY20. FY21 earnings witnessed the first full year earnings recovery from COVID lows. HY22 is the first earnings season for the second recovery year from the COVID earnings collapse. Ausbil expects solid EPS growth this FY22 season.

## Fund Characteristics

Returns<sup>1</sup> as at 31 January 2022

Period	Fund Return %	Benchmark <sup>2</sup> %	Out/Under performance %
1 month	-13.31	-6.45	-6.85
3 months	-10.09	-4.49	-5.61
6 months	-5.86	-3.75	-2.12
FYTD	-0.55	-2.68	2.13
CYTD	-13.31	-6.45	-6.85
1 year	29.81	9.59	20.22
2 years pa	4.33	3.27	1.06
3 years pa	18.33	10.05	8.28
5 years pa	14.32	8.65	5.67
7 years pa	12.19	7.62	4.57
10 years pa	16.54	9.50	7.04
Since inception pa Date: May 2007	3.91	5.05	-1.15

## Top 10 Stock Holdings

Name	Fund %	Index <sup>2</sup> %	Tilt %
BHP	22.05	10.89	11.16
CSL	18.05	5.79	12.27
Commonwealth Bank	17.30	7.42	9.87
National Australia Bank	14.17	4.13	10.04
Macquarie Group	11.34	3.02	8.32
ANZ Bank	8.35	3.47	4.88
Aristocrat Leisure	8.25	1.25	7.00
Santos	8.11	1.01	7.10
QBE Insurance	8.04	0.76	7.28
IGO	7.49	0.37	7.12

## Sector Tilts

Sector	Fund %	Index <sup>2</sup> %	Tilt %
Energy	9.76	3.48	6.28
Materials	57.07	24.25	32.82
Industrials	11.38	6.95	4.44
Consumer Discretionary	10.10	7.92	2.18
Consumer Staples	6.23	4.59	1.63
Health Care	26.89	9.39	17.50
Financials	66.23	27.81	38.43
Information Technology	14.25	4.54	9.71
Communication Services	5.51	2.61	2.90
Utilities	0.00	1.43	-1.43
Real Estate	6.66	7.03	-0.37
Cash	-114.07	0.00	-114.07
<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.