

Ausbil Australian Geared Equity Fund

Quarterly performance update

March 2022

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'The March quarter witnessed some extraordinary movements across the commodities complex. We are in a resources super-cycle that is driven by long thematic around decarbonisation, renewable energy and technology-driven changes'

Performance Review

Fund performance for the quarter ending March 2022 was +5.36% (net of fees) versus the benchmark return of +2.08%, 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 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 positions in the Industrials and Utilities sectors also detracted value.

At a stock level, the overweight positions in BHP, IGO, Santos, National Australia Bank, Computershare, Lynas Rare Earths and Allkem contributed to relative performance. The nil positions in Wesfarmers, James Hardie and Reece also added value. Conversely, the overweight positions in Aristocrat Leisure, CSL, OZ Minerals, Xero, Goodman Group and Ramsay Health Care detracted from relative performance. The underweight positions in Westpac Bank, Woodside Petroleum, South32 and Fortescue Metals also detracted value.

Market Review

March ended but the war in Ukraine did not. Rather, it escalated as did the fallout from higher energy and commodity prices. In contrast to negative news flow the market posted a monthly gain of +6.9% (S&P/ASX 300 Accumulation Index), +2.1% for the quarter, with the 1-year return at +15.2%.

The March quarter saw more rotation towards sectors that benefit in rising inflation environments, and are beneficiaries of rising rates, including Energy (+28.3%), Materials (+15.2%) and Financials (+4.4%). Utilities (+14.1%) also delivered solid returns. In contrast to these, Information Technology (-13.7%), Consumer Discretionary (-10.4%) and Health Care (-10.1%) all underperformed.

The March quarter witnessed some extraordinary movements across the commodities complex. We are in a resources super-cycle that is driven by long thematic around decarbonisation, renewable energy and technology driven changes.

Outlook

We believe the market follows earnings, in the medium to long term, though in the short term, markets can deviate from fundamentals. Australia's earnings outlook remain strong, and though rates are rising steadily, companies are still benefitting from low rates and cheap balance sheet funding.

The earnings outlook for FY22 is for growth of +14.1% (S&P/ASX 300), and +4.6% for FY23. In a number of markets such as Resources, some Financials and in some key quality leaders, Ausbil believes consensus is still underestimating earnings growth. Australia's position as a key commodity market globally, and one that whose provenance is increasingly valued on ethical sourcing, quality of materials, and reliability, is set to benefit both the economy and the equity market.

Risks do remain elevated. Ausbil is closely monitoring these risks, including the Russia/Ukraine conflict, the potential for new COVID strains, a steeper return to trend growth from normalising monetary policy, and the effects of interest rates and inflation on the balance sheets of companies.

Fund Characteristics

Returns¹ as at 31 March 2022

Period	Fund Return %	Benchmark ² %	Out/Under performance %
1 month	17.10	6.90	10.20
3 months	5.36	2.08	3.28
6 months	11.17	4.34	6.83
FYTD	20.87	6.20	14.67
CYTD	5.36	2.08	3.28
1 year	40.72	15.21	25.51
2 years pa	74.21	26.24	47.97
3 years pa	21.12	10.85	10.27
5 years pa	16.86	9.38	7.48
7 years pa	12.93	7.95	4.98
10 years pa	18.23	10.10	8.12
Since inception pa Date: May 2007	5.24	5.61	-0.38

Top 10 Stock Holdings

Name	Fund %	Index ² %	Tilt %
BHP	22.34	11.40	10.94
Commonwealth Bank	17.56	7.86	9.71
CSL	17.14	5.59	11.55
National Australia Bank	14.13	4.56	9.57
Macquarie Group	10.43	3.19	7.24
ANZ Bank	7.97	3.38	4.59
Santos	7.86	1.03	6.83
IGO	7.59	0.41	7.18
QBE Insurance	7.28	0.74	6.54
Lynas	6.90	0.42	6.48

Sector Tilts

Sector	Fund %	Index ² %	Tilt %
Energy	11.01	3.76	7.25
Materials	58.27	25.84	32.43
Industrials	9.86	5.80	4.06
Consumer Discretionary	8.13	7.36	0.78
Consumer Staples	5.96	4.73	1.24
Health Care	23.75	8.92	14.84
Financials	64.07	28.84	35.22
Information Technology	13.84	4.26	9.58
Communication Services	4.80	2.48	2.31
Utilities	0.00	1.25	-1.25
Real Estate	5.14	6.77	-1.63
Cash	-104.83	0.00	-104.83
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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