

# Ausbil Active Dividend Income Fund

Quarterly performance update

June 2022

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'The financial year has ended with significant questions over the path for interest rate tightening, and the impact this will have on growth'

## Performance Review

Fund performance for the quarter ending June 2022 was -11.43% (net of fees), versus the benchmark return of -11.90%, as measured by the S&P/ASX 200 Accumulation Index.

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

At a stock level, the overweight positions in QBE Insurance, Ampol, Santos, CSL, Atlas Arteria, Computershare, Suncorp and Telstra contributed to relative performance. The nil positions in Block and Westpac Bank also added value. Conversely, the overweight positions in Northern Star Resources, Sims Metal Management, OZ Minerals, Nine Entertainment, 29Metals, IGO and Macquarie Group detracted from relative performance. The nil positions in Transurban Group, Amcor and Brambles also detracted value.

## Market Review

June 30 closed the Australian financial year with a one-month return of -8.8% (S&P/ASX 200 Accumulation Index), -11.9% for the quarter, and bringing the total market return for the financial year to -6.5%.

Markets have swung with inflation, beginning the financial year with a strong outlook for growth and cyclical stocks, but ending the year following a relatively hard rotation out of growth, particularly Information Technology. The rise in inflation across the financial year saw sectors like Materials and Energy rise as beneficiaries in inflationary environments. In terms of sector performance this fiscal year, Utilities (+35.9%), Energy (+30.1%), Industrials (+3.5%), Materials (-1.7%) and Communication Services (-6.4%) all significantly outperformed the market (S&P/ASX 200: -6.5%). Information Technology (-38.2%), Consumer Discretionary (-20.9%), Real Estate (-12.9%) and Health Care (-9.4%) were the worst performers in the market rotation.

The quarter has been eventful, with the Australian election delivering a win for the Labor party led by Prime Minister Albanese; the continuation of hostilities in the Ukraine; and a number of record inflation reads that saw Australia and the US commence hard monetary tightening. The financial year has ended with significant questions over the path for interest rate tightening, and the impact this will have on growth, with persistently high inflation reads keeping the markets on edge.

## Outlook

The Australian tax year has closed. With one month to go until reporting season, there is much anticipation around earnings growth and how companies are managing rising costs, inflation, interest rates, an energy shock and a new government. We do not expect to see major impacts from these in this round of reporting, with EPS growth expected by Ausbil to exceed +25% for FY22.

Ausbil believes the conditions for ongoing positive earnings growth are also in place for FY23, though at a slower pace than this financial year, and potentially across a more defensive sector allocation. The key issue we are monitoring is the path for growth. We have seen a lot of commentary recently on the potential for a recession, and while we remain of the view that a recession is unlikely, and that monetary policy makers will err on the side of caution if signs point to contraction, this outcome does remain an elevated risk. Our current outlook for growth remains positive, although there is potential for growth to fall below trend for some time with the renewed supply shock from the invasion of Ukraine.

## Fund Characteristics

Returns<sup>1</sup> as at 30 June 2022

Period	Distribution Return <sup>2</sup> % Net	Growth Return % Net	Total Return % Net	Bench- mark <sup>3</sup> %	Excess Return <sup>4</sup> % Net
1 month	3.31	-11.35	-8.04	-8.77	0.73
3 months	3.98	-15.40	-11.43	-11.90	0.47
6 months	5.33	-13.44	-8.11	-9.93	1.81
FYTD	9.24	-13.59	-4.35	-6.47	2.11
CYTD	5.33	-13.44	-8.11	-9.93	1.81
1 year	9.24	-13.59	-4.35	-6.47	2.11
2 years pa	8.15	3.01	11.16	9.33	1.82
3 years pa	6.37	-1.66	4.71	3.34	1.37
4 years pa	7.26	-0.18	7.09	5.33	1.75
Since inception pa Date: July 2018	7.26	-0.18	7.09	5.33	1.75

## Top 10 Stock Holdings

Name	Fund %	Index <sup>3</sup> %	Tilt %
BHP	12.39	10.78	1.61
Commonwealth Bank	10.44	7.96	2.48
CSL	7.96	6.69	1.27
National Australia Bank	5.61	4.55	1.06
Woodside Energy Group	4.45	3.10	1.35
Macquarie Group	4.43	3.06	1.36
Telstra	4.13	2.31	1.83
Rio Tinto	3.19	1.97	1.23
Suncorp	2.86	0.72	2.14
Goodman Group	2.70	1.57	1.14

## Sector Tilts

Sector	Fund %	Index <sup>3</sup> %	Tilt %
Energy	8.77	5.83	2.93
Materials	25.85	23.60	2.25
Industrials	2.92	6.14	-3.22
Consumer Discretionary	3.83	6.60	-2.77
Consumer Staples	3.98	5.26	-1.27
Health Care	10.01	10.17	-0.16
Financials	32.58	28.83	3.74
Information Technology	0.00	3.06	-3.06
Communications Services	4.13	2.74	1.39
Utilities	0.00	1.49	-1.49
Real Estate	4.38	6.27	-1.89
Cash	3.55	0.00	3.55
<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 and exclude franking credits.

2. The 2018/2019 distribution was 92% franked. The 2019/2020 distribution was 70% franked. The 2020/2021 distribution was 71% franked. The 2021/2022 distribution was 93% franked.

3. S&P/ASX 200 Accumulation Index.

4. Excess returns are net of fees but before taxes and exclude franking credits.

## Monthly Distributions

	Ex-Price (mid) 30 June	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Ex-Price (mid) 30 June	Total CPU	Franking Credit Per Unit	Franking level
FY 2019	\$1.000000	0.45	0.45	0.45	0.44	0.44	0.44	0.44	4.77	0.44	0.44	0.44	2.43	\$1.019293	11.63	4.58	92%
FY 2020	\$1.019293	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.54	\$0.893822	5.60	1.67	70%
FY 2021	\$0.893822	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	1.15	\$1.099169	5.00	1.52	71%
FY 2022	\$1.099169	0.46	0.46	0.46	2.00	0.46	0.46	0.46	0.46	0.46	0.46	0.46	3.56	\$0.954105	10.16	4.07	93%

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