

Ausbil Australian Geared Equity 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 -24.66% (net of fees), versus the benchmark return of -12.22%, as measured by the S&P/ASX 300 Accumulation Index.

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

At a stock level, the overweight positions in QBE Insurance, Worley, CSL, Ramsay Health Care, Santos and Computershare contributed to relative performance. The nil positions in Westpac Bank, Northern Star Resources, Evolution Mining and Wesfarmers also added value over the quarter. Conversely, the overweight positions in OZ Minerals, IGO, Block, BlueScope Steel, Lynas Rare Earths, Seek and 29Metals detracted from relative performance. The underweight position in Transurban Group and the nil positions in Amcor and Brambles also detracted value.

Market Review

June 30 closed the Australian financial year with a one-month return of -9.0% (S&P/ASX 300 Accumulation Index), -12.2% for the quarter, and bringing the total market return for the financial year to -6.8%. 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 (+29.7%), Industrials (+1.7%) and Materials (-2.1%) all significantly outperformed the market (S&P/ASX 300: -6.8%). Information Technology (-36.4%), Consumer Discretionary (-22.5%), Real Estate (-11.7%) and Health Care (-9.6%) 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

Returns¹ as at 30 June 2022

Period	Fund Return %	Benchmark ² %	Out/Under performance %
1 month	-19.73	-8.97	-10.77
3 months	-24.66	-12.22	-12.44
6 months	-20.62	-10.39	-10.23
FYTD	-8.94	-6.78	-2.16
CYTD	-20.62	-10.39	-10.23
1 year	-8.94	-6.78	-2.16
2 years pa	30.36	9.45	20.91
3 years pa	6.28	3.44	2.85
5 years pa	11.16	6.90	4.25
7 years pa	11.20	6.97	4.22
10 years pa	16.64	9.24	7.40
15 years pa	3.18	4.58	-1.40
Since inception pa Date: May 2007	3.19	4.61	-1.42

Top 10 Stock Holdings

Name	Fund %	Index ² %	Tilt %
BHP	22.26	10.47	11.79
CSL	19.12	6.50	12.62
Commonwealth Bank	17.05	7.73	9.31
National Australia Bank	14.34	4.42	9.92
Macquarie Group	10.29	2.98	7.31
Santos	8.94	1.13	7.81
QBE Insurance	8.44	0.90	7.53
ANZ Bank	7.02	3.09	3.93
Lynas	6.89	0.40	6.50
Qantas	6.78	0.42	6.36

Sector Tilts

Sector	Fund %	Index ² %	Tilt %
Energy	17.57	5.78	11.79
Materials	53.64	23.55	30.09
Industrials	8.90	6.35	2.55
Consumer Discretionary	7.99	6.82	1.17
Consumer Staples	7.76	5.25	2.51
Health Care	27.43	10.06	17.36
Financials	65.32	28.30	37.02
Information Technology	14.31	3.32	10.99
Communication Services	4.24	2.75	1.49
Utilities	0.00	1.45	-1.45
Real Estate	4.88	6.36	-1.49
Cash	-112.04	0.00	-112.04
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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