

# Ausbil Australian Geared Equity Fund

Monthly performance update

July 2022

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'The impact of higher rates is yet to be felt in the inflation data, which remains very strong'

## Performance Review

Fund performance for July 2022 was +10.31% (net of fees) versus the benchmark return of +5.95%, as measured by the S&P/ASX 300 Accumulation Index.

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

At a stock level, the overweight positions in Xero, Block, IGO, National Australia Bank, IDP Education, ResMed and Goodman Group contributed to relative performance. The nil holdings in Newcrest Mining, Transurban Group and South32 also contributed to relative value. Conversely, the overweight positions in QBE Insurance, Santos, Lynas Rare Earths, Ramsay Health Care, Qantas, Worley and Webjet detracted from relative performance. The nil holdings in Westpac Bank, Wesfarmers and WiseTech Global also detracted value.

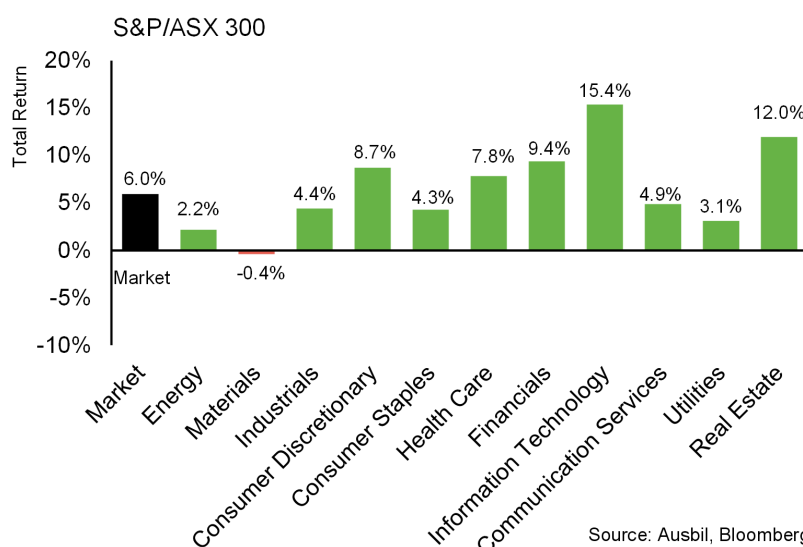
## Market Review

Markets showed a little more 'pluck' in July, rebounding from the poor June quarter with a monthly return of +5.95% (S&P/ASX 300 Accumulation Index), bringing the rolling annual return to 31 July to -2.31%. There were signs that the sell-off of recent months may have overshoot as markets partially retraced on improved sentiment, on clear policy direction from central banks, and a view that the slowdown in growth might not be as drastic as feared.

The rebound in July was also felt across all sectors but one, as illustrated in the chart below. Technology was the biggest mover following the stellar rise in the Nasdaq as earnings came in for big tech, and the market reconsidered the impact of inflation on large technology stocks with proven earnings growth and long track records of generating free cash flow.

## Sector returns – July 2022

## Outlook



## Fund Characteristics

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

Period	Fund Return %	Benchmark <sup>2</sup> %	Out/Under performance %
1 month	10.31	5.95	4.35
3 months	-14.83	-6.21	-8.62
6 months	1.01	1.50	-0.49
FYTD	10.31	5.95	4.35
CYTD	-12.43	-5.05	-7.38
1 year	-4.92	-2.31	-2.61
2 years pa	34.86	12.32	22.54
3 years pa	7.63	4.43	3.20
5 years pa	13.50	8.15	5.35
7 years pa	10.86	7.21	3.65
10 years pa	16.78	9.42	7.35
15 years pa	4.15	5.13	-0.97
Since inception pa Date: May 2007	3.84	4.99	-1.14

## Top 10 Stock Holdings

Name	Fund %	Index <sup>2</sup> %	Tilt %
CSL	19.67	6.61	13.06
BHP	18.58	9.27	9.30
Commonwealth Bank	17.71	8.14	9.56
National Australia Bank	14.03	4.66	9.37
Macquarie Group	10.05	3.09	6.96
Santos	7.95	1.05	6.90
QBE Insurance	7.53	0.81	6.72
Lynas	6.28	0.37	5.91
ANZ Bank	6.19	3.23	2.96
IGO	6.12	0.35	5.77

## Sector Tilts

Sector	Fund %	Index <sup>2</sup> %	Tilt %
Energy	15.10	5.56	9.54
Materials	48.37	22.14	26.22
Industrials	8.10	6.27	1.83
Consumer Discretionary	8.17	7.01	1.16
Consumer Staples	9.26	5.17	4.09
Health Care	27.75	10.25	17.50
Financials	63.09	29.35	33.74
Information Technology	15.41	3.68	11.74
Communication Services	4.48	2.49	1.99
Utilities	0.00	1.41	-1.41
Real Estate	5.46	6.67	-1.22
Cash	-105.17	0.00	-105.17
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>

Source: Ausbil, Bloomberg

1. Fund returns are net of fees but before taxes.  
2. The benchmark S&P/ASX 300 Accumulation Index.

## Outlook

Inflation has been persistent with central banks responding by a rising rates, however the impact of higher rates is yet to be felt in the inflation data, which remains very strong. Ausbil sees the consumer as relatively shielded from these rises with higher savings than before the pandemic in an environment of close to full employment. However, questions remain as to where central banks will pause, and whether rate rises are effective in curbing the impact of the energy shock from Russia's invasion of Ukraine, and the ongoing challenges in supply chains. There are significant risks to the downside, but we believe markets have been too pessimistic about the prevailing economic conditions.

In this context, the outlook for equities remains positive, based on Ausbil's house view that Australia will avoid recession even though growth is slowing, and the view that central banks have front-weighted rate rises and will begin to slow the tightening. With fundamental world demand for commodities strong and growing against a backdrop of underinvestment in supply, we expect to see Australia outperform relative to other developed markets, supporting earnings growth, and the A\$. Ausbil's outlook for earnings overall is strong for the coming August reporting season at around +25% for FY22, and in positive single-digit territory for FY23. Given softening economic growth, earnings growth will be harder to come by in FY23. However, in the key sectors which benefit from inflation and interest rates, and in some cycle-proof quality leaders that retain pricing power we expect stronger earnings outcomes.

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