

# Ausbil Active Dividend Income Fund

Quarterly performance update

September 2022

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'We are confident that even in a slowing environment Ausbil will be able to find superior earnings and earnings growth'

## Performance Review

Fund performance for the quarter ending September 2022 was -0.12% (net of fees) versus the benchmark return of +0.39%, as measured by the S&P/ASX 200 Accumulation Index.

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

At a stock level, the overweight positions in IGO, OZ Minerals, 29Metals, Commonwealth Bank and Northern Star Resources contributed to relative performance. The nil positions in Transurban Group, Newcrest Mining, APA Group, ASX and Coles Group also contributed value. Conversely, the overweight positions in Ramsay Health Care, Arena REIT, Goodman Group, Atlas Arteria, Suncorp and Ampol detracted from relative performance. The underweight position in Rio Tinto and the nil positions in Pilbara Minerals, Westpac Bank and Mineral Resources also detracted value.

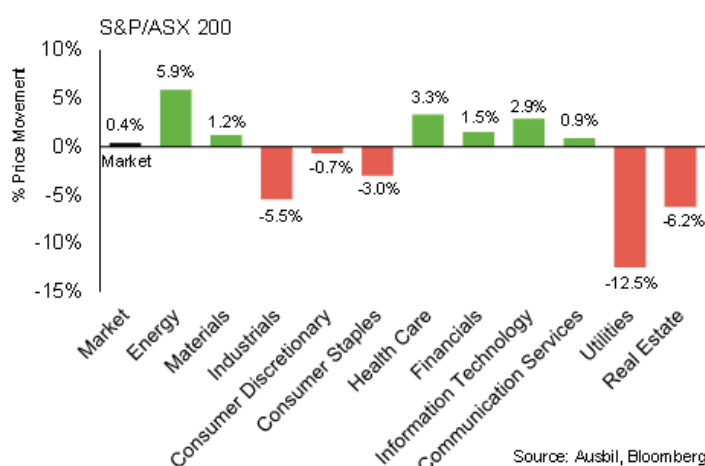
## Market Review

The September quarter has seen markets roiled by inflation and rate rises, the ASX no exception, with a 3-month return of +0.39%, a monthly return of -6.27%, and a trailing 1-year return of -7.69% (S&P/ASX 200 Accumulation Index).

Interest rates globally have continued on a hawkish tear, with central banks raising the stakes in their war on inflation with another round of solid rate rises. While FY22 reporting season showed how resilient Australian companies are, moving into FY23 and a slowing economy has markets worrying about earnings growth. Despite this, we remain confident that even in a slowing environment Ausbil will be able to find superior earnings and earnings growth.

Energy and materials stocks have been beneficiaries of elevated commodity prices, which reflected positively not only in their reported annual results, but also across the September quarter, as illustrated in the chart below. Health care, financials and information technology were a mixed bag of other positive outcomes, contrasting sharply with the negative returns in utilities and real estate.

## Sector returns – September 2022



## Fund Characteristics

Returns<sup>1</sup> as at 30 September 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	0.46	-6.16	-5.70	-6.17	0.48
3 months	1.45	-1.56	-0.12	0.39	-0.50
6 months	5.20	-16.73	-11.53	-11.56	0.03
1 year	9.23	-15.02	-5.79	-7.69	1.89
2 years pa	8.28	1.90	10.18	9.78	0.39
3 years pa	6.30	-2.53	3.76	2.67	1.09
4 years pa	7.16	-0.89	6.27	5.03	1.23
Since inception pa Date: July 2018	7.08	-0.45	6.62	5.10	1.51

## Top 10 Stock Holdings

Name	Fund %	Index <sup>3</sup> %	Tilt %
BHP	12.61	10.17	2.44
CSL	9.16	7.16	2.00
ANZ Bank	7.39	3.55	3.83
National Australia Bank	5.65	4.77	0.88
Commonwealth Bank	4.58	8.07	-3.49
Macquarie Group	4.25	2.89	1.36
Telstra	3.91	2.32	1.59
Woodside Energy Group	3.26	3.13	0.12
Woolworths	3.23	2.15	1.08
Wesfarmers	3.15	2.53	0.62

## Sector Tilts

Sector	Fund %	Index <sup>3</sup> %	Tilt %
Energy	8.09	6.20	1.88
Materials	25.61	23.16	2.45
Industrials	3.55	6.12	-2.56
Consumer Discretionary	6.57	6.58	-0.01
Consumer Staples	4.09	5.07	-0.97
Health Care	10.91	10.51	0.40
Financials	31.44	29.37	2.07
Information Technology	0.00	3.13	-3.13
Communications Services	3.91	2.63	1.28
Utilities	0.00	1.27	-1.27
Real Estate	4.14	5.96	-1.82
Cash	1.69	0.00	1.69
<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.

## Outlook

Market volatility and concerns around inflation and rate rises continues to rattle investors. In this low earning environment, with slowing growth from rising rates, Ausbil's view is that the market will continue to diverge on performance. Sectors that benefit in an environment of inflation and rising rates are expected to outperform. Those sectors for which inflation creates an earnings drag and dampens demand will underperform. Overall, the economy is set to play a major part in earnings growth. As noted in our economic review, Ausbil does not currently see Australia entering recession.

Across the market, quality leaders, particularly those with relatively inelastic demand and the capacity to pass on higher input costs such as commodity prices through to their customers, are also expected to deliver superior earnings growth in FY23. Our portfolio is exposed to leaders in health care and pharmaceuticals, biotechnology and life sciences, some leaders in information technology, and in select global leaders.

We are avoiding sectors that are cyclical, over-exposed to slowing economic growth, and whose earnings are adversely impacted by inflationary pressures. This includes construction, retailing, consumer discretionary and housing.

## 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%
FY 2023	\$0.954105	0.46	0.46	0.46													

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