

Ausbil Australian Geared Equity 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 +4.32% (net of fees) versus the benchmark return of +0.45%, as measured by the S&P/ASX 300 Accumulation Index.

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

At a stock level, the overweight positions in OZ Minerals, IGO, Allkem, Qantas, CSL, Treasury Wine Estates, ResMed and 29Metals contributed to relative performance. The nil holdings in Transurban Group and Newcrest Mining also contributed to relative value. Conversely, the overweight positions in Lynas Rare Earths, Ramsay Health Care, QBE Insurance, Worley, NextDC and Santos detracted from relative performance. The nil holdings in Pilbara Minerals, Whitehaven Coal, Westpac Bank and Mineral Resources also detracted value.

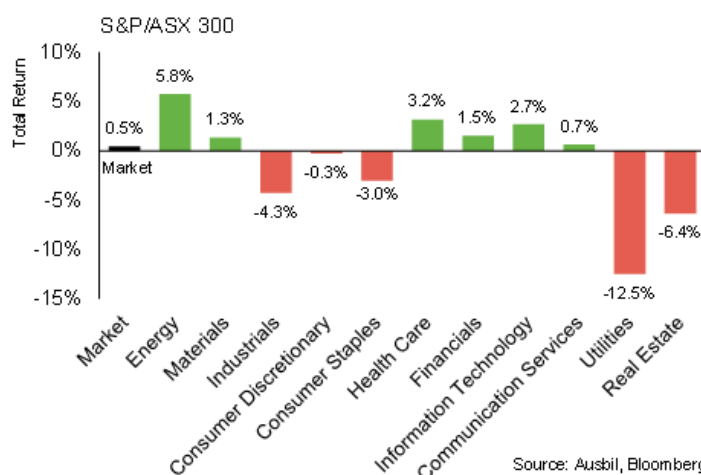
Market Review

The September quarter has seen markets roiled by inflation and rate rises, the ASX no exception, with a 3-month return of +0.45%, a monthly return of -6.29%, and a trailing 1-year return of -8.00% (S&P/ASX 300 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

Returns¹ as at 30 September 2022

Period	Fund Return %	Benchmark ² %	Out/Under performance %
1 month	-11.71	-6.29	-5.41
3 months	4.32	0.45	3.87
6 months	-21.40	-11.82	-9.58
1 year	-12.62	-8.00	-4.63
2 years pa	30.88	9.73	21.16
3 years pa	4.85	2.73	2.12
5 years pa	12.23	6.83	5.40
7 years pa	14.20	8.07	6.13
10 years pa	15.34	8.38	6.96
15 years pa	2.75	4.22	-1.48
Since inception pa Date: May 2007	3.43	4.57	-1.14

Top 10 Stock Holdings

Name	Fund %	Index ² %	Tilt %
CSL	20.58	6.94	13.64
BHP	19.06	9.86	9.20
Commonwealth Bank	16.61	7.83	8.79
National Australia Bank	13.77	4.62	9.14
Macquarie Group	8.65	2.81	5.84
Santos	8.05	1.20	6.85
IGO	7.92	0.47	7.45
OZ Minerals	7.71	0.44	7.28
QBE Insurance	7.47	0.86	6.60
Qantas	6.83	0.48	6.35

Sector Tilts

Sector	Fund %	Index ² %	Tilt %
Energy	15.01	6.15	8.85
Materials	53.77	23.11	30.66
Industrials	8.62	6.31	2.31
Consumer Discretionary	8.71	6.81	1.90
Consumer Staples	9.73	5.05	4.68
Health Care	28.22	10.49	17.73
Financials	60.30	28.83	31.46
Information Technology	13.54	3.46	10.08
Communication Services	5.32	2.59	2.73
Utilities	0.00	1.23	-1.23
Real Estate	4.34	5.96	-1.63
Cash	-107.54	0.00	-107.54
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.

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. 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.

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