

# Ausbil Australian Geared Equity Fund

Monthly performance update

October 2022

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'While the trajectory of inflation and rates is still unknown, decisive, and balanced action by central banks saw markets respond with more confidence'

## Performance Review

Fund performance for October 2022 was +12.09% (net of fees) versus the benchmark return of +5.96%, as measured by the S&P/ASX 300 Accumulation Index.

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

At a stock level, the overweight positions in Qantas, IGO, National Australia Bank, Lynas Rare Earths, Aristocrat Leisure and Worley contributed to relative performance. The nil holdings in Fortescue Metals, Medibank and ASX also contributed to relative value. Conversely, the overweight positions in OZ Minerals, CSL, 29Metals, ResMed, NextDC, Computershare and Treasury Wine Estates detracted from relative performance. The underweight position in Woodside Energy Group and nil holdings in Westpac Bank and Scentre Group also detracted value.

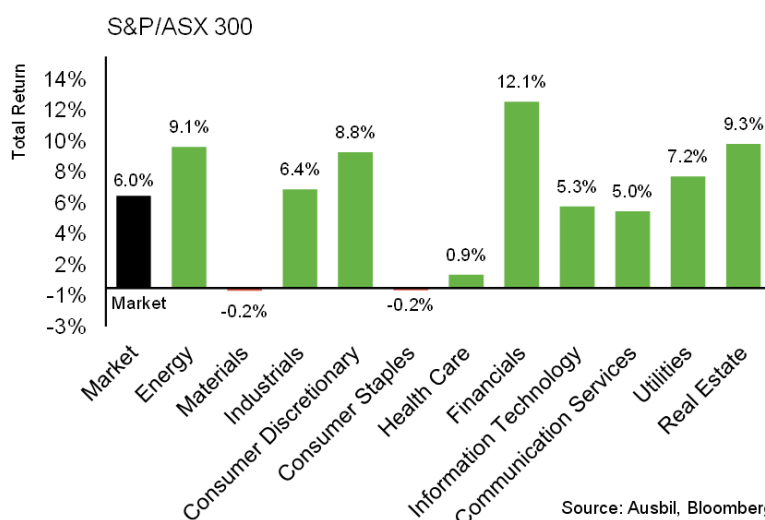
## Market Review

The month of October saw markets post strong gains with the ASX returning +5.96%, with a trailing 1-year return of -2.61% (S&P/ASX 300 Accumulation Index).

The Reserve Bank of Australia hinted at some softening in policy with just a 25 bps rise in October, suggesting the central bank was looking more at the data having executed the bulk of their move already. While the trajectory of inflation and rates is still unknown, decisive, and balanced action by central banks saw markets respond with more confidence.

Looking at sectors, other than Materials and Consumer Staples, the upswing in prices was felt across sectors, as illustrated in the chart below.

## Sector returns – October 2022



## Fund Characteristics

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

Period	Fund Return %	Benchmark <sup>2</sup> %	Out/Under performance %
1 month	12.09	5.96	6.13
3 months	6.01	0.46	5.55
6 months	-9.71	-5.77	-3.94
1 year	-3.73	-2.61	-1.12
2 years pa	35.23	11.90	23.33
3 years pa	8.48	4.86	3.62
5 years pa	12.34	7.23	5.11
7 years pa	14.61	8.30	6.31
10 years pa	16.05	8.69	7.36
15 years pa	3.33	4.43	-1.10
Since inception pa Date: May 2007	4.17	4.93	-0.76

## Top 10 Stock Holdings

Name	Fund %	Index <sup>2</sup> %	Tilt %
CSL	18.37	6.45	11.92
Commonwealth Bank	17.12	8.53	8.59
BHP	16.66	9.03	7.63
National Australia Bank	13.82	4.91	8.91
Macquarie Group	8.79	2.94	5.85
Santos	7.81	1.23	6.58
IGO	7.45	0.49	6.96
Qantas	7.06	0.53	6.53
QBE Insurance	7.05	0.87	6.18
ANZ Bank	6.87	3.65	3.23

## Sector Tilts

Sector	Fund %	Index <sup>2</sup> %	Tilt %
Energy	15.56	6.32	9.24
Materials	48.85	21.73	27.12
Industrials	8.21	6.37	1.85
Consumer Discretionary	8.69	6.98	1.70
Consumer Staples	8.78	4.76	4.02
Health Care	25.24	9.99	15.25
Financials	60.64	30.44	30.20
Information Technology	12.93	3.49	9.44
Communication Services	5.30	2.51	2.78
Utilities	0.00	1.24	-1.24
Real Estate	4.15	6.15	-2.00
Cash	-98.36	0.00	-98.36
<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.  
2. The benchmark S&P/ASX 300 Accumulation Index.

## Outlook

Market volatility and concerns around inflation and interest rates remain an issue, but some clear caution in the rhetoric of central banks has given some hope that the hard steps may have been taken in the battle against inflation. We are expecting more caution, perhaps even a pause in 2023, around rate increases as central banks look at the data for feedback on how successful they have been to date in the arrest of inflation. We have clearly entered a period of slowing growth.

Given the strength of the Australian economy, the demand for our resources, and the current strength in the job market, Ausbil does not currently see Australia entering recession. Overall, the market is expecting positive earnings growth for FY23 of 6.7%, even though the recent AGM season has seen some an increase in earnings downgrades as a function of the slowing economy. Ausbil is still confident of finding superior earnings growth in the market in FY23.

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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