

Ausbil 130/30 Focus Fund

Quarterly performance update

December 2022

Ausbil Investment
Management Limited
ABN 26 076 316 473
AFSL 229722
Level 27
225 George Street
Sydney NSW 2000
GPO Box 2525
Sydney NSW 2001
Phone 61 2 9259 0200

'Earnings growth will be hard to come by in 2023, but there will be some clear stock opportunities'

Performance Review

Fund performance for the quarter ending December 2022 was +5.14% (net of fees) versus the benchmark return of +9.40%, as measured by the S&P/ASX 200 Accumulation Index.

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

The largest short positions were in select stocks within the Consumer Discretionary, Materials, Information Technology and Financials sectors.

At a stock level, the overweight positions in BHP, Suncorp and Carsales.com contributed to relative performance. The underweight positions in Whitehaven Coal, Allkem and ASX and the nil position in Endeavour Group also contributed value. Conversely, the overweight positions in Medibank, ResMed, Woolworths, Santos, Telstra, CSL and Ampol detracted from relative value. The nil position in Fortescue Metals and the underweight positions in Origin Energy and South32 also detracted value.

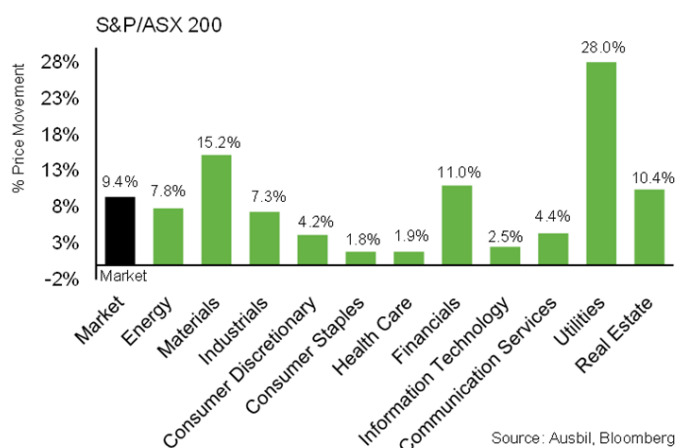
Market Review

While the month of December did not deliver a Santa rally with a return of -3.2% (S&P/ASX 200 Accumulation Index), it closed a strong quarter, with a total return of +9.4% over the three months to the end of 2022. This saw markets deliver a slight decline for calendar year 2022 at -1.0%, though in the context of a ramp-up in inflation, an energy shock, and the fastest rate hikes in living memory.

Inflation seemed to peak in the December quarter adding some positive sentiment and suggesting central banks were close to the end of their radical tightening cycle which caught a lot of consumers and businesses by surprise at the start of 2022. By the end of 2022, sentiment was more positive that rate rises would soon reach a terminal level and remain on hold, offering some respite to consumers and businesses alike.

The strong positive return generated in markets this month was underpinned by positive performances across all sectors. The rebound in commodity and energy markets was particularly strong with China reopening moves in the quarter, though there is still some doubt as to the current COVID situation. The utilities sector was a particular standout this quarter with the Brookfield-led consortium making an offer for Origin Energy, generating enthusiasm for the sector.

Sector returns – December quarter 2022



Fund Characteristics

Returns¹ as at 31 December 2022

| Period | Fund Return ¹ % | Bench- mark ² % | Out/Under performance % |
|---------------------------------------|-------------------------------|----------------------------------|-------------------------------|
| 1 month | -3.39 | -3.21 | -0.19 |
| 3 months | 5.14 | 9.40 | -4.26 |
| 6 months | 3.00 | 9.82 | -6.82 |
| 1 year | -4.23 | -1.08 | -3.15 |
| 2 years pa | 5.44 | 7.69 | -2.24 |
| 3 years pa | 5.31 | 5.55 | -0.24 |
| 5 years pa | 6.29 | 7.11 | -0.82 |
| 7 years pa | 8.84 | 8.43 | 0.41 |
| 10 years pa | 9.76 | 8.66 | 1.10 |
| Since inception pa Date: July 2010 | 8.90 | 8.24 | 0.66 |

Market Exposure

| | % of Fund |
|-------|-----------|
| Long | 97.99 |
| Short | -3.96 |
| Net | 94.03 |

Top 10 Stock Holdings

| Name | Fund % | Index ² % | Tilt % |
|-------------------------|-----------|-------------------------|-----------|
| BHP | 12.61 | 11.09 | 1.52 |
| CSL | 8.68 | 6.66 | 2.03 |
| Commonwealth Bank | 7.88 | 8.34 | -0.46 |
| National Australia Bank | 4.57 | 4.55 | 0.02 |
| Macquarie Group | 4.44 | 2.91 | 1.53 |
| Woodside Energy | 4.24 | 3.23 | 1.02 |
| Telstra | 3.48 | 2.21 | 1.27 |
| Goodman Group | 3.22 | 1.42 | 1.79 |
| ANZ | 3.01 | 3.39 | -0.38 |
| Transurban | 2.96 | 1.91 | 1.05 |

Sector Tilts

| Sector | Fund % | Index ² % | Tilt % |
|------------------------|---------------|-------------------------|-------------|
| Energy | 6.53 | 6.14 | 0.40 |
| Materials | 22.39 | 24.39 | -2.00 |
| Industrials | 6.28 | 6.15 | 0.14 |
| Consumer Discretionary | 4.08 | 6.26 | -2.17 |
| Consumer Staples | 5.30 | 4.78 | 0.53 |
| Health Care | 11.13 | 9.87 | 1.26 |
| Financials | 26.34 | 29.47 | -3.13 |
| Information Technology | 1.37 | 2.97 | -1.60 |
| Communication Services | 3.48 | 2.53 | 0.95 |
| Utilities | 2.51 | 1.48 | 1.03 |
| Real Estate | 4.60 | 5.97 | -1.37 |
| Cash | 5.97 | 0.00 | 5.97 |
| Total | 100.00 | 100.00 | 0.00 |

1. Fund returns are net of fees but before taxes.

2. The benchmark S&P/ASX 200 Accumulation Index.

Outlook

Market volatility, and concerns around inflation and rate rises remain an issue, but some clear caution in the rhetoric of central banks has given some hope that most of the hard steps may have already been taken in the battle against inflation.

We have clearly entered a period of slowing growth. However, given the relative strength of the Australian economy, the demand for our resources, low unemployment, and the current strength in the job market, Ausbil does not currently see Australia entering recession.

We think earnings growth will be hard to come by in 2023, but there will be some clear opportunities. Given the inflationary environment, we are still overweight resource companies generally (including energy and gold), general insurers and select diversified financials that are expected to deliver positive earnings growth again in FY23, some delivering upward earnings revisions yet to be recognised in the consensus outlook. Quality leaders across the market, particularly those with relatively inelastic demand and the capacity to pass on inflationary rate costs are also expected to deliver superior earnings growth in FY23.

ASIC Benchmark 2. - Periodic Reporting

This benchmark is aimed at ensuring that investors receive timely, basic fund investment performance information on a periodic basis to make informed investment decisions. Please refer to the below information relating to this benchmark.

The Fund's current net asset value and redemption price are available at www.ausbil.com.au/unit-prices. The Ausbil 130/30 Focus Fund – wholesale class' net performance returns are available at www.ausbil.com.au/performance-tables. There have been no changes to the key service providers, the related party status of the Fund, the Fund's risk profile, the Fund's strategy or the investment team.

Please refer to the Update of Information available at <http://www.ausbil.com.au/products/ausbil-130-30-focus-fund> (Important Notice to Investors) for more information on the appointment of additional securities lenders.

Ausbil Investment
Management Limited
Level 27
225 George Street
Sydney NSW 2000
Australia
Toll Free 1800 287 245

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