

Ausbil Active Dividend Income Fund

Quarterly performance update

December 2022

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'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 +8.37% (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 overweight position in the Materials sector contributed to relative performance. The underweight positions in the Energy, Industrials, Consumer Discretionary, Consumer Staples and Information Technology sectors also contributed to relative performance. Conversely, the overweight positions in the Financials and Communication Services sectors detracted from relative performance. The underweight positions in the Health Care, Utilities and Real Estate sectors also detracted from relative performance.

At a stock level, the overweight positions in Evolution Mining, Northern Star Resources and BHP contributed to relative performance. The underweight positions in Whitehaven Coal and Woodside Energy, and the nil positions in Pilbara Minerals, ResMed, Medibank, Allkem and ASX also contributed value. Conversely, the overweight positions in 29Metals, Aristocrat Leisure, CSL, Santos and New Hope detracted from relative performance. The underweight positions in Westpac Bank, Fortescue Metals, Commonwealth Bank and Rio Tinto, and the nil position in Origin Energy also detracted value.

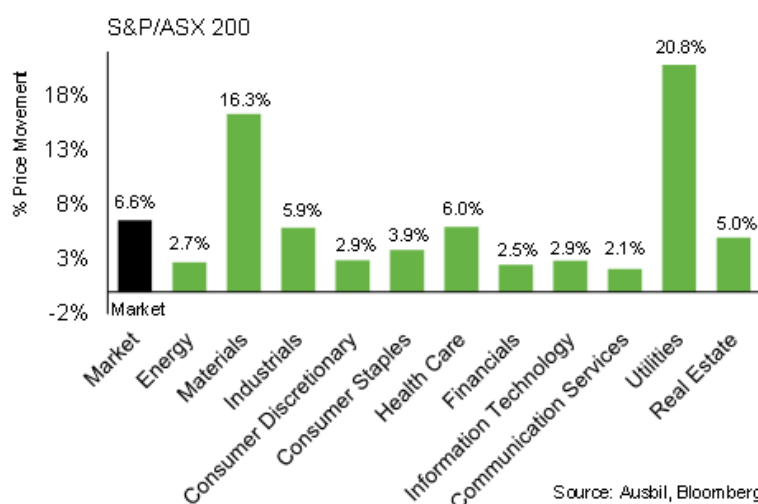
Market Review

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 was 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



Source: Ausbil, Bloomberg

Fund Characteristics

Returns¹ as at 31 December 2022

Period	Distribution Return ² % Net	Growth Return % Net	Total Return % Net	Benchmark ³ %	Excess Return ⁴ %
1 month	0.44	-3.81	-3.37	-3.21	-0.16
3 months	1.47	6.90	8.37	9.40	-1.04
6 months	2.89	5.35	8.24	9.82	-1.59
1 year	7.84	-8.38	-0.54	-1.08	0.53
2 years pa	7.55	0.03	7.58	7.69	-0.12
3 years pa	6.29	-0.22	6.07	5.55	0.52
4 years pa	7.89	3.04	10.93	9.75	1.17
Since inception pa Date: July 2018	6.91	1.24	8.15	6.92	1.23

Top 10 Stock Holdings

Name	Fund %	Index ³ %	Tilt %
BHP	13.07	11.09	1.98
Commonwealth Bank	9.31	8.34	0.97
CSL	8.41	6.66	1.75
National Australia Bank	6.14	4.55	1.59
Macquarie Group	4.32	2.91	1.41
Telstra	3.85	2.21	1.64
Suncorp	2.99	0.73	2.26
Goodman Group	2.81	1.42	1.38
Santos	2.66	1.14	1.52
Wesfarmers	2.33	2.50	-0.17

Sector Tilts

Sector	Fund %	Index ³ %	Tilt %
Energy	6.04	6.14	-0.09
Materials	26.55	24.39	2.16
Industrials	3.81	6.15	-2.33
Consumer Discretionary	5.10	6.26	-1.16
Consumer Staples	3.42	4.78	-1.35
Health Care	9.60	9.87	-0.27
Financials	33.85	29.47	4.38
Information Technology	0.00	2.97	-2.97
Communications Services	3.85	2.53	1.32
Utilities	1.16	1.48	-0.32
Real Estate	5.85	5.97	-0.13
Cash	0.76	0.00	0.76
Total	100.00	100.00	0.00

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 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.

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	0.46	0.46	0.46										

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