

# Ausbil Australian Geared Equity 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 +14.18% (net of fees) versus the benchmark return of +9.13%, as measured by the S&P/ASX 300 Accumulation Index.

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

At a stock level, the overweight positions in Qantas, Webjet, QBE Insurance, Worley and Suncorp contributed to relative performance. The nil holdings in Pilbara Minerals, Medibank, ASX, Coles Group and Sonic Healthcare also contributed to relative value. Conversely, the overweight positions in Allkem, ResMed, CSL, Aristocrat Leisure, Santos and IGO detracted from relative performance. The nil holdings in Westpac Bank, Fortescue Metals, Origin Energy and Northern Star Resources also detracted value.

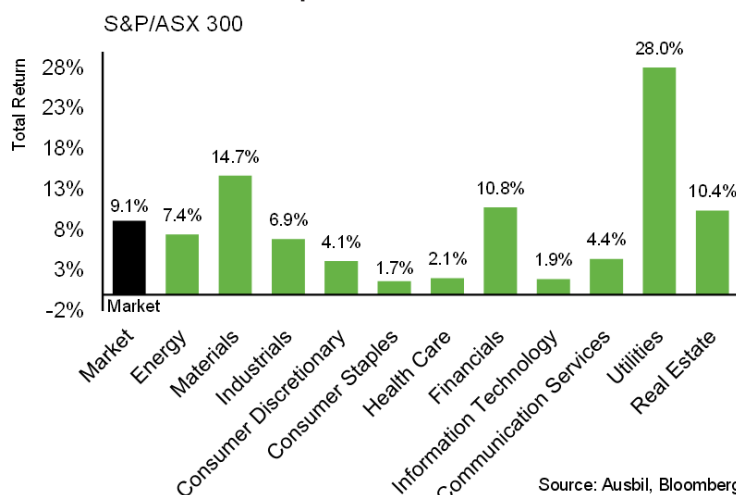
## Market Review

While the month of December did not deliver a Santa rally with a return of -3.3% (S&P/ASX 300 Accumulation Index), it closed a strong quarter, with a total return of +9.1% over the three months to the end of 2022. This saw markets deliver a slight decline for calendar year 2022 at -1.8%, 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, 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

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

Period	Fund Return	Benchmark <sup>2</sup>	Out/Under performance
1 month	-7.88	-3.29	-4.58
3 months	14.18	9.13	5.05
6 months	19.12	9.62	9.49
1 year	-5.44	-1.77	-3.67
2 years pa	19.44	7.45	11.99
3 years pa	9.02	5.51	3.51
5 years pa	10.80	7.10	3.70
7 years pa	14.38	8.44	5.94
10 years pa	15.34	8.61	6.72
15 years pa	4.30	5.02	-0.72
Since inception pa Date: May 2007	4.25	5.08	-0.83

## Top 10 Stock Holdings

Name	Fund	Index <sup>2</sup>	Tilt
BHP	21.55	10.79	10.76
CSL	18.57	6.48	12.09
Commonwealth Bank	16.39	8.12	8.28
National Australia Bank	12.85	4.43	8.42
Macquarie Group	8.53	2.83	5.70
OZ Minerals	7.31	0.44	6.87
Santos	7.14	1.11	6.03
ANZ Bank	6.27	3.30	2.97
QBE Insurance	6.10	0.93	5.17
Qantas	5.44	0.53	4.91

## Sector Tilts

Sector	Fund	Index <sup>2</sup>	Tilt
Energy	14.89	6.10	8.79
Materials	55.68	24.35	31.33
Industrials	5.44	6.26	-0.82
Consumer Discretionary	7.60	6.50	1.10
Consumer Staples	8.92	4.72	4.20
Health Care	25.30	9.91	15.39
Financials	57.14	28.98	28.16
Information Technology	12.96	3.22	9.74
Communication Services	5.31	2.52	2.79
Utilities	0.00	1.44	-1.44
Real Estate	5.07	6.00	-0.92
Cash	-98.32	0.00	-98.32
<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 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.

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

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