

# Ausbil 130/30 Focus Fund

## Monthly performance update

January 2023

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'With the 2023 half-year reporting season underway, we will see how the recent rise in inflation and rates has impacted company earnings'

### Performance Review

Fund performance for January 2023 was +5.46% (net of fees) versus the benchmark return of +6.23%, as measured by the S&P/ASX 200 Accumulation Index.

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

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

At a stock level, the overweight positions in Goodman Group, Lynas Rare Earths, IDP Education, Macquarie Group, Aristocrat Leisure and Seek contributed to relative performance. The underweight position in Westpac Bank and the nil position in Origin Energy also contributed value. Conversely, the overweight positions in Computershare, Santos, APA Group and Suncorp detracted from relative value. The underweight positions in South32 and Allkem also detracted value.

### Market Review

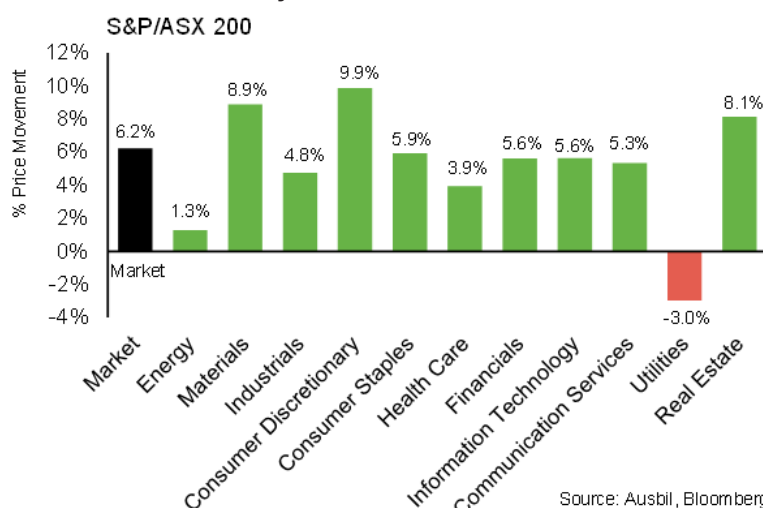
January saw the market return +6.2% (S&P/ASX 200 Accumulation Index), bringing the trailing market 1-year return to +12.2%.

While inflation seemed to peak at the end of 2022, the headline December quarter read of 7.8%, up from the September quarter read of 7.3%, reinforced the view that the tightening cycle had a little further to run. January markets shrugged off the number, presumably as there is a general view that it will not significantly change the terminal path of official rates during this tightening cycle.

Though inflation remains a watching brief at Ausbil, and has been since the start of 2021, we believe markets and consumers are adjusting to the new level of rates. With the February half-year 2023 reporting season underway, we will see how the recent rise in inflation and rates has impacted company balance sheets and earnings statements.

Market enthusiasm for a new year, with a sense that rate rises would soon come to a hold saw all sectors but utilities rise together, as shown in the chart below.

### Sector returns – January 2023



Source: Ausbil, Bloomberg

### Fund Characteristics

#### Returns<sup>1</sup> as at 31 January 2023

Period	Fund Return <sup>1</sup> %	Bench- mark <sup>2</sup> %	Out/Under performance %
1 month	5.46	6.23	-0.76
3 months	7.24	9.59	-2.35
6 months	5.22	10.32	-5.10
1 year	5.63	12.21	-6.58
2 years pa	7.78	10.82	-3.03
3 years pa	5.62	5.96	-0.35
5 years pa	7.61	8.51	-0.90
7 years pa	10.59	10.25	0.34
10 years pa	9.77	8.79	0.99
Since inception pa Date: July 2010	9.30	8.70	0.60

### Market Exposure

	% of Fund
Long	97.37
Short	-5.60
Net	91.77

### Top 10 Stock Holdings

Name	Fund %	Index <sup>2</sup> %	Tilt %
BHP	12.59	11.29	1.30
CSL	8.59	6.49	2.10
Commonwealth Bank	7.45	8.42	-0.97
Macquarie Group	5.10	3.07	2.03
National Australia Bank	4.50	4.53	-0.02
Telstra	3.63	2.13	1.50
Goodman Group	3.58	1.54	2.04
Woolworths	3.55	1.98	1.57
ANZ Bank	3.33	3.39	-0.06
Transurban Group	2.95	1.92	1.03

### Sector Tilts

Sector	Fund %	Index <sup>2</sup> %	Tilt %
Energy	4.31	5.83	-1.53
Materials	19.89	24.99	-5.10
Industrials	6.35	6.11	0.24
Consumer Discretionary	4.58	6.46	-1.88
Consumer Staples	6.15	4.76	1.38
Health Care	11.24	9.66	1.57
Financials	24.84	29.17	-4.33
Information Technology	3.67	3.09	0.59
Communication Services	3.23	2.43	0.80
Utilities	1.54	1.35	0.19
Real Estate	5.97	6.15	-0.18
Cash	8.23	0.00	8.23
<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 200 Accumulation Index.

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## Outlook

Reporting season will show how companies have weathered the storm of rising rates and inflation. We are optimistic about how they have fared. We think earnings growth will be harder to come by this year at a market level, though we see a number of sectors and quality leaders still capable of delivering superior earnings growth in a slowing economy.

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.

Given the inflationary environment, we remain invested in 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](http://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](http://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.

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