

Ausbil Active Dividend Income Fund

Monthly performance update

January 2023

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

'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 +5.89% (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 positions in the Energy and Materials sectors contributed to relative performance. The underweight positions in the Industrials, Health Care, Information Technology and Utilities sectors also contributed to relative performance. Conversely, the overweight positions in the Consumer Discretionary, Financials and Communication Services sectors detracted from relative performance. The underweight positions in the Consumer Staples and Real Estate sectors also detracted from relative performance.

At a stock level, the overweight positions in Goodman Group, South32, Macquarie Group, Charter Hall Group, Pinnacle Investment Management Group and Northern Star Resources contributed to relative performance. The underweight positions in Westpac Bank and Woodside Energy and the nil positions in Whitehaven Coal and Origin Energy also contributed value. Conversely, the overweight positions in Computershare, Santos, OZ Minerals, Telstra, Arena REIT and Incitec Pivot detracted from relative performance. The underweight position in Fortescue Metals and the nil positions in Pilbara Minerals, James Hardie and Mineral Resources also detracted value.

Market Review

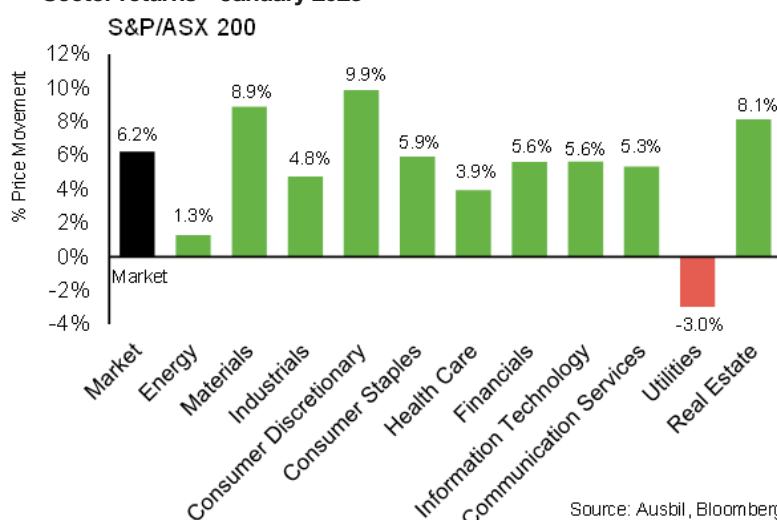
January saw the market return +6.2% (S&P/ASX 200 Accumulation Index), bringing the trailing market 1-year return to +12.2%.

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



Fund Characteristics

Returns¹ as at 31 January 2023

Period	Distribution Return ² % Net	Growth Return % Net	Total Return % Net	Bench- mark ³ %	Excess Return ⁴ %
1 month	0.46	5.43	5.89	6.23	-0.34
3 months	1.40	7.17	8.57	9.59	-1.02
6 months	2.81	7.92	10.73	10.32	0.41
1 year	8.29	2.65	10.94	12.21	-1.27
2 years pa	7.62	3.07	10.69	10.82	-0.13
3 years pa	6.02	0.26	6.28	5.96	0.31
4 years pa	7.57	3.54	11.11	10.37	0.74
Since inception pa Date: July 2018	6.86	2.49	9.35	8.21	1.14

Top 10 Stock Holdings

Name	Fund %	Index ³ %	Tilt %
BHP	14.49	11.29	3.20
Commonwealth Bank	11.58	8.42	3.16
CSL	7.98	6.49	1.49
National Australia Bank	5.89	4.53	1.36
Telstra	4.62	2.13	2.49
Macquarie Group	4.51	3.07	1.44
Wesfarmers	3.04	2.54	0.50
Suncorp	2.90	0.72	2.18
Goodman Group	2.74	1.54	1.19
Santos	2.47	1.07	1.40

Sector Tilts

Sector	Fund %	Index ³ %	Tilt %
Energy	5.95	5.83	0.11
Materials	28.68	24.99	3.69
Industrials	2.84	6.11	-3.26
Consumer Discretionary	6.90	6.46	0.44
Consumer Staples	3.14	4.76	-1.62
Health Care	9.05	9.66	-0.61
Financials	33.47	29.17	4.30
Information Technology	0.00	3.09	-3.09
Communications Services	4.62	2.43	2.19
Utilities	0.00	1.35	-1.35
Real Estate	4.78	6.15	-1.37
Cash	0.56	0.00	0.56
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.

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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 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	0.46									

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

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