

Ausbil Australian Geared Equity Fund

Monthly performance update

February 2023

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'We have seen evidence of slowing earnings growth throughout this reporting season'

Performance Review

Fund performance for February 2023 was -5.51% (net of fees) versus the benchmark return of -2.55%, as measured by the S&P/ASX 300 Accumulation Index.

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

At a stock level, the overweight positions in QBE Insurance, Aristocrat Leisure, Santos, Computershare, Qantas, Suncorp and Macquarie Group contributed to relative performance. Not holding Northern Star Resources, Westpac Bank and Domino's Pizza also contributed to relative value. Conversely, the overweight positions in Lynas Rare Earths, Allkem, Evolution Mining, IGO, IDP Education and 29Metals detracted from relative performance. The nil holdings in Transurban Group, Brambles, Origin Energy and The Lottery Corporation also detracted value.

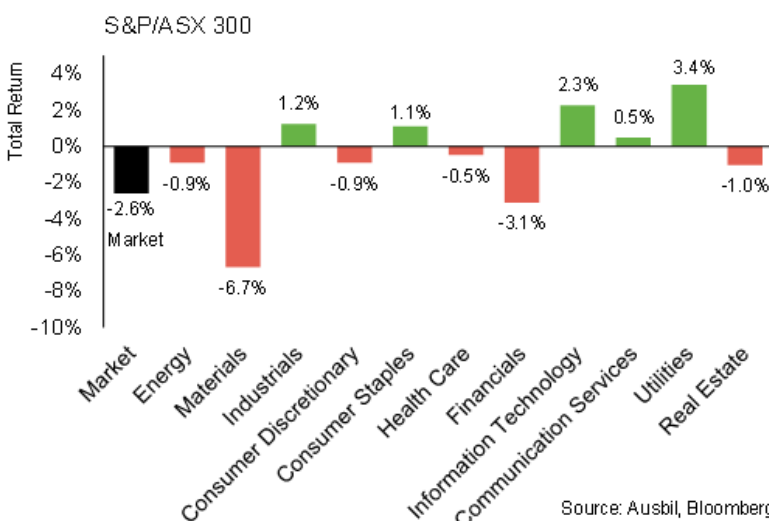
Market Review

February saw markets give back a little on rate concerns with a return of -2.6% (S&P/ASX 300 Accumulation Index), bringing the trailing market 1-year return to +6.5%.

The half-year reporting season closed with companies having negotiated a full six-months of higher rates and elevated inflation levels. While the stubborn inflation level here and overseas 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 to date. Our analysis of the macro situation is that inflation is in its peaking phase and that we are near the end of the rate increase cycle. Regardless of the fundamental macro-outlook, markets will remain jittery until there is a clear message from central banks that this tightening cycle has ended.

Sector returns were mixed in February, as shown in the chart below, with some of the more defensive sectors rising, and those leveraged to the economy slipping a little in the current uncertainty.

Sector returns – February 2023



Source: Ausbil, Bloomberg

Fund Characteristics

Returns¹ as at 28 February 2023

Period	Fund Return %	Benchmark ² %	Out/Under-performance %
1 month	-5.51	-2.55	-2.96
3 months	-1.18	0.17	-1.35
6 months	8.14	5.92	2.22
1 year	12.72	6.54	6.18
2 years pa	18.24	8.38	9.86
3 years pa	14.61	7.94	6.67
5 years pa	12.06	7.87	4.19
7 years pa	18.30	10.14	8.16
10 years pa	13.35	7.91	5.44
15 years pa	6.34	6.14	0.20
Since inception pa Date: May 2007	4.67	5.26	-0.59

Top 10 Stock Holdings

Name	Fund %	Index ² %	Tilt %
BHP	21.13	10.37	10.76
CSL	18.31	6.47	11.84
Commonwealth Bank	15.34	7.73	7.61
National Australia Bank	12.12	4.28	7.84
Macquarie Group	9.10	3.12	5.98
Santos	6.60	1.06	5.55
QBE Insurance	6.50	1.01	5.49
ANZ Bank	6.07	3.34	2.73
Goodman Group	5.60	1.54	4.06
Telstra	5.39	2.18	3.22

Sector Tilts

Sector	Fund %	Index ² %	Tilt %
Energy	13.97	5.90	8.07
Materials	52.69	23.90	28.79
Industrials	5.23	6.42	-1.19
Consumer Discretionary	8.63	6.83	1.80
Consumer Staples	9.58	4.89	4.69
Health Care	25.19	9.96	15.23
Financials	55.75	28.50	27.25
Information Technology	14.20	3.46	10.73
Communication Services	5.39	2.53	2.87
Utilities	0.00	1.39	-1.39
Real Estate	5.60	6.23	-0.63
Cash	-96.23	0.00	-96.23
Total	100.00	100.00	0.00

1. Fund returns are net of fees but before taxes.
 2. The benchmark S&P/ASX 300 Accumulation Index.



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Outlook

While rates rose again in February, there is a general consensus that we are close to the end of the tightening cycle, even if some pundits are projecting a higher terminal cash rate in the media. Our fundamental reading of the macro is that inflation is peaking, and that we are near the end of the tightening cycle.

We have seen evidence of slowing earnings growth throughout this reporting season. 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. Moreover, we believe rates will settle at manageable levels for companies, and that inflation will start to fall, though it may take a while to return to the RBA's target zone.

Given the inflationary environment, we are still invested in resources 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 costs are also expected to deliver superior earnings growth in FY23.

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