

Ausbil 130/30 Focus Fund

Quarterly performance update

March 2023

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'We remain focused on the key thematic areas that are driving the long-term earnings growth, particularly where imbalances see demand exceeding supply'

Performance Review

Fund performance for the quarter ending March 2023 was +1.88% (net of fees) versus the benchmark return of +3.46%, as measured by the S&P/ASX 200 Accumulation Index.

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

The largest short positions were in select stocks within the Consumer Discretionary, Materials and Real Estate sectors.

At a stock level, the overweight positions in Aristocrat Leisure, Woolworths, Fisher & Paykel, BHP, Newcrest Mining and Telstra contributed to relative performance. The nil position in Whitehaven Coal and the underweight positions in Westpac Bank and ANZ Bank also contributed value. Conversely, the overweight positions in Computershare, Lynas Rare Earths and APA Group detracted from relative value. The underweight positions in South32, Allkem, Wesfarmers and Woodside Energy Group also detracted value.

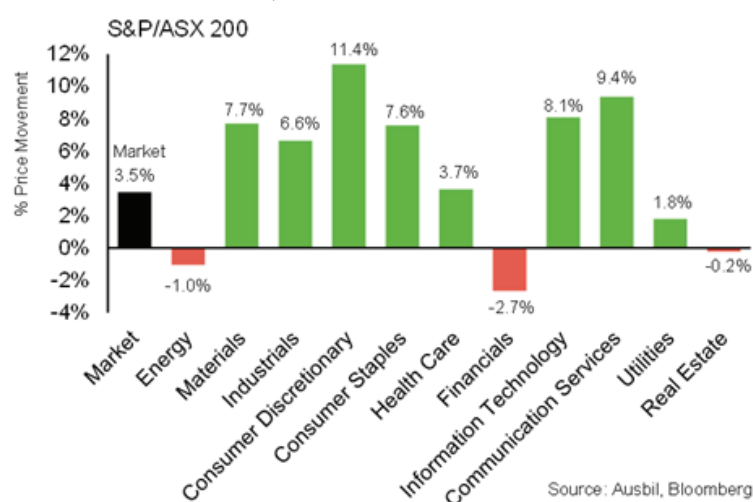
Market Review

March saw markets give back a little on rate concerns with a monthly return of -0.2% (S&P/ASX 200 Accumulation Index), bringing the trailing market 1-year return to +0.1%. However, this masks a strong March quarter buoyed by lower inflation reads with a 3-month return of +3.5%.

Inflation continued to soften in the quarter in response to the hawkish monetary response that began a year ago. This saw the RBA increase rates in the March meeting, but revert to a pause in the April meeting which has just occurred, but with a hawkish edge to the commentary with no certainty yet that rates are truly on hold.

Sector returns were largely positive in the March quarter, as shown in the chart below, with Information Technology, Communication Services and Consumer Discretionary the standouts. Financials that are impacted from peaking rates fell with a softer outlook on inflation.

Sector returns – March Quarter 2023



Fund Characteristics

Returns¹ as at 31 March 2023

Period	Fund Return ¹ %	Bench- mark ² %	Out/Under- performance %
1 month	-1.40	-0.16	-1.25
3 months	1.88	3.46	-1.58
6 months	7.12	13.19	-6.07
1 year	-4.66	0.10	-4.76
2 years pa	3.85	7.28	-3.43
3 years pa	13.41	16.52	-3.11
5 years pa	7.41	8.69	-1.29
7 years pa	9.70	9.39	0.30
10 years pa	9.00	8.18	0.82
Since inception pa Date: July 2010	8.88	8.36	0.52

Market Exposure

	% of Fund
Long	101.46
Short	-8.94
Net	92.52

Top 10 Stock Holdings

Name	Fund %	Index ² %	Tilt %
BHP	13.33	11.25	2.08
CSL	9.05	6.54	2.51
Commonwealth Bank	8.84	7.80	1.03
Telstra	4.40	2.29	2.11
National Australia Bank	4.36	4.09	0.27
Macquarie Group	4.25	3.00	1.25
Goodman Group	3.76	1.51	2.25
Woolworths	2.98	2.17	0.81
Aristocrat Leisure	2.66	1.15	1.51
Rio Tinto	2.60	2.10	0.51

Sector Tilts

Sector	Fund %	Index ² %	Tilt %
Energy	4.76	5.76	-1.00
Materials	24.39	25.11	-0.73
Industrials	4.55	6.33	-1.78
Consumer Discretionary	4.79	6.75	-1.96
Consumer Staples	6.70	4.96	1.73
Health Care	12.62	10.04	2.58
Financials	22.25	27.71	-5.47
Information Technology	4.73	3.36	1.37
Communication Services	3.79	2.61	1.18
Utilities	1.70	1.46	0.24
Real Estate	2.26	5.91	-3.64
Cash	7.48	0.00	7.48
Total	100.00	100.00	0.00

1. Fund returns are net of fees but before taxes.

2. The benchmark S&P/ASX 200 Accumulation Index.

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Outlook

We believe inflation is in a peaking phase in response to the stringent central bank tightening program. Whilst we expect some further small upward adjustments to interest rates, our view is that we are fast approaching the terminal rate for this cycle, where it will hold for an extended period as the RBA assesses the economic impact. The economy is slowing, and we see economic growth below trend in 2023 and into 2024. In this environment, we believe earnings growth will be harder to find. Compared to the stellar earnings growth of 22% in FY22 and 30% in FY21 in the pandemic rebound, we see positive but more muted growth for FY23. There is room for some upward surprise in certain sectors as Australia's economy remains relatively resilient and is operating near full employment.

We remain focused on the key thematic areas that are driving the long-term earnings growth, particularly where imbalances see demand exceeding supply on a fundamental basis for some time. We like critical metals and commodities for the long rotation from fossil fuels to renewables in the great decarbonisation, and the electrification-of-things, with the steady switch from combustion and fossil fuel power to renewable electricity generation. Service companies associated with the cap-ex investment needed for this energy transition are also attractive. With China re-emerging from its intense COVID issues, we see upside in commodity prices as demand returns across calendar 2023.

The beneficiaries of elevated inflation are expected to perform in 2023, but the emphasis on those that perform well in a rising rate environment is starting to shift towards those that will benefit with stabilisation and peaking rates. Quality REITs, some quality leaders in technology, and some exposures in building products are helping to bridge the shift from the inflation beneficiaries that outperformed in 2022.

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. The Ausbil 130/30 Focus Fund – wholesale class' net performance returns are available at 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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