

Ausbil Active Dividend Income 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 +2.61% (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 Energy and Communication Services sectors contributed to relative performance. The underweight positions in the Utilities and Real Estate sectors also contributed to performance. Conversely, the overweight positions in the Materials, Consumer Discretionary and Financials sectors detracted from relative performance. The underweight positions in the Industrials, Consumer Staples, Health Care and Information Technology sectors also detracted from relative performance.

At a stock level, the overweight positions in Aristocrat Leisure, Charter Hall Group, Northern Star Resources, Ampol, Woolworths, Telstra, AUB Group and South32 contributed to relative performance. The underweight position in Westpac Bank and the nil position in Whitehaven Coal also contributed value. Conversely, the overweight positions in Computershare, 29Metals, Commonwealth Bank, Evolution Mining and National Australia Bank detracted from relative performance. The underweight position in Fortescue Metals and the nil positions in Xero, Liontown Resources, WiseTech Global and James Hardie also detracted value.

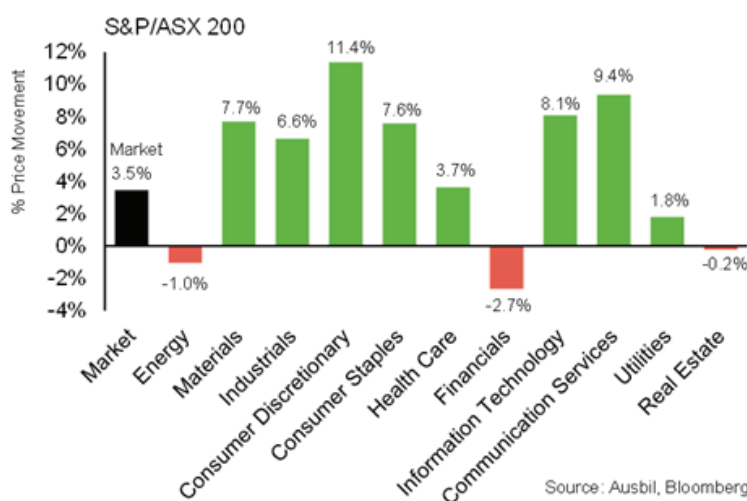
Market Review

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	Distribution Return ² % Net	Growth Return % Net	Total Return % Net	Benchmark ³ %	Excess Return ⁴ % Net
1 month	0.45	-0.95	-0.50	-0.16	-0.34
3 months	1.37	1.24	2.61	3.46	-0.85
6 months	2.94	8.26	11.19	13.19	-2.00
1 year	7.65	-9.28	-1.63	0.10	-1.73
2 years pa	7.44	-0.94	6.50	7.28	-0.78
3 years pa	8.05	8.20	16.25	16.52	-0.28
4 years pa	6.53	1.68	8.21	7.87	0.33
Since inception pa Date: July 2018	6.77	1.53	8.30	7.32	0.98

Top 10 Stock Holdings

Name	Fund %	Index ³ %	Tilt %
BHP	11.65	11.25	0.40
CSL	8.02	6.54	1.48
ANZ Bank	5.96	3.24	2.72
Commonwealth Bank	5.54	7.80	-2.27
National Australia Bank	5.19	4.09	1.10
Woodside Energy Group	4.66	2.98	1.68
Rio Tinto	4.65	2.10	2.55
Macquarie Group	4.22	3.00	1.22
Wesfarmers	3.59	2.68	0.91
Woolworths	3.47	2.17	1.30

Sector Tilts

Sector	Fund %	Index ³ %	Tilt %
Energy	7.38	5.76	1.62
Materials	29.86	25.11	4.75
Industrials	0.87	6.33	-5.46
Consumer Discretionary	7.45	6.75	0.70
Consumer Staples	4.51	4.96	-0.45
Health Care	9.47	10.04	-0.57
Financials	30.42	27.71	2.70
Information Technology	1.47	3.36	-1.89
Communications Services	3.44	2.61	0.84
Utilities	0.00	1.46	-1.46
Real Estate	3.83	5.91	-2.08
Cash	1.29	0.00	1.29
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

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.

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	0.46	0.46							

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