

Ausbil Australian Geared Equity Fund

Monthly performance update

April 2023

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'Australia's resource based economy is well-placed to outperform other developed markets with below-trend growth, but no recession'

Performance Review

Fund performance for April 2023 was +3.01% (net of fees) versus the benchmark return of +1.85%, as measured by the S&P/ASX 300 Accumulation Index.

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

At a stock level, the overweight positions in Evolution Mining, CSL, IGO, QBE Insurance, Treasury Wine Estates, Xero and NextDC contributed to relative performance. The nil holdings in Fortescue Metals, Mineral Resources and South32 also contributed to relative value. Conversely, the overweight positions in Block, BHP, Rio Tinto, BlueScope Steel and Ramsay Health Care detracted from relative performance. The nil holdings in Transurban Group, Westpac Bank, Newcrest Mining, Mirvac and Northern Star Resources also detracted value.

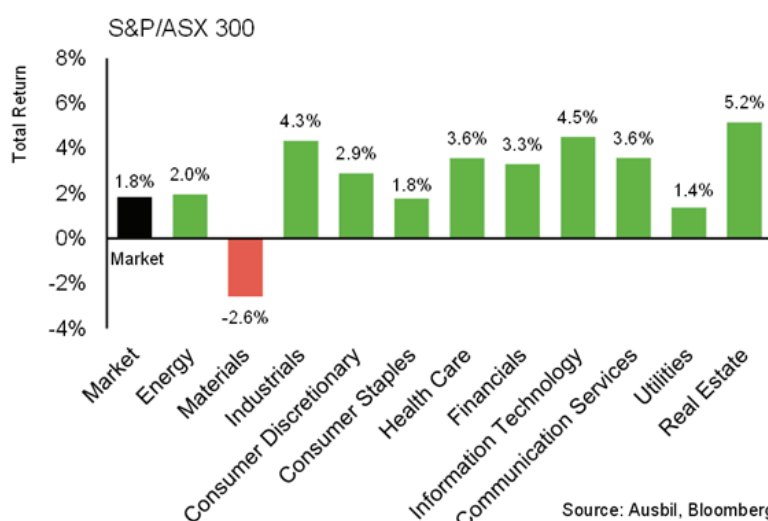
Market Review

April saw the Reserve Bank of Australia hold on rate rises which positive sentiment return, with the market generating +1.8% (S&P/ASX 300 Accumulation Index), bringing the trailing market 1-year return to +2.1%.

However, positive sentiment in April was quickly challenged on the second day of May with the Reserve Bank of Australia lifting rates again by 25 basis points, and indicating that very low unemployment and persistent services inflation meant they expected more rate rises to come. Many in the market now view the potential of a major policy mistake from hawkish rate rises as a very real risk, even though inflation continues to fall. Time will tell how this plays out, but further rate rises raise the risks.

The positive sentiment was felt across sectors with all generating positive returns except for the Materials sector, as shown in the chart.

Chart: Sector returns – April 2023



Fund Characteristics

Returns¹ as at 30 April 2023

Period	Fund Return %	Benchmark ² %	Out/Under-performance %
1 month	3.01	1.85	1.17
3 months	-5.16	-0.98	-4.18
6 months	9.66	8.38	1.28
1 year	-0.99	2.13	-3.11
2 years pa	11.84	6.07	5.77
3 years pa	35.62	13.97	21.65
5 years pa	12.05	8.23	3.82
7 years pa	15.62	9.14	6.48
10 years pa	13.05	7.87	5.18
15 years pa	6.85	6.18	0.67
Since inception pa Date: May 2007	4.65	5.31	-0.66

Top 10 Stock Holdings

Name	Fund %	Index ² %	Tilt %
BHP	20.71	10.13	10.57
CSL	18.37	6.53	11.84
Commonwealth Bank	14.61	7.56	7.05
National Australia Bank	11.25	4.08	7.16
Macquarie Group	8.47	2.99	5.48
Santos	6.44	1.06	5.38
QBE Insurance	6.38	1.03	5.35
ANZ Bank	5.79	3.30	2.49
Goodman Group	5.62	1.49	4.13
Telstra	5.57	2.28	3.30

Sector Tilts

Sector	Fund %	Index ² %	Tilt %
Energy	13.31	5.78	7.53
Materials	53.63	23.77	29.86
Industrials	4.48	6.54	-2.06
Consumer Discretionary	8.49	7.03	1.45
Consumer Staples	10.06	4.94	5.11
Health Care	25.11	10.29	14.83
Financials	52.46	27.77	24.69
Information Technology	14.40	3.70	10.70
Communication Services	5.57	2.66	2.91
Utilities	0.00	1.42	-1.42
Real Estate	5.62	6.09	-0.47
Cash	-93.14	0.00	-93.14
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

Australia's resource based economy is well-placed to outperform other developed markets with below-trend growth, but no recession.

That said, we believe earnings growth will be hard to come by in 2023, however Ausbil expects key sectors to offer strong EPS growth opportunities above consensus, and some quality leaders across the market to demonstrate earnings growth with resilient demand across the economic cycle, and the capacity to pass on higher costs to end-consumers.

With this in mind, we see ongoing support for earnings growth in resources, diversified financials, general insurers and in energy given the shock we have experienced from the invasion of Ukraine. In resources, we are invested extensively across the decarbonisation thematic, in copper, nickel, lithium and rare earths. We are avoiding sectors that are cyclical, over-exposed to slowing economic growth, and whose earnings are adversely impacted by inflationary pressures. This includes construction, retailing, consumer discretionary and housing.

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