

# Ausbil 130/30 Focus Fund

## Quarterly performance update

June 2023

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'Aggregate earnings camouflage both weak and strong sectors, which adds to a potentially alpha-rich environment.'

### Performance Review

Fund performance for the quarter ending June 2023 was +0.72% (net of fees), versus the benchmark return of +1.01%, as measured by the S&P/ASX 200 Accumulation Index.

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

The largest short positions were in selected stocks within the Consumer Discretionary, Real Estate and Communication Services sectors.

At a stock level, the overweight positions in Xero, Allkem, Goodman Group, NextDC, James Hardie, Aurizon Holdings, IGO and Santos contributed to relative performance. The nil position in Ramsay Health Care and the underweight position in Northern Star Resources also added value. Conversely, the overweight positions in IDP Education, Treasury Wine Estates, BHP, Rio Tinto, Pilbara Minerals, Evolution Mining, BlueScope Steel and APA Group detracted from relative performance. The underweight position in WiseTech Global also detracted value.

### Market Review

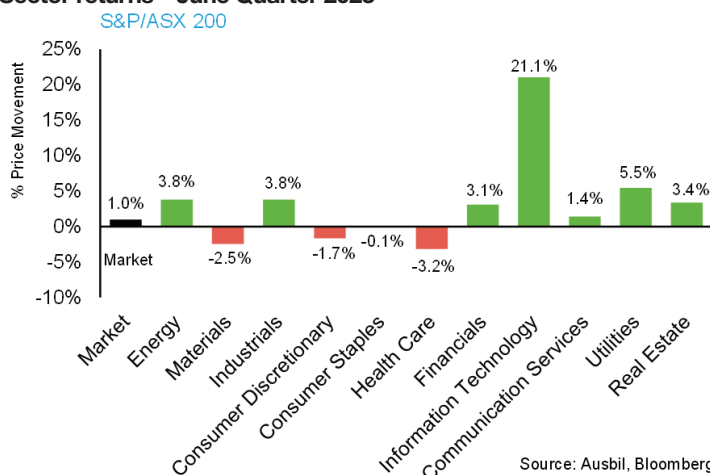
Across the June quarter, the markets were under the shadow of the US debt ceiling negotiations and the prospect of higher rates, with some earnings revisions in response to a slowing economy, however they still delivered a small positive of +1.0% for the quarter (S&P/ASX 200 Accumulation Index), bringing the trailing market 1-year return to +14.8%.

Inflation came off in the latest monthly read of 5.6% year on year, down from the last quarterly read for March of 7.0%. The RBA raised rates in June but held steady at the start of July.

While the 2023 financial year has been all about high and stubborn inflation and the most savage monetary response in recent memory, you might not know it from the markets, which posted some solid returns for the year across the market-cap spectrum. Amidst the doom and gloom expressed in the popular media, many would be surprised by the financial year returns that were generated across all size of companies.

At a sector level, the big story was the resurgence in the Information Technology sector, which slightly overshadowed strong positive results across some other sectors, as shown in the chart.

### Sector returns – June Quarter 2023



### Fund Characteristics

#### Returns<sup>1</sup> as at 30 June 2023

Period	Fund Return <sup>1</sup> %	Bench- mark <sup>2</sup> %	Out/Under- performance %
1 month	1.39	1.76	-0.36
3 months	0.72	1.01	-0.29
6 months	2.62	4.51	-1.89
1 year	5.70	14.78	-9.08
2 years pa	0.82	3.61	-2.79
3 years pa	8.65	11.12	-2.47
5 years pa	5.95	7.16	-1.21
7 years pa	8.72	8.95	-0.23
10 years pa	9.23	8.56	0.67
Since inception pa Date: July 2010	8.76	8.28	0.49

### Market Exposure

	% of Fund
Long	100.46
Short	-6.17
Net	94.29

### Top 10 Stock Holdings


Name	Fund %	Index <sup>2</sup> %	Tilt %
BHP	12.23	10.71	1.52
CSL	7.60	6.29	1.31
Commonwealth Bank	6.48	7.95	-1.46
Telstra	4.33	2.33	2.00
Macquarie Group	4.29	3.03	1.26
National Australia Bank	4.23	3.89	0.34
Goodman Group	3.89	1.61	2.28
ANZ Bank	3.62	3.35	0.27
Santos	3.45	1.16	2.29
Aristocrat Leisure	2.74	1.19	1.55

### Sector Tilts

Sector	Fund %	Index <sup>2</sup> %	Tilt %
Energy	5.88	5.95	-0.07
Materials	23.99	24.13	-0.13
Industrials	4.62	6.38	-1.77
Consumer Discretionary	1.83	6.64	-4.81
Consumer Staples	4.60	4.96	-0.36
Health Care	9.55	9.72	-0.17
Financials	28.86	28.17	0.69
Information Technology	5.59	3.79	1.80
Communication Services	3.85	2.71	1.14
Utilities	2.35	1.52	0.83
Real Estate	3.20	6.03	-2.83
Cash	5.69	0.00	5.69
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>

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

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

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## Outlook

Though rates have risen rapidly, Ausbil's central view is that inflation and interest rates are peaking with the expectation thereafter that rates will plateau. Inflation is likely to fall over time at a measured pace, towards central bank target levels. Ausbil expects low earnings growth in FY23 and FY24, however, we believe that Australia will outperform peers in the context of the overall slowing in world economic growth because of the strong demand for natural resources in which Australia is a global leader. With this in mind, earnings growth will be hard to come by in FY24 because of the pressures of inflation, interest rate rises and a slowing economy. Aggregate earnings camouflage both weak and strong sectors, which adds to a potentially alpha-rich environment.

We remain focused on the key thematic areas that are driving 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.

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](http://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](http://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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