

Ausbil Active Dividend Income 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 +0.52% (net of fees), versus the benchmark return of +1.01%, as measured by the S&P/ASX 200 Accumulation Index.

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

At a stock level, the overweight positions in James Hardie, Pinnacle Investment Management, ANZ Bank, IGO, Pilbara Minerals, Goodman Group, Aristocrat Leisure and AUB Group contributed to relative performance. The underweight position in Northern Star Resources and the nil position in Ramsay Health Care also added value. Conversely, the overweight positions in Rio Tinto, Treasury Wine Estates, 29Metals, Incitec Pivot, Sandfire Resources and Newcrest Mining detracted from relative performance. The nil positions in Xero, Allkem, WiseTech Global and Insurance Australia Group also detracted value.

Market Review

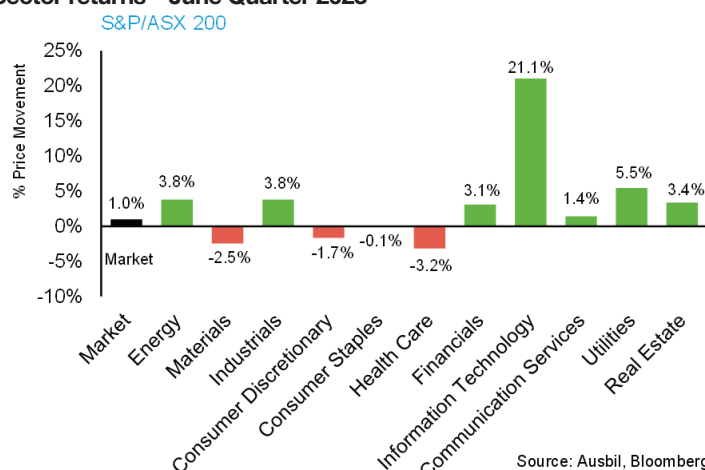
Across the June quarter, the markets were under the shadow of the US debt ceiling negotiations and the prospect of higher rates, with some earnings revisions in response to a slowing economy, however they still delivered a small positive of +1.0% for the quarter (S&P/ASX 200 Accumulation Index), bringing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

Returns¹ as at 30 June 2023

Period	Distribution Return ² % Net	Growth Return % Net	Total Return % Net	Bench- mark ³ %	Excess Return ⁴ % Net
1 month	1.00	0.78	1.78	1.76	0.03
3 months	1.88	-1.36	0.53	1.01	-0.49
6 months	3.28	-0.13	3.15	4.51	-1.37
1 year	6.35	5.30	11.65	14.78	-3.14
2 years pa	7.12	-3.78	3.34	3.61	-0.28
3 years pa	7.36	3.97	11.32	11.12	0.20
4 years pa	6.01	0.39	6.40	6.09	0.31
5 years pa	6.72	1.26	7.98	7.16	0.82
Since inception pa Date: July 2018	6.72	1.26	7.98	7.16	0.82

Top 10 Stock Holdings

Name	Fund %	Index ³ %	Tilt %
BHP	11.17	10.71	0.45
Commonwealth Bank	11.08	7.95	3.13
CSL	7.15	6.29	0.87
National Australia Bank	4.94	3.89	1.05
Rio Tinto	4.91	2.00	2.91
Macquarie Group	4.47	3.03	1.44
Telstra	3.89	2.33	1.56
Woodside Energy Group	3.15	3.07	0.07
Wesfarmers	3.14	2.63	0.51
Suncorp	2.74	0.80	1.94

Sector Tilts

Sector	Fund %	Index ³ %	Tilt %
Energy	7.20	5.95	1.25
Materials	25.49	24.13	1.36
Industrials	3.51	6.38	-2.87
Consumer Discretionary	6.70	6.64	0.06
Consumer Staples	5.50	4.96	0.55
Health Care	8.16	9.72	-1.56
Financials	31.13	28.17	2.96
Information Technology	0.67	3.79	-3.11
Communications Services	3.89	2.71	1.18
Utilities	1.42	1.52	-0.10
Real Estate	4.34	6.03	-1.69
Cash	1.98	0.00	1.98
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

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 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.

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	0.46	0.46	1.00	\$1.003187	6.06	2.20	85%

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