

Ausbil Australian Geared Equity Fund

Monthly performance update

August 2023

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‘There is room for some upward surprise in certain sectors as Australia’s economy remains relatively resilient’

Performance Review

Fund performance for August 2023 was -1.60% (net of fees) versus the benchmark return of -0.76%, as measured by the S&P/ASX 300 Accumulation Index.

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

At a stock level, the overweight positions in Goodman Group, Lynas Rare Earths, James Hardie, Altium, Treasury Wine Estates and Aristocrat Leisure contributed to relative performance. The nil positions in Transurban Group, WiseTech Global, Coles Group and South32 also contributed to relative value. Conversely, the overweight positions in Block, ResMed, Webjet, Ramsay Health Care, Allkem and QBE Insurance detracted from relative performance. The nil positions in Wesfarmers, Cochlear, Carsales.com and Brambles also detracted value.

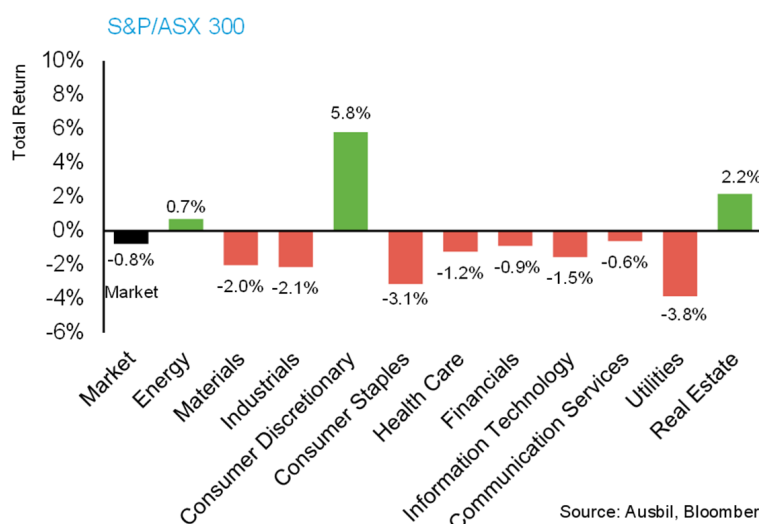
Market Review

In August, markets were softer, delivering -0.76% for the month (S&P/ASX 300 Accumulation Index), bringing the trailing market 1-year return to +8.96%.

The full year reporting season for 2023 has just closed, with the majority of companies reporting returns for the 12 months to 30 June. The Reserve Bank held the cash rate steady for a third consecutive month and there was very little by the way of major macro events. The main focus for markets was on the earnings results, which highlighted the impact of higher borrowing costs, rising capex and other inflationary pressures. Despite these factors creating a drag on earnings growth in the aggregate, we continue to believe there are attractive pockets of growth in this higher inflationary environment.

At a sector level, the negative sentiment was reflected in all sectors other than the Energy, Consumer Discretionary and Real Estate sectors.

Sector returns – August 2023



Source: Ausbil, Bloomberg

Fund Characteristics

Returns¹ as at 31 August 2023

Period	Fund Return	Bench-mark ²	Out/Under-performance
1 month	-1.60	-0.76	-0.84
3 months	6.88	3.88	3.00
6 months	4.14	2.87	1.27
1 year	12.62	8.96	3.66
2 years pa	3.65	2.45	1.20
3 years pa	26.59	10.51	16.08
5 years pa	10.79	6.99	3.80
7 years pa	14.93	8.53	6.40
10 years pa	13.31	7.95	5.36
15 years pa	7.88	6.77	1.11
Since inception pa Date: May 2007	4.79	5.27	-0.49

Top 10 Stock Holdings

Name	Fund %	Index ² %	Tilt %
BHP	20.32	10.25	10.08
CSL	15.72	5.95	9.77
Commonwealth Bank	14.49	7.77	6.71
National Australia Bank	11.58	4.10	7.48
Macquarie Group	7.79	2.91	4.88
Goodman Group	7.35	1.80	5.54
ANZ Bank	6.73	3.43	3.30
Santos	6.24	1.14	5.10
Aristocrat Leisure	5.77	1.21	4.57
QBE Insurance	5.77	1.01	4.76

Sector Tilts

Sector	Fund	Index ²	Tilt
Energy	10.31	5.59	4.72
Materials	51.25	23.97	27.27
Industrials	7.75	7.10	0.65
Consumer Discretionary	10.78	7.03	3.75
Consumer Staples	8.99	4.51	4.48
Health Care	21.70	9.37	12.33
Financials	52.77	27.93	24.83
Information Technology	10.03	2.70	7.33
Communication Services	7.81	4.01	3.80
Utilities	0.00	1.49	-1.49
Real Estate	7.35	6.30	1.05
Cash	-88.73	0.00	-88.73
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

There is a distinct normalisation occurring in global monetary policy. Global cash rate policy pauses have seen an incremental extension on the proviso that new data could see additional rate hikes, and with warnings that inflation remains sticky, we view the risks as asymmetric. In this context, central banks are taking a pause, will assess the incoming data and will move if needed.

The economy is slowing as expected. However, Ausbil believes that Australia will outperform peers in the context of the overall slowing in world economic growth because of the global demand for natural resources in which Australia is a global leader. Low unemployment, record levels of household savings, strong terms of trade, structural support for commodity prices, and net migration all support this view. There are signs of rising wages, but so far these are not seen as driving a wage-price spiral.

In this environment, we believe earnings growth will be harder to find. Compared to the stellar earnings growth experienced post the COVID reopening in FY21/22, nearer term earnings growth is likely to stabilise. However, there is room for some upward surprise in certain sectors as Australia's economy remains relatively resilient and is operating near full employment.

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