

Ausbil Active Dividend Income Fund

Quarterly performance update

September 2023

Ausbil Investment Management Limited
ABN 26 076 316 473
AFSL 229722
Level 27
225 George Street
Sydney NSW 2000
GPO Box 2525
Sydney NSW 2001
Phone 61 2 9259 0200

'While the bond markets normalise to a new equilibrium real rate, there may be some volatility, however, Ausbil's view is that Australia does not enter recession'

Performance Review

Fund performance for the quarter ending September 2023 was -0.38% (net of fees), versus the benchmark return of -0.77%, as measured by the S&P/ASX 200 Accumulation Index.

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

At a stock level, the overweight positions in Ampol, Wesfarmers, Treasury Wine Estates, Evolution Mining and Worley contributed to relative performance. The underweight positions in Transurban Group, ResMed and South32, and the nil positions in WiseTech Global and Allkem also added value. Conversely, the overweight positions in Telstra, Rio Tinto, IGO, Coles Group, Pilbara Minerals, QBE Insurance and 29Metals detracted from relative performance. The underweight position in Computershare, and the nil positions in Cochlear and Carsales.com also detracted value.

Market Review

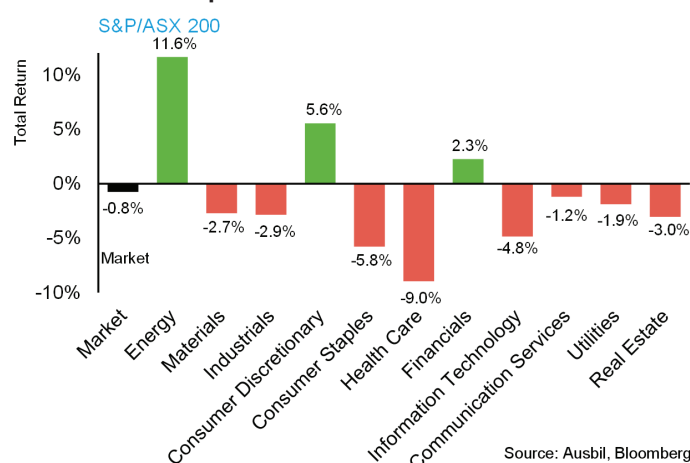
The Australian market came back by -0.8% for the quarter (S&P/ASX 200 Accumulation Index), bringing the trailing market 1-year return to +13.5%.

On 3 October, new RBA Governor Bullock held the cash rate steady for a fourth consecutive month. Australian interest rates continued to rise across the curve in this process of normalisation back to pre-pandemic levels. Globally, the real yield on the benchmark US 10-year Treasury continued to normalise, and the US term premium for investing for longer timeframes turned positive for the first time since 2015 as private sector bond investors demanded more compensation for term risk.

Globally, emerging markets outperformed developing markets, with every key global market showing negative returns for the quarter, except India, the UK and Singapore.

At a sector level, the negative sentiment was reflected in all sectors other than the Energy, Consumer Discretionary and Financials sectors, as shown in the chart.

Sector returns – September Quarter 2023



Fund Characteristics

Returns¹ as at 30 September 2023

Period	Distribution Return ² % Net	Growth Return % Net	Total Return % Net	Bench- mark ³ %	Excess Return ⁴ % Net
1 month	0.46	-3.05	-2.58	-2.84	0.25
3 months	1.41	-1.79	-0.38	-0.77	0.38
6 months	3.27	-3.13	0.14	0.24	-0.10
1 year	6.48	4.88	11.35	13.46	-2.11
2 years pa	7.12	-4.70	2.42	2.34	0.07
3 years pa	7.44	3.13	10.57	11.00	-0.44
4 years pa	5.95	-0.34	5.61	5.27	0.34
5 years pa	6.63	0.64	7.27	6.67	0.60
Since inception pa Date: July 2018	6.59	0.92	7.51	6.65	0.86

Top 10 Stock Holdings

Name	Fund %	Index ³ %	Tilt %
BHP	13.07	10.72	2.35
Commonwealth Bank	7.47	8.01	-0.54
ANZ Bank	6.21	3.69	2.52
CSL	5.98	5.78	0.20
National Australia Bank	5.16	4.36	0.79
Woodside Energy Group	4.90	3.31	1.59
Wesfarmers	4.88	2.87	2.01
Macquarie Group	4.06	2.88	1.18
Woolworths	3.74	2.17	1.56
Goodman Group	2.85	1.76	1.09

Sector Tilts

Sector	Fund %	Index ³ %	Tilt %
Energy	7.15	6.26	0.90
Materials	24.87	24.09	0.78
Industrials	4.45	7.26	-2.81
Consumer Discretionary	9.18	6.97	2.21
Consumer Staples	5.46	4.59	0.86
Health Care	8.29	9.04	-0.74
Financials	31.48	28.36	3.12
Information Technology	0.00	2.41	-2.41
Communications Services	2.54	3.61	-1.07
Utilities	1.60	1.53	0.06
Real Estate	3.76	5.89	-2.13
Cash	1.23	0.00	1.23
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. The 2022/2023 distribution was 85% franked.
3. S&P/ASX 200 Accumulation Index.
4. Excess returns are net of fees but before taxes and exclude franking credits.



Subscribe to our monthly updates here

Outlook

As real yields normalise following the great monetary stimulus that has been in place since the Global Financial Crisis, the markets have been steadily repriced downwards to varying degrees across different sectors since early 2022. This is a normal part of finance and investment. Fundamentally, the change in values has rebased equities to provide a new platform for future earnings growth, which the market is pricing in for FY24 following the earnings growth pause of FY23. While the bond markets normalise to a new equilibrium real rate, there may be some volatility in equities, however, Ausbil's view is that Australia does not enter recession, so resilience in the economy is expected to support an earnings growth rebuild.

The economy is slowing as a result of this tight monetary policy. 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 of 22% in FY22 and 30% in FY21 in the pandemic rebound, we view earnings growth stabilising into FY24. 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 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. Quality REITs, selected leaders in technology, financials that benefit from higher interest rates and widening margins, and some exposures in building products and health care are also offering earnings growth in FY24.

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%
FY 2024	\$1.003187	0.47	0.47	0.47													

Ausbil Investment
Management Limited
Level 27
225 George Street
Sydney NSW 2000
Australia
Toll Free 1800 287 245

Unless otherwise specified, any information contained in this publication is current as at the date of this report and is prepared by Ausbil Investment Management Limited (ABN 26 076 316 473 AFSL 229722) (Ausbil). Ausbil is the issuer of the Ausbil Active Dividend Income Fund (ARSN 089 996 127) (Fund). This report contains general information only and the information provided is factual only and does not constitute financial product advice. It does not take account of your individual objectives, financial situation or needs. Before acting on it, you should seek independent financial and tax advice about its appropriateness to your objectives, financial situation and needs. Securities and sectors mentioned in this monthly report are presented to illustrate companies and sectors in which the Fund has invested and should not be considered a recommendation to purchase, sell or hold any particular security. Holdings are subject to change daily. The value of an investment and the income from it can fall as well as rise and you may not get back the amount originally invested. Past performance is not a reliable indicator of future performance. Unless otherwise stated, performance figures are calculated net of fees and assume distributions are reinvested. Due to rounding the figures in the holdings, breakdowns may not add up to 100%. No guarantee or warranty is made as to the accuracy, adequacy or reliability of any statements, estimates, opinions or other information contained herein (any of which may change without notice) and should not be relied upon as a representation express or implied as to any future or current matter. You should consider the Product Disclosure Statement which is available at www.ausbil.com.au and the target market determination which is available at <https://www.ausbil.com.au/invest-with-us/design-and-distribution-obligations/fund-tmds> before acquiring or investing in the fund.