

Ausbil 130/30 Focus Fund

Quarterly performance update

June 2022

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'The financial year has ended with significant questions over the path for interest rate tightening, and the impact this will have on growth'

Performance Review

Fund performance for the quarter ending June 2022 was -9.15% (net of fees), versus the benchmark return of -11.90%, as measured by the S&P/ASX 200 Accumulation Index.

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

The largest short positions were in selected stocks within the Consumer Discretionary, Financials and Materials sectors.

At a stock level, the overweight positions in CSL, Amcor, Santos, Ampol, Computershare, Coles Group and Telstra contributed to relative performance. The nil position in Block also added value. Conversely, the overweight positions in Northern Star Resources, Evolution Mining, IDP Education, Goodman Group, James Hardie, OZ Minerals, Seek and Lynas Rare Earths detracted from relative performance. The underweight positions in Transurban Group and Brambles also detracted value.

Market Review

June 30 closed the Australian financial year with a one-month return of -8.8% (S&P/ASX 200 Accumulation Index), -11.9% for the quarter, and bringing the total market return for the financial year to -6.5%.

Markets have swung with inflation, beginning the financial year with a strong outlook for growth and cyclical stocks, but ending the year following a relatively hard rotation out of growth, particularly Information Technology. The rise in inflation across the financial year saw sectors like Materials and Energy rise as beneficiaries in inflationary environments. In terms of sector performance this fiscal year, Utilities (+35.9%), Energy (+30.1%), Industrials (+3.5%), Materials (-1.7%) and Communication Services (-6.4%) all significantly outperformed the market (S&P/ASX 200: -6.5%). Information Technology (-38.2%), Consumer Discretionary (-20.9%), Real Estate (-12.9%) and Health Care (-9.4%) were the worst performers in the market rotation.

The quarter has been eventful, with the Australian election delivering a win for the Labor party led by Prime Minister Albanese; the continuation of hostilities in the Ukraine; and a number of record inflation reads that saw Australia and the US commence hard monetary tightening. The financial year has ended with significant questions over the path for interest rate tightening, and the impact this will have on growth, with persistently high inflation reads keeping the markets on edge.

Outlook

The Australian tax year has closed. With one month to go until reporting season, there is much anticipation around earnings growth and how companies are managing rising costs, inflation, interest rates, an energy shock and a new government. We do not expect to see major impacts from these in this round of reporting, with EPS growth expected by Ausbil to exceed +25% for FY22. Ausbil believes the conditions for ongoing positive earnings growth are also in place for FY23, though at a slower pace than this financial year, and potentially across a more defensive sector allocation. The key issue we are monitoring is the path for growth. We have seen a lot of commentary recently on the potential for a recession, and while we remain of the view that a recession is unlikely, and that monetary policy makers will err on the side of caution if signs point to contraction, this outcome does remain an elevated risk. Our current outlook for growth remains positive, although there is potential for growth to fall below trend for some time with the renewed supply shock from the invasion of Ukraine.

Fund Characteristics

Returns¹ as at 30 June 2022

Period	Fund Return ¹ %	Benchmark ² %	Out/Under performance %
1 month	-6.34	-8.77	2.43
3 months	-9.15	-11.90	2.75
6 months	-7.02	-9.93	2.91
FYTD	-3.82	-6.47	2.64
CYTD	-7.02	-9.93	2.91
1 year	-3.82	-6.47	2.64
2 years pa	10.15	9.33	0.82
3 years pa	5.26	3.34	1.92
5 years pa	7.65	6.83	0.82
7 years pa	8.82	6.91	1.91
10 years pa	11.06	9.29	1.77
Since inception pa Date: July 2010	9.02	7.75	1.27

Market Exposure

	% of Fund
Long	97.39
Short	-4.34
Net	93.05

Top 10 Stock Holdings

Name	Fund %	Index ² %	Tilt %
BHP	12.10	10.78	1.32
CSL	8.68	6.69	1.99
Commonwealth Bank	8.08	7.96	0.12
National Australia Bank	5.45	4.55	0.90
Macquarie Group	4.11	3.06	1.05
Telstra	3.78	2.31	1.48
Goodman Group	3.25	1.57	1.68
Woolworths	3.21	2.23	0.98
Computershare	2.75	0.73	2.02
Santos	2.63	1.17	1.46

Sector Tilts

Sector	Fund %	Index ² %	Tilt %
Energy	6.93	5.83	1.10
Materials	22.80	23.60	-0.80
Industrials	5.47	6.14	-0.67
Consumer Discretionary	2.83	6.60	-3.77
Consumer Staples	8.72	5.26	3.46
Health Care	11.58	10.17	1.41
Financials	25.87	28.83	-2.96
Information Technology	0.91	3.06	-2.15
Communication Services	3.78	2.74	1.04
Utilities	1.91	1.49	0.42
Real Estate	2.24	6.27	-4.03
Cash	6.95	0.00	6.95
Total	100.00	100.00	0.00

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

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

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. The Ausbil 130/30 Focus Fund – wholesale class' net performance returns are available at 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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