

Ausbil Active Sustainable Equity Fund

Monthly performance update

January 2021

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'2020 saw an acceleration in decarbonisation plans and commitments both by governments and individual companies. Ausbil believes this trend will continue into 2021'

Performance Review

Fund performance for January 2021 was -0.06% (net of fees) versus the benchmark return of +0.31%, as measured by the S&P/ASX 200 Accumulation Index.

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

At a stock level, the overweight positions in Bingo Industries, Afterpay, Lynas Rare Earths, Galaxy Resources, Domain Holdings, Nuix and Sonic Healthcare added to relative performance. Not holding Xero, Sydney Airport and Rio Tinto also added to relative performance. Conversely, the overweight positions in The a2 Milk Company, Charter Hall Group, Qantas Airways, Mineral Resources, Appen, Webjet, Lendlease and Fortescue Metals detracted from relative performance. The nil positions in Wesfarmers and BHP Group also detracted from relative performance.

ESG Review

2020 saw an acceleration in decarbonisation plans and commitments both by governments and individual companies. Ausbil believes this trend will continue into 2021. As part of our commitment to climate change and decarbonisation, Ausbil further tightened investment exclusions for the Ausbil Active Sustainable Equity Fund (Fund). Previously, the Fund had excluded material investments in controversial activities such as uranium, thermal coal, gambling, alcohol, tobacco, weapons and armaments and pornography. From 1 January 2021, this exclusion list includes exploration, mining and/or the distribution of fossil fuels, including oil, gas, oils sands and all coal. This resulted in a significant change to the Fund's investible universe, removing a number of energy stocks, mining companies and mining services companies. Climate change remains a key engagement focus for Ausbil, both through individual company engagements and through collaborative engagement initiatives such as Climate Action 100+.

Outlook

The reporting season is underway and will provide a telling snapshot of the state of Australian business, the impact of the pandemic (which is positive for some and negative for others), and whether business models have been able to morph towards generating more normalised returns. As much uncertainty remains, most companies remain cautious on guidance, and consensus is wider than under normal conditions with analysts holding disparate views on many unquantifiable risks.

We believe this reporting season will provide an encouraging picture of companies that benefited in the changed conditions of HY20, others that worked around the limitations, some that were resilient, and others that have suffered significantly, but which the market has already sold down. We expect particularly encouraging updates from banks, construction, metals and mining companies, industrials exposed to a resurging economy, and some retailers whose e-commerce models are booming.

Ausbil's portfolios have been positioned for a clear path to recovery, but with some volatility and uncertainty along the way.

Fund Characteristics

Returns¹ as at 31 January 2021

Period	Fund Return ¹ %	Bench-mark ² %	Out/Under performance %
1 month	-0.06	0.31	-0.37
3 months	13.61	11.89	1.72
6 months	18.32	12.99	5.33
FYTD	21.33	13.55	7.77
CYTD	-0.06	0.31	-0.37
1 year	9.96	-3.11	13.07
2 years pa	18.66	9.93	8.73
3 years pa	11.77	7.00	4.77
Since inception pa Date: 31 Jan 2018	11.77	7.00	4.77

Top 10 Stock Holdings

Name	Fund %	Index ² %	Tilt %
Commonwealth Bank	8.06	8.04	0.02
CSL	8.00	6.71	1.29
National Australia Bank	5.67	4.20	1.47
ANZ Bank	5.12	3.65	1.47
Afterpay	4.90	1.71	3.18
Macquarie Group	3.86	2.42	1.43
Fortescue Metals	3.65	1.97	1.68
Westpac Bank	3.49	4.14	-0.65
The a2 Milk Company	3.28	0.43	2.85
Downer EDI	3.09	0.20	2.90

Sector Tilts

Sector	Fund %	Index ² %	Tilt %
Energy	0.00	3.78	-3.78
Materials	22.63	20.03	2.60
Industrials	13.57	7.58	5.99
Consumer Discretionary	2.36	8.04	-5.68
Consumer Staples	3.28	6.04	-2.76
Health Care	11.79	10.44	1.35
Financials	26.19	28.29	-2.10
Information Technology	11.82	5.19	6.63
Communication Services	0.00	2.55	-2.55
Utilities	0.00	1.39	-1.39
Real Estate	7.33	6.67	0.67
Cash	1.05	0.00	1.05
Total	100.00	100.00	0.00

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

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

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A short notice on the COVID-19 public health event, and how it can impact investments

Given the currently evolving issues around the Coronavirus (or Covid-19) globally, which has officially been designated a pandemic by the World Health Organisation, we wish to notify that, as with many firms, business may be disrupted. A public health crisis, pandemic, epidemic or outbreak of a contagious disease, such as the recent outbreak of Coronavirus (or Covid-19) in Australia, Italy, China, South Korea, the United States and other countries, could have an adverse impact on global, national and local economies, which in turn could negatively impact investment returns in any of Ausbil Investment Management Limited's registered managed investment schemes (the Funds). Disruptions to commercial activity relating to the imposition of quarantines or travel restrictions (or more generally, an inability on behalf of authorities to contain this pandemic) may adversely impact any investment, including by delaying or causing supply chain disruptions or by causing staffing shortages. The outbreak of Coronavirus has contributed to, and may continue to contribute to, volatility in financial markets. The impact of a public health crisis such as the Coronavirus (or any future pandemic, epidemic or outbreak of a contagious disease) is difficult to predict, which presents material uncertainty and risk with respect to any investment or fund performance.