

Ausbil Active Sustainable Equity Fund

Monthly performance update

May 2021

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‘Markets are riding the strong multi-year outlook for earnings driven by the economic growth cycle’

Performance Review

Fund performance for May 2021 was -0.43% (net of fees) versus the benchmark return +2.34%, as measured by the S&P/ASX 200 Accumulation Index.

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

At a stock level, the overweight positions in Virgin Money UK, CSL and OZ Minerals added to relative performance. Not holding BHP, Woodside Petroleum, Xero, Sydney Airport, APA Group, Fortescue Metals and EML Payments added to relative performance. Conversely, the overweight positions in Fisher & Paykel, Afterpay, Costa Group, The a2 Milk Company, Mineral Resources, Ramsay Health Care, Galaxy Resources, Orocobre, Qantas and Downer EDI detracted from relative performance.

ESG Review

In May, Ausbil continued our engagement with the Australian Border Force and its role as part of a panel of experts advising the government on the effective implementation of the Australian Modern Slavery Act. Ausbil is the sole investor representative on that panel and provided feedback on the use of supplier questionnaires. Ausbil also provided input into a research project by the Australian Human Rights Commission focusing on the UN Global Compact from an investor perspective, discussing challenges and opportunities for investors adopting the guidelines.

During the month, Ausbil also had a series of company engagements on other ESG topics. For example, Ausbil engaged with Marley Spoon on the use of packaging throughout the supply chain and the product itself, as well as discussions around workplace culture. Ausbil also engaged with Computershare on sustainability reporting and discussed cybersecurity with both Computershare and Charter Hall. Ausbil continued our engagements with Macquarie Group about opportunities and returns from the decarbonisation theme. With Woolworths, we discussed details on the de-merger of the Endeavour Group. Ausbil expects that following that demerger, Woolworth's earnings exposure from alcohol and gambling, which currently excludes it from the investible universe for the Fund, will be below the threshold, potentially returning it as an investment target in the future.

Outlook

Markets are riding the strong multi-year outlook for earnings driven by the economic growth cycle. Massive stimulus and monetary support since the pandemic has seen the Australian economy rebound from the two-quarter technical recession (with pandemic contraction of -2.4% in 2020) towards a consensus growth outlook for 2021 of 4.5%, and an Ausbil forecast of 4.9%.

Ausbil's earnings outlook, set following the end of the February 2021 reporting season, has been well-ahead of consensus, with Ausbil's outlook for market earnings growth in FY21 at over +20%, and over +18% in FY22. With vaccines and the easing of lockdowns, the path for a return to more normalised earnings was apparent, though in February Ausbil was well ahead of consensus on FY21 earnings growth by some +5%, a significant amount.

Fund Characteristics

Returns¹ as at 31 May 2021

Period	Fund Return ¹ %	Bench- mark ² %	Out/Under performance %
1 month	-0.43	2.34	-2.77
3 months	6.85	8.48	-1.64
6 months	8.94	11.74	-2.80
FYTD	29.85	24.98	4.88
CYTD	6.96	10.40	-3.44
1 year	34.42	28.23	6.19
2 years pa	16.74	9.38	7.35
3 years pa	13.47	9.95	3.52
Since inception pa Date: 31 Jan 2018	12.83	9.39	3.44

Top 10 Stock Holdings

Name	Fund %	Index ² %	Tilt %
Commonwealth Bank	8.46	8.81	-0.36
CSL	7.78	6.58	1.20
National Australia Bank	5.45	4.43	1.02
Westpac Bank	5.12	4.83	0.29
ANZ Bank	5.11	4.07	1.04
Macquarie Group	3.93	2.57	1.36
Downer EDI	3.18	0.19	2.98
Goodman Group	3.15	1.63	1.52
Virgin Money UK	2.51	0.17	2.34
IGO	2.44	0.26	2.19

Sector Tilts

Sector	Fund %	Index ² %	Tilt %
Energy	0.00	3.31	-3.31
Materials	18.52	20.55	-2.03
Industrials	10.53	7.21	3.33
Consumer Discretionary	2.08	8.26	-6.18
Consumer Staples	4.03	5.01	-0.99
Health Care	14.10	10.13	3.98
Financials	34.77	30.73	4.04
Information Technology	7.54	4.52	3.02
Communication Services	0.00	2.53	-2.53
Utilities	0.00	1.15	-1.15
Real Estate	4.50	6.59	-2.10
Cash	3.93	0.00	3.93
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.