

Ausbil Active Sustainable Equity Fund

Monthly performance update

August 2021

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'FY21 was one of the best earnings years on record following the rebound from COVID lows in 2020'

Performance Review

Fund performance for August 2021 was +6.46% (net of fees) versus the benchmark return +2.50%, as measured by the S&P/ASX 200 Accumulation Index.

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

At a stock level, the overweight positions in Afterpay, Downer EDI, Orocobre, Webjet, James Hardie, and ResMed added to relative performance. Not holding BHP, Fortescue Metals and Rio Tinto added to relative performance. Conversely, the overweight positions in Mineral Resources, Lynas Rare Earths and CSR detracted from relative performance. Not holding WiseTech Global, Domino's Pizza, Aristocrat Leisure, ASX, Scentre Group, Qantas and QBE Insurance detracted from relative performance.

ESG Review

August was a busy period with the reporting season, and a good opportunity for Ausbil to engage with companies on key ESG issues. During the month, Ausbil continued its engagement with Rio Tinto on the company's efforts to rebuild its relationship with traditional owners and cultural heritage management in the Pilbara, including their long-term vision for joint land management in an integrated way. We also discussed the independent human rights review in relation to the legacy issues relating to the Bougainville mine and recent allegations in the press about alleged major underpayment of traditional owners (the Guama people) and Rio Tinto's current negotiations in relation to that.

Outlook

Australian companies have just finished the FY21 reporting season. Ausbil had projected FY21 to be one of the best earnings years on record following the rebound from COVID lows in 2020. FY21 reporting season delivered circa +27% in EPS growth (S&P/ASX 200), rebounding from a -17% EPS decline in the FY20 pandemic year. With stimulus in place, low interest rates, and inflation that is not threatening to monetary policy in the near term, we see stronger company balance sheets ready to deliver another strong year of earnings growth in FY22, with consensus EPS growth at +16.1% (S&P/ASX 300). While FY22 lacked guidance from companies, during reporting management teams have flagged significant investment plans for when economies normalise beyond lockdowns. We see this as a lead indicator for earnings growth surprises in FY22, and moving into FY23. In our view, FY21 is the first of a trilogy of strong positive earnings years that we expect to see play out across FY22 and FY23, with a backdrop of Australia achieving vaccination targets in the near term, and releasing pent-up spending and demand.

Ausbil remains positioned for the continued economic expansion, albeit somewhat impacted by lockdowns, with the added boost of a rebound once vaccination targets are achieved and the economy can recommence its path towards normalcy. While we are not worried about inflation at this stage, we maintain a diligent watch on the global inflation numbers. We remain invested in companies which exhibit superior underlying earnings growth and strength in order to achieve longer-term outperformance.

Fund Characteristics

Returns¹ as at 31 August 2021

Period	Fund Return ¹ %	Bench- mark ² %	Out/Under performance %
1 month	6.46	2.50	3.96
3 months	10.33	5.97	4.36
6 months	17.88	14.96	2.92
FYTD	8.20	3.63	4.56
CYTD	18.01	17.00	1.02
1 year	32.83	28.15	4.68
2 years pa	19.20	10.29	8.91
3 years pa	15.08	9.87	5.20
Since inception pa	14.99	10.48	4.51

Date: 31 Jan 2018

Top 10 Stock Holdings

Name	Fund %	Index ² %	Tilt %
Commonwealth Bank	8.54	8.41	0.13
CSL	7.59	6.72	0.87
National Australia Bank	5.18	4.33	0.85
ANZ Bank	4.21	3.75	0.46
Westpac Bank	4.21	4.48	-0.27
Macquarie Group	3.85	2.68	1.17
Woolworths	3.76	2.51	1.25
Orocobre	3.51	0.26	3.25
Telstra	3.41	2.16	1.25
Afterpay	3.33	1.51	1.82

Sector Tilts

Sector	Fund %	Index ² %	Tilt %
Energy	0.00	2.71	-2.71
Materials	17.27	19.21	-1.94
Industrials	9.27	7.49	1.79
Consumer Discretionary	3.77	8.38	-4.61
Consumer Staples	5.27	5.43	-0.17
Health Care	12.38	10.65	1.73
Financials	32.31	29.98	2.33
Information Technology	10.13	5.21	4.91
Communication Services	3.41	2.60	0.81
Utilities	0.00	1.48	-1.48
Real Estate	4.85	6.86	-2.01
Cash	1.34	0.00	1.34
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.