

Ausbil Active Sustainable Equity Fund

Monthly performance update

October 2021

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'We expect cyclicals to continue to perform, with a strong earnings outlook for FY22, particularly from late calendar 2021'

Performance Review

Fund performance for October 2021 was +0.87% (net of fees) versus the benchmark return -0.10%, as measured by the S&P/ASX 200 Accumulation Index.

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

At a stock level, the overweight positions in IDP Education, IGO, OZ Minerals, Macquarie Group, Lynas Rare Earths and CSR added to relative performance. Not holding Rio Tinto, BHP, Fortescue Metals and Domino's Pizza added to relative performance. Conversely, the overweight positions in Virgin Money UK, Mineral Resources, Suncorp, Qantas, Insurance Australia Group, Downer EDI and Woolworths detracted from relative performance. Not holding Newcrest Mining, Wesfarmers and Northern Star Resources detracted from relative performance.

ESG Review

In October, the proxy voting season started in earnest and Ausbil had a number of pre-AGM meetings with companies where AGM resolutions, board composition, executive remuneration and other governance-related topics were discussed, including meetings with Healius, Transurban, Steadfast Group, Charter Hall, Qantas, Goodman Group and Seek. These meetings were also a good opportunity for Ausbil to engage on other key ESG themes including modern slavery and climate change. Ausbil is the lead investor for Woolworths as part of the collaborative ESG engagement initiative IAST-APAC (Investors Against Slavery and Trafficking). We had a dedicated meeting with Woolworths, engaging in-depth on industry best practice when it comes to responsible sourcing.

In other work, Ausbil chairs the Human Rights Working Group of RIAA. During the month, RIAA launched a new investor toolkit that focuses on First Nation Peoples. The toolkit was conceived in the aftermath of Rio Tinto's Juukan Gorge incident and aims to better equip investors with the ability to spot red flags proactively, and with more effective engagement tools. Ausbil was a co-author of the toolkit, which also included input from traditional owners and was launched as part of RIAA's Reconciliation Action Plan. Ever since the Juukan Gorge incident in 2020, Ausbil has engaged regularly with Rio Tinto, and a number of other mining companies in relation to how they manage relationships with traditional owners.

Outlook

The phenomenal achievement in mass-vaccination has brought a general freedom across the country, subject to some limits, ahead of the Christmas season that will drive a resurging economy through Q4 2021 well into Q1 2022.

Following reporting season, while companies were hesitant to guide on FY22 given lockdowns, a lead indicator for sustainable earnings growth was the bullish investment plans expressed by management for beyond COVID-lockdowns as the economy normalises. Meetings across reporting season showed that management had a means and a willingness to invest in the future of their companies beyond lockdowns. We are now in this phase. Balance sheets are strong and capable of supporting these investment plans. Ausbil's overall macro portfolio positioning remains for an ongoing economic recovery and eventual return to trend growth.

Fund Characteristics

Returns¹ as at 31 October 2021

Period	Fund Return ¹ %	Bench-mark ² %	Out/Under performance %
1 month	0.87	-0.10	0.97
3 months	6.11	0.51	5.60
6 months	9.49	6.34	3.15
FYTD	7.83	1.61	6.22
CYTD	17.62	14.71	2.90
1 year	33.71	27.96	5.75
2 years pa	17.60	8.41	9.19
3 years pa	18.28	11.92	6.36
Since inception pa	14.17	9.41	4.76

Date: 31 Jan 2018

Top 10 Stock Holdings

Name	Fund %	Index ² %	Tilt %
Commonwealth Bank	8.55	8.65	-0.10
CSL	7.82	6.62	1.20
National Australia Bank	5.78	4.58	1.19
Macquarie Group	5.25	3.32	1.93
Westpac Bank	4.50	4.56	-0.05
ANZ Bank	4.25	3.88	0.38
Telstra	3.64	2.20	1.44
Woolworths	3.39	2.23	1.16
IDP Education	3.12	0.38	2.74
Computershare	3.08	0.52	2.55

Sector Tilts

Sector	Fund %	Index ² %	Tilt %
Energy	0.00	3.15	-3.15
Materials	14.94	17.20	-2.26
Industrials	7.89	7.51	0.38
Consumer Discretionary	5.73	8.66	-2.93
Consumer Staples	4.97	5.07	-0.11
Health Care	12.20	10.46	1.73
Financials	34.89	31.33	3.57
Information Technology	10.41	5.51	4.90
Communication Services	3.64	2.63	1.01
Utilities	0.00	1.54	-1.54
Real Estate	4.29	6.93	-2.64
Cash	1.04	0.00	1.04
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.

RIAA's RI Certification Symbol signifies that a product or service offers an investment style that takes into account environmental, social, governance or ethical considerations. The Symbol also signifies that Ausbil Active Sustainable Equity Fund adheres to the strict operational and disclosure practices required under the Responsible Investment Certification Program for the category of Product. The Certification Symbol is a Registered Trademark of the Responsible Investment Association Australasia (RIAA). Detailed information about RIAA, the Symbol and Ausbil Active Sustainable Equity Fund's methodology, performance and stock holdings can be found at www.responsiblereturns.com.au, together with details about other responsible investment products certified by RIAA.¹

1. The Responsible Investment Certification Program does not constitute financial product advice. Neither the Certification Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Appropriate professional advice should be sought prior to making an investment decision. RIAA does not hold an Australian Financial Services Licence.