

# Ausbil Active Sustainable Equity Fund

Monthly performance update

November 2021

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## Performance Review

Fund performance for November 2021 was -0.94% (net of fees) versus the benchmark return -0.54%, as measured by the S&P/ASX 200 Accumulation Index.

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

At a stock level, the overweight positions in Orocobre, Lynas Rare Earths, IGO, Mineral Resources, Altium, Charter Hall Group, Goodman Group, James Hardie, Telstra and Cleanaway Waste Management added to relative performance. Conversely, the overweight positions in Webjet, Virgin Money UK, Downer EDI, IDP Education, Insurance Australia Group, Afterpay, Domain Holdings and Suncorp detracted from relative performance. Not holding BHP and ALS detracted from relative performance.

## ESG Review

November was a busy month with proxy voting, while in the world of ESG, the climate change summit in Glasgow (COP-26) dominated the headlines. The climate change summit could be best described as keeping the target of limiting global warming to 1.5 degrees 'alive'. The summit saw a number of new climate change commitments, including agreement to reduce the use of coal, end inefficient fossil fuel subsidies and reduce methane emissions. Also, the US and China signed a joint declaration committing them to tackle climate change through accelerated action in the 2020s, and all countries agreed to revisit and strengthen their nationally determined contributions (NDCs) at the next summit in Egypt in 2022. While Australia has pledged to be net zero by 2050, the pathway there is still contingent on technology change and uncertainty. With or without regulatory change, decarbonisation is happening, partly due to changing private capital flows – many companies are moving ahead of regulation, with shadow carbon prices and decarbonisation pathways. To date, many companies have already pledged net zero commitments. Ausbil's Active Sustainable Fund excludes companies with material earnings exposure to fossil fuels, while we seek out companies we believe stand to benefit from the acceleration in decarbonisation.

## Outlook

At this stage, without a clearer scientific conclusion otherwise, we remain optimistic that governments and the medical fraternity are better equipped now to manage Omicron compared to Delta, though we expect some short-term volatility. Looking through this further complication, we are at the start of a very strong pre-Christmas post-lockdown reopening which Ausbil expects to translate into two exceptional quarters for growth, followed by above-trend growth throughout 2022 and leading into 2023.

With low rates and strong capital markets, both debt and equity are exceptionally attractive. The bullish investment plans management noted in FY21 reporting season for after lockdowns are expected to kick-in and drive this effervescent market.

Looking ahead, we expect cyclical leadership will change, but as a grouping will continue to perform, with strong earnings outlooks for FY22, particularly from late calendar 2021. Quality growth and structural leaders are also offering a strong earnings rebound into FY22 and FY23. Our view is that FY23 earnings expectations will also be positive.

## Fund Characteristics

Returns<sup>1</sup> as at 30 November 2021

Period	Fund Return <sup>1</sup> %	Bench- mark <sup>2</sup> %	Out/Under performance %
1 month	-0.94	-0.54	-0.40
3 months	-1.27	-2.48	1.21
6 months	8.93	3.35	5.58
FYTD	6.82	1.07	5.76
CYTD	16.52	14.10	2.42
1 year	18.67	15.48	3.19
2 years pa	15.34	6.39	8.94
3 years pa	19.75	12.56	7.19
Since inception pa Date: 31 Jan 2018	13.57	9.05	4.52

## Top 10 Stock Holdings

Name	Fund %	Index <sup>2</sup> %	Tilt %
Commonwealth Bank	8.02	7.78	0.24
CSL	7.79	6.83	0.96
Macquarie Group	5.89	3.41	2.48
National Australia Bank	5.43	4.41	1.03
ANZ Bank	3.86	3.72	0.14
Telstra	3.86	2.37	1.49
Woolworths	3.66	2.42	1.24
Orocobre	3.35	0.30	3.06
Goodman Group	3.29	2.03	1.26
Computershare	2.99	0.54	2.46

## Sector Tilts

Sector	Fund %	Index <sup>2</sup> %	Tilt %
Energy	0.00	2.92	-2.92
Materials	17.98	18.58	-0.60
Industrials	7.25	7.70	-0.45
Consumer Discretionary	5.21	8.55	-3.34
Consumer Staples	5.09	5.36	-0.26
Health Care	12.49	10.73	1.77
Financials	31.57	29.21	2.36
Information Technology	10.38	5.44	4.94
Communication Services	3.86	2.82	1.04
Utilities	0.00	1.37	-1.37
Real Estate	5.00	7.32	-2.32
Cash	1.16	0.00	1.16
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>

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](http://www.responsiblereturns.com.au), together with details about other responsible investment products certified by RIAA.<sup>1</sup>

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