

Ausbil Active Sustainable Equity Fund

Monthly performance update

January 2022

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Performance Review

Fund performance for January 2022 was -8.73% (net of fees) versus the benchmark return -6.35%, as measured by the S&P/ASX 200 Accumulation Index.

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

At a stock level, the overweight positions in Virgin Money UK, IGO, Fortescue Metals, Computershare, Suncorp and Insurance Australia Group added to relative performance. The nil positions in Wesfarmers, WiseTech Global, Transurban Group and Newcrest Mining also added to relative performance. Conversely, the overweight positions in IDP Education, Allkem, Sonic Healthcare, Domain, Altium and OZ Minerals detracted from relative performance. Not holding BHP, Rio Tinto, Woodside Petroleum and Santos detracted from relative performance.

ESG Review

Over the month, Ausbil's ESG Research Team conducted an in-depth analysis on staff reviews for listed companies. This included analysis of trends as well as individual comments about company culture, staff engagement, CEO approval and more, offering unique insights into the qualitative aspects of company performance. The recent announcement by RIO and its cultural findings shows why this is important for investors to consider and factor into their decisions. The analysis gives the investment team a summary of changes in culture and staff engagement over time.

Ahead of the HY22 reporting season we also updated our proprietary Modern Slavery Risk Assessment Tool. This involves an annual update of all ASX200 companies' risk exposure and risk management with respect to human rights and modern slavery risks in their operations and supply chains. This is a key input to Ausbil's own Modern Slavery Act statement but it also feeds into Ausbil's ESG research and views. In particular, the analysis focuses on finding gaps where companies have high modern slavery risk exposure but management is sub-standard in analysing, reporting and managing this issue. The analysis also helps Ausbil to prioritise engagements and measure risk by portfolio versus benchmark.

Outlook

Ausbil's overall macro portfolio positioning remains for an ongoing economic recovery and eventual return to trend growth. We now see rates rising in Australia in February 2023, the result of a successful economy and an earlier return to more normal inflation. While the market is fearful of a major policy mistake, we think this is overplayed given the exhaustive signalling from central banks.

The emergence of Omicron, while broadening the spectrum of risks faced, will not in our view derail the current economic resurgence, nor will its sub-variants, BA.1 or BA.2. Data on Omicron, its symptoms, the voracity of vaccines, and the normal path of a virus, are increasingly positive. Unless something material changes in terms of clinical findings, we continue to look through this noise at the path of the economy post-lockdown.

The HY22 reporting season is upon us. This time last year, HY21 saw companies recover from the massive fall in FY20 earnings reported after COVID. FY21 delivered over 27% EPS growth, rebounding from a 17% decline in FY20. FY21 earnings witnessed the first full year earnings recovery from COVID lows. HY22 is the first earnings season for the second recovery year from the COVID earnings collapse. Ausbil expects solid EPS growth this FY22 season.

Fund Characteristics

Returns¹ as at 31 January 2022

Period	Fund Return ¹ %	Bench- mark ² %	Out/Under performance %
1 month	-8.73	-6.35	-2.37
3 months	-7.08	-4.30	-2.78
6 months	-1.40	-3.81	2.41
FYTD	0.20	-2.75	2.96
CYTD	-8.73	-6.35	-2.37
1 year	9.36	9.44	-0.09
2 years pa	9.66	2.97	6.69
3 years pa	15.47	9.77	5.71
Since inception pa Date: 31 Jan 2018	11.16	7.60	3.56

Top 10 Stock Holdings

Name	Fund %	Index ² %	Tilt %
Commonwealth Bank	9.36	7.68	1.68
CSL	8.42	5.98	2.44
National Australia Bank	6.03	4.27	1.75
Macquarie Group	5.66	3.12	2.54
ANZ Bank	5.45	3.59	1.86
Fortescue Metals	3.58	1.62	1.97
Telstra	3.52	2.24	1.28
Goodman Group	3.51	1.89	1.62
Woolworths	3.12	2.00	1.12
Allkem	3.04	0.26	2.78

Sector Tilts

Sector	Fund %	Index ² %	Tilt %
Energy	0.00	3.39	-3.39
Materials	16.89	24.37	-7.48
Industrials	8.70	6.78	1.92
Consumer Discretionary	2.67	7.71	-5.04
Consumer Staples	4.36	4.63	-0.27
Health Care	12.65	9.43	3.21
Financials	37.63	28.50	9.13
Information Technology	8.89	4.27	4.63
Communication Services	3.52	2.66	0.86
Utilities	0.00	1.48	-1.48
Real Estate	3.93	6.77	-2.84
Cash	0.75	0.00	0.75
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

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