

# Ausbil Active Sustainable Equity Fund

Monthly performance update

February 2022

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'The equity outlook is now complicated by the invasion of Ukraine. Pleasingly, COVID should no longer negatively impact the shape of the economic recovery'

## Performance Review

Fund performance for February 2022 was -0.36% (net of fees) versus the benchmark return +2.14%, as measured by the S&P/ASX 200 Accumulation Index.

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

At a stock level, the overweight positions in Computershare, Block, Insurance Australia Group, Lynas Rare Earths, Webjet and ResMed added to relative performance. The nil positions in Wesfarmers, Aristocrat Leisure, Domino's Pizza and Pilbara Minerals also added to relative performance. Conversely, the overweight positions in IDP Education, Domain, IGO, Virgin Money UK and Seek detracted from relative performance. Not holding Mineral Resources, Westpac Bank, BHP, Woodside Petroleum and South32 detracted from relative performance.

## ESG Review

February was a busy month with the reporting season, engaging en-masse with companies on ESG issues. This reporting season saw more ESG disclosure than usual, particularly around climate change as companies are progressing their decarbonisation pathways and strategies. To date, this has mostly concerned operational greenhouse gas emissions (scope 1 and 2 emissions) although some companies have also started to focus more on their scope 3 emissions. Companies representing more than 50% of the ASX200 have announced pathways to net zero but from an investor perspective it is important to assess the credibility and validity of these commitments, especially as some rely heavily on future technology breakthroughs which can be long-dated and others rely on carbon offsets. Ausbil assesses climate change risks and opportunities on an individual company basis through the proprietary Net Climate Change Risk model, which takes into account all aspects of climate change, not just carbon emissions. The model is a scenario analysis using three scenarios over three time frames. The model assists Ausbil in identifying companies at high risk and also assists Ausbil in prioritising engagements.

## Outlook

The equity outlook is now complicated by serious and unquantifiable risks that have been awakened by the Russian invasion of Ukraine. Pleasingly, COVID should no longer negatively impact the shape of the economic recovery. We are expecting strong global growth in 2022. A return to relative normality beyond COVID will benefit company earnings, and we do not see interest rate rises as a threat to the ability of companies to finance their growth in the coming years. Risks do remain elevated. Ausbil is closely monitoring these risks, including the Russia/Ukraine conflict, the potential for new COVID strains, a steeper return to trend growth from normalising monetary policy, and the effects of interest rates and inflation on the balance sheets of companies.

Consensus is currently projecting EPS growth of +14.2% (S&P/ASX 300) for FY22, and +2.5% for FY23. Having just come out of HY22 reporting season, Ausbil expects that earnings in FY22 and FY23 will be stronger than consensus expectations. To capture the dynamics of how we are seeing earnings and earnings growth over the coming year, Ausbil is invested in quality growth, quality income, resources and structural growth leaders. We are also favouring sectors and stocks that benefit from rising interest rates.

## Fund Characteristics

Returns<sup>1</sup> as at 28 February 2022

Period	Fund Return <sup>1</sup> %	Bench-mark <sup>2</sup> %	Out/Under performance %
1 month	-0.36	2.14	-2.51
3 months	-6.54	-1.72	-4.82
6 months	-7.72	-4.15	-3.57
FYTD	-0.16	-0.67	0.51
CYTD	-9.06	-4.34	-4.71
1 year	8.78	10.19	-1.41
2 years pa	13.38	8.32	5.06
3 years pa	12.55	8.43	4.12
Since inception pa Date: 31 Jan 2018	10.84	8.02	2.83

## Top 10 Stock Holdings

Name	Fund %	Index <sup>2</sup> %	Tilt %
Commonwealth Bank	9.00	7.68	1.32
CSL	8.45	5.99	2.46
National Australia Bank	6.52	4.57	1.94
Macquarie Group	5.67	3.08	2.59
ANZ Bank	4.71	3.53	1.18
Goodman Group	4.31	1.82	2.49
Computershare	3.53	0.60	2.93
Telstra	3.27	2.27	1.00
Woolworths	3.15	2.07	1.08
Insurance Australia Group	3.15	0.55	2.60

## Sector Tilts

Sector	Fund %	Index <sup>2</sup> %	Tilt %
Energy	0.00	3.60	-3.60
Materials	15.38	25.11	-9.73
Industrials	6.37	5.64	0.73
Consumer Discretionary	2.50	7.31	-4.81
Consumer Staples	4.58	4.91	-0.33
Health Care	13.46	9.52	3.94
Financials	38.13	29.13	9.00
Information Technology	11.03	3.89	7.14
Communication Services	3.27	2.67	0.60
Utilities	0.00	1.29	-1.29
Real Estate	4.31	6.95	-2.64
Cash	0.97	0.00	0.97
<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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