

Ausbil Active Sustainable Equity Fund

Quarterly performance update

March 2022

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Performance Review

Fund performance for the quarter ending March 2022 was -1.86% (net of fees) versus the benchmark return +2.24%, 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, IGO, Allkem, National Australia Bank and Webjet added to relative performance. Not holding Wesfarmers, Aristocrat Leisure, Reece and ASX contributed to relative performance. Conversely, the overweight positions in Domain, Sonic Healthcare, James Hardie, Goodman Group and Altium detracted from relative performance. Not holding BHP, Woodside Petroleum, Rio Tinto, Westpac Bank and Mineral Resources detracted from relative performance.

ESG Review

In March, Ausbil presented at the annual conference of Risk Management Institute Australasia. This is a conference attended by risk managers and compliance officers from various listed companies. Ausbil's presentation included the evolution of responsible investment, the drivers behind that, how Ausbil integrates ESG in the investment process, key ESG themes for 2022 and a discussion on green washing and rainbow washing.

Ausbil also had a number of ESG-related engagements, many of which related to responsible sourcing and modern slavery. For instance, Ausbil engaged with JB Hi-Fi through a group meeting focused on responsible sourcing - both their own work and the work by the Responsible Business Alliance. Ausbil encouraged JB Hi-Fi to expand their risk mapping beyond tier 2 (notwithstanding the complexities) over time and to consider using Worker Voice or similar, and encourage the RBA to make greater use of that rather than relying on traditional audits only. Ausbil also had a dedicated group meeting with Super Retail on responsible sourcing. Ausbil put forward the idea of working with focus groups and NGOs as an alternative in order to identify forced labour in China.

Outlook

We believe the market follows earnings, in the medium to long term, though in the short term, markets can deviate from fundamentals. Australia's earnings outlook remain strong, and though rates are rising steadily, companies are still benefitting from low rates and cheap balance sheet funding.

The earnings outlook for FY22 is for growth of +14.0% (S&P/ASX 200), and +3.5% for FY23. In a number of markets such as Resources, some Financials and in some key quality leaders, Ausbil believes consensus is still underestimating earnings growth. Australia's position as a key commodity market globally, and one that whose provenance is increasingly valued on ethical sourcing, quality of materials, and reliability, is set to benefit both the economy and the equity market.

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.

Fund Characteristics

Returns¹ as at 31 March 2022

Period	Fund Return ¹ %	Bench-mark ² %	Out/Under performance %
1 month	7.91	6.89	1.03
3 months	-1.86	2.24	-4.10
6 months	0.78	4.38	-3.60
FYTD	7.74	6.17	1.57
CYTD	-1.86	2.24	-4.10
1 year	15.93	14.97	0.97
2 years pa	31.67	25.72	5.95
3 years pa	15.09	10.59	4.50
4 years pa	14.01	10.96	3.06
Since inception pa Date: 31 Jan 2018	12.65	9.59	3.07

Top 10 Stock Holdings

Name	Fund %	Index ² %	Tilt %
Commonwealth Bank	9.15	8.15	1.00
CSL	8.29	5.80	2.50
National Australia Bank	6.69	4.74	1.95
Macquarie Group	5.81	3.31	2.50
ANZ Bank	4.75	3.51	1.24
Goodman Group	4.22	1.76	2.46
Computershare	3.46	0.64	2.82
Woolworths	3.35	2.04	1.31
Allkem	3.35	0.31	3.04
Fortescue Metals	3.13	1.58	1.55

Sector Tilts

Sector	Fund %	Index ² %	Tilt %
Energy	0.00	3.70	-3.70
Materials	15.99	25.66	-9.67
Industrials	6.41	5.58	0.83
Consumer Discretionary	2.87	7.15	-4.27
Consumer Staples	4.55	4.76	-0.20
Health Care	13.08	9.07	4.01
Financials	36.82	29.61	7.21
Information Technology	12.47	4.05	8.42
Communication Services	3.09	2.49	0.61
Utilities	0.00	1.29	-1.29
Real Estate	4.22	6.64	-2.42
Cash	0.49	0.00	0.49
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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