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Ausbil Active Sustainable Equity Fund

Monthly performance update

May 2022

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'Supply-shock inflation is further complicating the asset allocation decisions of investors who are also weighing the impact of a new federal government'

Performance Review

Fund performance for May 2022 was -5.03% (net of fees) versus the benchmark return -2.60%, as measured by the S&P/ASX 200 Accumulation Index.

At a sector level, the overweight positions in the Financials, Health Care and Industrials sectors 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 and Information Technology sectors detracted from performance. The underweight exposures to Energy, Materials and Utilities sectors also detracted value.

At a stock level, the overweight positions in Allkem, Lynas Rare Earths, Downer EDI, CSL, Commonwealth Bank, Suncorp and Sonic Healthcare added to relative performance. Not holding Wesfarmers, Newcrest Mining and Charter Hall Group contributed to relative performance. Conversely, the overweight positions in Johns Lyng Group, Goodman Group, Seek, Computershare, IDP Education, Virgin Money UK, Woolworths, and Macquarie Group detracted from relative performance. Not holding BHP and Westpac Bank detracted from relative performance.

Market Review

The domestic markets were soft in May, coming off -2.60% for the month (S&P/ASX 200 Accumulation Index), with the 1-year return to end May now at +4.8%. The Australian election saw Anthony Albanese elected as the new Labor Prime Minister. Markets have taken the change in their stride, particularly as Labor had firmed as favourite well out from the election.

May saw all sectors deliver negative returns other than Materials (+0.1%). While others lost ground during the month, namely Financials (-2.2%), Health Care (-1.1%), Industrials (-0.5%), and Energy (-0.7%), they still outperformed the market. Conversely, Real Estate (-8.9%), Information Technology (-8.7%), Consumer Staples (-6.6%), Communication Services (-6.5%) and Consumer Discretionary (-5.2%) sectors all underperformed the market. The difference between these groups was largely the inflation spikes and the first steps in tightening, with inflation beneficiaries outperforming growth sectors like Information Technology, and Real Estate.

Outlook

The inflation narrative and some elevated fear around rising interest rates is having an impact on market sentiment. The Reserve Bank of Australia raised the official cash rate by 25 basis points to 0.35%, the first rate hike in this cycle, heralding a path towards normalising monetary policy. The Fed has already raised official target rates twice. Higher than expected inflation is partly a result of supply shocks rather than significant overheating in the economy, and it is complicating rate decisions for policymakers. Moreover, supply-shock inflation is further complicating the asset allocation decisions of investors who are also weighing the impact of a new federal government.

With the Labor party having just seized power in Australia after 9-years of Liberal government. Ausbil is keenly studying the first 100 days of this government for clear signals that matter for where they are going to take policy on a range of open issues, such as: tax reform; wages and industrial relations; foreign relations and defence; energy and decarbonisation policy; and other areas where Labor governments typically intervene, such as education, health care and retirement.

In terms of the earnings outlook, we are a month from the start of FY22 reporting season. Ausbil's outlook is ahead of consensus for FY22 and FY23 earnings particularly in specialised metals, quality leaders and inflationary beneficiaries. Overall, Australia's business conditions are supportive for earnings growth, even with some rotation across sectors as markets adjust to changing conditions. We remain invested to capture the beneficiaries of these changing conditions.

Fund Characteristics

Returns[1] as at 31 May 2022

Period	Fund Return[1] %	Bench-mark[2] %	Out/Under performance %
1 month	-5.03	-2.60	-2.42
3 months	1.66	3.21	-1.56
6 months	-4.99	1.44	-6.43
FYTD	1.49	2.52	-1.03
CYTD	-7.55	-1.27	-6.28
1 year	3.49	4.84	-1.35
2 years pa	17.95	15.95	2.00
3 years pa	12.14	7.85	4.30
4 years pa	10.89	8.65	2.24
Since inception pa Date: 31 Jan 2018	10.60	8.32	2.28

Top 10 Stock Holdings

Name	Fund %	Index[2] %	Tilt %
Commonwealth Bank	9.92	8.36	1.56
CSL	8.81	6.11	2.70
National Australia Bank	7.27	4.76	2.51
Macquarie Group	5.33	3.15	2.18
Goodman Group	4.14	1.64	2.50
Allkem	4.13	0.38	3.74
Computershare	3.89	0.62	3.27
ANZ Bank	3.81	3.31	0.50
Woolworths	3.75	1.97	1.78
Fortescue Metals	3.47	1.60	1.87

Sector Tilts

Sector	Fund %	Index[2] %	Tilt %
Energy	0.00	5.20	-5.20
Materials	14.98	24.16	-9.18
Industrials	9.69	5.99	3.71
Consumer Discretionary	2.23	6.75	-4.53
Consumer Staples	3.75	4.77	-1.02
Health Care	14.77	9.54	5.22
Financials	36.79	29.71	7.08
Information Technology	10.38	3.43	6.94
Communication Services	2.58	2.54	0.04
Utilities	0.00	1.47	-1.47
Real Estate	4.14	6.45	-2.31
Cash	0.70	0.00	0.70
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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