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Ausbil Active Sustainable Equity Fund

Monthly performance update

August 2022

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'This reporting season saw a continuation of many of the trends we saw in February, with greater attention on sustainability'

Performance Review

Fund performance for August 2022 was +1.17% (net of fees) versus the benchmark return +1.18%, as measured by the S&P/ASX 200 Accumulation Index.

At a sector level, the overweight positions in the Industrials and Real Estate sectors added to relative performance. The underweight positions in the Consumer Discretionary, Consumer Staples and Utilities 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 the Energy and Materials sectors also detracted value.

At a stock level, the overweight positions in Allkem, OZ Minerals, IGO, Altium, Qantas, Charter Hall Group, Insurance Australia Group and Webjet added to relative performance. The nil positions in Coles Group and Newcrest Mining also contributed to relative performance. Conversely, the overweight positions in Goodman Group, Seek, ResMed, Block, Johns Lyng Group and Xero detracted from relative performance. The nil positions in BHP, Woodside Energy Group, Pilbara Minerals and Santos detracted from relative performance.

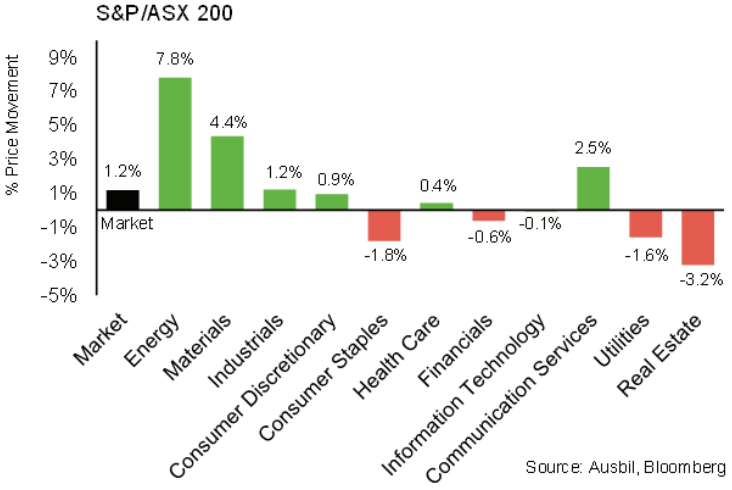
Market Review

Markets added to a positive July with a positive August, generating a total return for the month of 1.18% (S&P/ASX 200 Accumulation Index), bringing the rolling annual return to -3.43% as at 31 August 2022.

Reporting season delivered earnings that demonstrated the resilience of Australian listed companies to the changes in operating conditions, including the impact of strong inflation reads in the second half of FY22, rising energy and input costs, and rising interest rates. Ausbil shares our view of FY22 reporting in more detail in this report.

Energy and Materials stocks have been beneficiaries of elevated commodity prices, which reflected positively not only in their reported annual results, but also in returns across August, as illustrated in the chart below.

Sector returns – August 2022



Fund Characteristics

Returns[1] as at 31 August 2022

Period	Fund Return[1] %	Benchmark[2] %	Out/Under performance %
1 month	1.17	1.18	0.00
3 months	-1.33	-2.39	1.06
6 months	0.30	0.75	-0.44
1 year	-7.44	-3.43	-4.01
2 years pa	10.88	11.24	-0.36
3 years pa	9.56	5.51	4.05
4 years pa	8.98	6.38	2.60
Since inception pa Date: 31 Jan 2018	9.67	7.28	2.39

Top 10 Stock Holdings

Name	Fund %	Index[2] %	Tilt %
CSL	9.79	6.86	2.93
Commonwealth Bank	8.96	8.06	0.90
National Australia Bank	6.74	4.77	1.97
Macquarie Group	5.06	3.10	1.96
Goodman Group	4.46	1.62	2.84
Allkem	3.87	0.40	3.47
Transurban Group	3.60	2.08	1.52
Woolworths	3.48	2.12	1.36
Telstra	3.47	2.23	1.23
Computershare	3.46	0.69	2.78

Sector Tilts

Sector	Fund %	Index[2] %	Tilt %
Energy	0.00	5.98	-5.98
Materials	14.08	22.87	-8.79
Industrials	9.71	6.17	3.54
Consumer Discretionary	2.86	6.72	-3.86
Consumer Staples	3.48	5.01	-1.53
Health Care	15.66	10.33	5.33
Financials	33.87	29.30	4.57
Information Technology	8.96	3.37	5.58
Communication Services	3.47	2.48	0.98
Utilities	0.00	1.42	-1.42
Real Estate	6.67	6.35	0.32
Cash	1.25	0.00	1.25
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.

ESG Review

This reporting season saw a continuation of many of the trends we saw in February, with greater attention on sustainability, and an increasing number of companies making commitments to decarbonisation and transition, even low emitters with relatively low climate change risk. With the challenges presented by COVID-related absenteeism, we saw certain instances of safety deterioration although there was safety improvement across many of the ASX50 companies. Examples of ESG-specific engagements with companies in August included discussions on climate change (Insurance Australia Group, Suncorp and QBE Insurance), cyber security risk management (Computershare), staff engagement / culture (Block, ASX and BHP), customer trends on sustainability (James Hardie and Brambles), and modern slavery (Seek, Woolworths and Ansell).

Outlook

Reporting season has concluded, highlighting the resilience of Australia's listed companies, with the S&P/ASX 200 delivering +22% EPS growth for FY22.

Looking ahead, Ausbil's view is that the market will continue to diverge on performance. Sectors that benefit in an environment of inflation and rising rates are expected to outperform. Those sectors for which inflation creates an earnings drag and dampens demand will underperform. Overall, the economy is set to play a major part in earnings growth.

From an earnings perspective, selected resources, energy, utilities, banks and general insurers are expected to deliver positive earnings growth in FY23.

In resources, we are invested extensively across the electrification and battery materials thematic, in copper, nickel, lithium and rare earths.

Quality leaders across the market, particularly those with relatively inelastic demand and the capacity to pass inflationary and interest rate costs through to their customers, are also expected to deliver superior earnings growth in FY23. Our portfolio is exposed to leaders in health care and pharmaceuticals, biotechnology and life sciences, and select global leaders.

We are avoiding sectors that are cyclical, over-exposed to slowing economic growth, and whose earnings are adversely impacted by inflationary pressures. This includes construction, retailing, consumer discretionary and housing.

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