

Ausbil Active Sustainable Equity Fund

Monthly performance update

October 2022

Ausbil Investment Management Limited
ABN 26 076 316 473
AFSL 229722
Level 27
225 George Street
Sydney NSW 2000
GPO Box 2525
Sydney NSW 2001
Phone 61 2 9259 0200

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Performance Review

Fund performance for October 2022 was +6.12% (net of fees) versus the benchmark return +6.04%, as measured by the S&P/ASX 200 Accumulation Index.

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

At a stock level, the overweight positions in Suncorp, Commonwealth Bank, IDP Education, National Australia Bank, Qantas, Charter Hall Group and IGO added to relative performance. The nil positions in BHP, Rio Tinto and Medibank also contributed to relative performance. Conversely, the overweight positions in CSL, OZ Minerals, Cleanaway Waste Management, Woolworths, Computershare and ResMed detracted from relative performance. The nil positions in Westpac Bank, Woodside Energy Group, Fortescue Metals and Aristocrat Leisure detracted from relative performance.

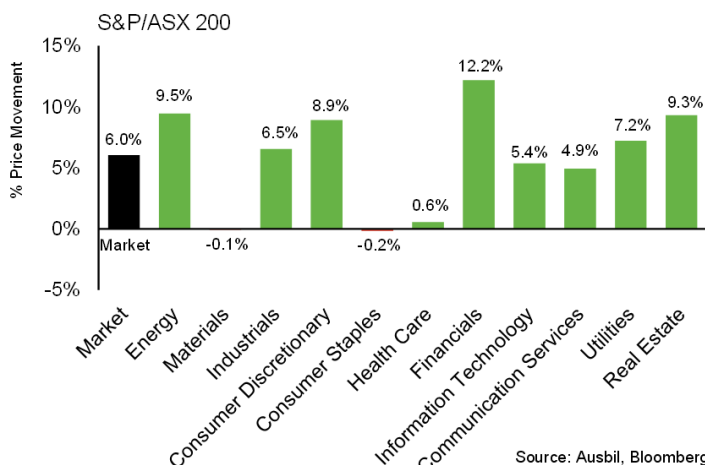
Market Review

The month of October saw markets post strong gains with the ASX returning +6.04%, with a trailing 1-year return of -2.01% (S&P/ASX 200 Accumulation Index).

The Reserve Bank of Australia hinted at some softening in policy with just a 25 bps rise in October, suggesting the central bank was looking more at the data having executed the bulk of their move already. While the trajectory of inflation and rates is still unknown, decisive, and balanced action by central banks saw markets respond with more confidence.

Looking at sectors, other than Materials and Consumer Staples, the upswing in prices was felt, as illustrated in the chart below.

Sector returns – October 2022



Source: Ausbil, Bloomberg

Fund Characteristics

Returns¹ as at 31 October 2022

Period	Fund Return ¹ %	Benchmark ² %	Out/Under performance %
1 month	6.12	6.04	0.08
3 months	0.21	0.67	-0.45
6 months	-7.18	-5.41	-1.77
1 year	-8.01	-2.01	-6.00
2 years pa	10.90	11.98	-1.07
3 years pa	8.35	4.82	3.54
4 years pa	11.07	8.26	2.81
Since inception pa Date: 31 Jan 2018	9.09	6.90	2.19

Top 10 Stock Holdings

Name	Fund %	Index ² %	Tilt %
Commonwealth Bank	10.38	8.79	1.60
CSL	9.53	6.65	2.89
National Australia Bank	7.20	5.06	2.14
Macquarie Group	4.60	3.03	1.57
ANZ Bank	4.19	3.76	0.43
Allkem	3.85	0.43	3.42
Telstra	3.63	2.23	1.40
Computershare	3.59	0.71	2.88
Goodman Group	3.50	1.42	2.08
Transurban Group	3.42	2.00	1.42

Sector Tilts

Sector	Fund %	Index ² %	Tilt %
Energy	1.75	6.39	-4.64
Materials	10.56	21.78	-11.22
Industrials	8.66	6.19	2.47
Consumer Discretionary	2.80	6.76	-3.96
Consumer Staples	3.38	4.77	-1.39
Health Care	16.32	9.97	6.35
Financials	36.96	31.00	5.96
Information Technology	8.13	3.17	4.96
Communication Services	3.63	2.55	1.08
Utilities	0.00	1.28	-1.28
Real Estate	5.52	6.15	-0.62
Cash	2.29	0.00	2.29
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

During October, Ausbil finalised its proprietary climate change risk analysis, which is a qualitative assessment of net climate change risk (net of risk and opportunities) across three climate change scenarios. The analysis was done in collaboration between the ESG research team and stock analysts and assists Ausbil in finding engagement opportunities measuring relative climate change risk relative to benchmark. Unsurprisingly, Ausbil's Active Sustainable Equity Fund has a less risky profile than the ASX 200 benchmark as it excludes fossil fuel companies and actively pursues investment opportunities in companies that stand to benefit from decarbonisation and the energy transition.

The month was the beginning of the proxy voting season and Ausbil had pre-AGM meetings with e.g. Worley, Cleanaway, Woolworth, Qantas, Seek, BlueScope Steel and Downer where we discussed upcoming AGM resolutions, such as board composition and executive remuneration. These meetings are good opportunities to engage on other ESG issues, e.g. Ausbil engaged with Seek on Modern Slavery and with Qantas about industrial relations. Ausbil had an engagement meeting with Whitehaven Coal about climate change, discussing the opportunity to adopt a voluntary say-on-climate resolution to shareholders going forward. Ausbil also engaged with Bank of Queensland about staff engagement and customer metrics and with Treasury Wine Estates about their ongoing environmental initiatives.

During the month, Ausbil continued its work on the Australian Modern Slavery Act, doing collaborative consultations with e.g. RIAA, PRI, ACSI, Walk Free as well as with the NZ government about the proposed Modern Slavery legislation in New Zealand. Ausbil presented at a knowledge event for Investors Against Slavery and Trafficking - Asia Pacific (IAST-APAC) which focused on human rights and modern slavery issues in the supply chains in Africa, with focus on cocoa and gold mining. Ausbil presented the investor view, the importance that civil society can provide in terms

of knowledge partners and the importance to encourage companies to adopt best practice. The more specific company examples civil society can provide, the more effective investors' engagements can be. In addition, Ausbil presented on a panel at the 2022 Global Compact Australian Dialogue on Business and Human Rights. The panel was on the topic of 'incorporating human rights into corporate governance and strategy: where and how works best'. Ausbil provided an investor view on progress and challenges in relation to human rights in the last 3 years, expectations of investors, engagement with external stakeholders, the role of targets and more.

Outlook

Market volatility and concerns around inflation and interest rates remain an issue, but some clear caution in the rhetoric of central banks has given some hope that the hard steps may have been taken in the battle against inflation. We are expecting more caution, perhaps even a pause in 2023, around rate increases as central banks look at the data for feedback on how successful they have been to date in the arrest of inflation. We have clearly entered a period of slowing growth.

Given the strength of the Australian economy, the demand for our resources, and the current strength in the job market, Ausbil does not currently see Australia entering recession. Overall, the market is expecting positive earnings growth for FY23 of 6.7%, even though the recent AGM season has seen some an increase in earnings downgrades as a function of the slowing economy. Ausbil is still confident of finding superior earnings growth in the market in FY23.

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.

Ausbil Investment
Management Limited
Level 27
225 George Street
Sydney NSW 2000
Australia
Toll Free 1800 287 245

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1. The Responsible Investment Certification Program does not constitute financial product advice. Neither the Certification Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Appropriate professional advice should be sought prior to making an investment decision. RIAA does not hold an Australian Financial Services Licence.