

# Ausbil Active Sustainable Equity Fund

Monthly performance update

November 2022

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## Performance Review

Fund performance for November 2022 was +3.37% (net of fees) versus the benchmark return +6.58%, as measured by the S&P/ASX 200 Accumulation Index.

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

At a stock level, the overweight positions in Webjet, Goodman Group, OZ Minerals and Computershare added to relative performance. The nil positions in Westpac Bank, Aristocrat Leisure, Santos, Pilbara Minerals, Woodside Energy Group and Lendlease also contributed to relative performance. Conversely, the overweight positions in Allkem, Rio Tinto, Insurance Australia Group, Xero, Sonic Healthcare, National Australia Bank and ResMed detracted from relative performance. The nil positions in BHP, Fortescue Metals and Origin Energy detracted from relative performance.

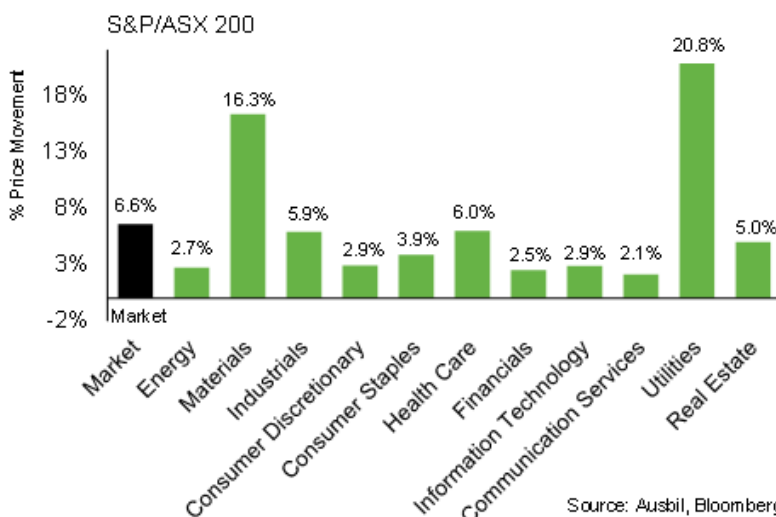
## Market Review

The month of November saw the market return an impressive +6.6%, bringing the trailing 1-year return to +5.0% (S&P/ASX 200 Accumulation Index).

Inflation and monetary policy continued to occupy the market, however the US and Australian inflationary reads supported the view that inflation may have peaked, and the market responded with vigour. Coupled with positive news from China on COVID and potential reopening, the market rallied in November, adding another 6.6% to the 6.0% rally in October.

The strong return generated in markets this month was underpinned by positive performances across all sectors, as illustrated in the chart below. The rebound in commodity and energy markets was particularly strong with China reopening moves, and real estate benefitted from an outlook of more tempered rate rises. Utilities also enjoyed a solid month as renewed M&A activity surfaced with a Brookfield-led consortium making an offer for Origin Energy.

## Sector returns – November 2022



Source: Ausbil, Bloomberg

## Fund Characteristics

Returns<sup>1</sup> as at 30 November 2022

Period	Fund Return <sup>1</sup> %	Bench- mark <sup>2</sup> %	Out/Under performance %
1 month	3.37	6.58	-3.21
3 months	2.39	6.04	-3.65
6 months	1.03	3.51	-2.48
1 year	-4.01	5.00	-9.02
2 years pa	6.73	10.12	-3.39
3 years pa	8.49	5.93	2.56
4 years pa	13.31	10.62	2.69
Since inception pa Date: 31 Jan 2018	9.68	8.20	1.48

## Top 10 Stock Holdings

Name	Fund %	Index <sup>2</sup> %	Tilt %
Commonwealth Bank	10.26	8.53	1.73
CSL	9.39	6.70	2.69
National Australia Bank	6.73	4.64	2.09
Macquarie Group	5.45	3.01	2.44
Goodman Group	3.70	1.51	2.19
Telstra	3.56	2.13	1.43
Computershare	3.47	0.74	2.73
Transurban Group	3.47	2.03	1.43
ANZ Bank	3.42	3.43	-0.01
Woolworths	3.37	1.94	1.43

## Sector Tilts

Sector	Fund %	Index <sup>2</sup> %	Tilt %
Energy	2.20	6.19	-3.99
Materials	13.17	23.77	-10.60
Industrials	7.79	6.26	1.53
Consumer Discretionary	2.81	6.52	-3.71
Consumer Staples	3.37	4.66	-1.29
Health Care	14.17	9.95	4.21
Financials	37.81	29.60	8.20
Information Technology	8.24	3.07	5.17
Communication Services	3.56	2.43	1.13
Utilities	0.00	1.46	-1.46
Real Estate	5.75	6.08	-0.32
Cash	1.14	0.00	1.14
<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.

## ESG Review

During November, Ausbil updated its annual human rights and modern slavery analysis of ASX 200 companies. This is an in-depth proprietary analysis, which focuses on the risk exposure to human rights for companies' operations and supply chains (based on the geographical exposure, product exposure and industry dynamics); and risk management (how mature companies' responsible sourcing capabilities are). The analysis forms part of Ausbil's wider ESG research and stock specific views and it also assists Ausbil in prioritising engagements. Modern slavery and human rights continue to be a key engagement area for Ausbil, where the focus is on encouraging companies to adopt what we believe is best practice. To date in calendar 2022, Ausbil has had 29 company-specific meetings where this has been an engagement topic. As per usual, Ausbil also continues its advocacy role in the industry and at government level. For instance, in November, Ausbil participated in the 12th meeting of the Federal Government's Modern Slavery Experts Advisory Group and presented at an expert workshop at the James Martin Institute with the NSW Anti-Slavery Commissioner. Ausbil also led a coalition of investors to provide feedback and make a formal submission in regards to the ongoing official review of the Australian Modern Slavery Act. The results of that review will be published in 2023.

At a company-specific level, we had a series of pre-AGM meetings with companies including Ramsay HealthCare, IGO, ANZ Bank and Goodman Group. The pre-AGM meetings are an opportunity for Ausbil to discuss executive remuneration, board composition and other governance-related matters as well as engagements on other ESG topics. In addition, Ausbil had a number of other ESG engagement meetings with company management, including the exit from Myanmar with ANZ Bank; outstanding customer remediation from the Royal Commission with Westpac Bank; cyber security with Xero and Virgin Money UK; responsible sourcing / modern slavery risk management with Woolworths and Wesfarmers; staff engagement, customer satisfaction and the AUSTRAC enforceable undertaking with National Australia Bank; climate change strategy with ANZ Bank; human capital development with Aristocrat; and customer hardship with Transurban Group.

## Outlook

Ausbil remains positive on the outlook in key metals given low levels of inventory, support from ongoing economic growth in China, and from the long structural themes of decarbonisation, renewable energy and energy security, and technology-driven changes in how we live, such as the electrification-of-things, and the shift to electric vehicles.

We also expect banks and general insurers to show good earnings growth in FY23. Amidst these are quality leaders with demonstrated earnings growth and reliability across the cycle, including in low growth environments across a diverse range of sectors.

At the moment, our portfolio is exposed to health care and pharmaceuticals, biotechnology and life sciences, information technology, transport, and in 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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