

Ausbil Active Sustainable Equity Fund

Monthly performance update

April 2023

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Performance Review

Fund performance for April 2023 was +2.49% (net of fees) versus the benchmark return +1.85%, as measured by the S&P/ASX 200 Accumulation Index.

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

At a stock level, the overweight positions in Evolution Mining, Transurban Group, Webjet, CSL, Worley, ASX and Macquarie Group added to relative performance. The nil positions in BHP, Fortescue Metals and Mineral Resources also contributed to relative performance. Conversely, the overweight positions in Rio Tinto, Block and Challenger detracted from relative performance. The nil positions in Westpac Bank, Newcrest Mining, Mirvac, Northern Star Resources, Stockland, Wesfarmers and Brambles detracted from relative performance.

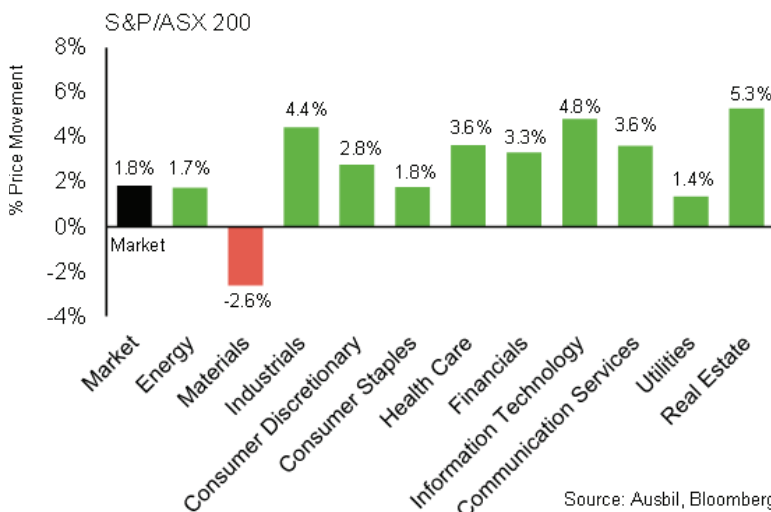
Market Review

April saw the Reserve Bank of Australia hold on rate rises which positive sentiment return, with the market generating +1.8% (S&P/ASX 200 Accumulation Index), bringing the trailing market 1-year return to +2.8%.

However, positive sentiment in April was quickly challenged on the second day of May with the Reserve Bank of Australia lifting rates again by 25 basis points, and indicating that very low unemployment and persistent services inflation meant they expected more rate rises to come. Many in the market now view the potential of a major policy mistake from hawkish rate rises as a very real risk, even though inflation continues to fall. Time will tell how this plays out, but further rate rises raise the risks.

The positive sentiment was felt across sectors with all generating positive returns except for the Materials sector, as shown in the chart.

Chart: Sector returns – April 2023



Source: Ausbil, Bloomberg

Fund Characteristics

Returns¹ as at 30 April 2023

Period	Fund Return ¹ %	Benchmark ² %	Out/Under-performance %
1 month	2.49	1.85	0.64
3 months	-2.40	-0.80	-1.60
6 months	2.84	8.71	-5.87
1 year	-4.54	2.83	-7.37
2 years pa	1.77	6.43	-4.66
3 years pa	14.21	13.99	0.22
4 years pa	9.19	7.73	1.45
5 years pa	8.98	8.26	0.72
Since inception pa Date: 31 Jan 2018	8.78	7.93	0.84

Top 10 Stock Holdings

Name	Fund %	Index ² %	Tilt %
CSL	9.19	6.71	2.48
Commonwealth Bank	8.65	7.77	0.88
Macquarie Group	5.43	3.07	2.36
National Australia Bank	5.13	4.20	0.94
Telstra	4.83	2.34	2.49
Transurban Group	4.63	2.14	2.49
Rio Tinto	4.56	1.93	2.63
Woolworths	4.19	2.19	2.00
Goodman Group	3.47	1.53	1.93
ANZ Bank	3.33	3.39	-0.06

Sector Tilts

Sector	Fund %	Index ² %	Tilt %
Energy	2.34	5.77	-3.43
Materials	13.98	23.73	-9.75
Industrials	8.35	6.44	1.90
Consumer Discretionary	2.48	6.83	-4.35
Consumer Staples	4.19	4.98	-0.79
Health Care	14.86	10.26	4.60
Financials	31.48	28.25	3.23
Information Technology	9.02	3.43	5.59
Communication Services	4.83	2.74	2.09
Utilities	0.00	1.46	-1.46
Real Estate	5.09	6.12	-1.03
Cash	3.39	0.00	3.39
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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ESG Review

In April, Ausbil presented the findings from an ESG field research trip in Bangladesh to members of Investors Against Slavery and Trafficking Asia Pacific (IAST-APAC), which is an investor initiative where Ausbil is on the steering committee. This included a discussion on the role investors has played in the past (in ensuring companies signed up to the Bangladesh Accord) and how investors can continue to play an important role by encouraging best practice on responsible sourcing. Ausbil is of the view that these engagements also increasingly need to address buyers' behaviours and how these might contribute to the underlying issues in the garment sector. Ausbil also co-signed an investor statement on the 10th anniversary of the Rana Plaza tragedy in Bangladesh which killed over 1,100 garment workers, calling for companies to strengthen their human rights due diligence, sign the international accord (which covers the workplace safety program in Bangladesh), sign the Pakistan Accord (if applicable) and join the Employment Injury Scheme Pilot. Ausbil was also a panellist at the event 'Be Slavery Free - 10th anniversary of Rana Plaza webinar', together with Kmart (Wesfarmers), Be Slavery Free and Baptist World Aid. Ausbil presented its findings from the recent field trip to Bangladesh, including progress made and areas where there has been little progress, and what that means from an investor perspective.

During the month, Ausbil had ESG meetings with Commonwealth Bank, Coles Group and Worley. These meetings discussed a number of ESG topics. With Commonwealth Bank Ausbil discussed measures taken to reduce fraud / scams by criminals targeting banking customers, climate change and Commonwealth Bank's NZBA commitment, modern slavery, class actions and customers using credit cards for online gambling. With Coles Group Ausbil discussed their latest climate change initiatives (including scope 3 emissions), waste and recycling. We also discussed trends in Coles Group's staff engagement and Coles Group's culture. Ausbil also discussed progress on decarbonisation strategy with the CEO of Rio Tinto and engaged with Bank of Queensland on their investment into the integrated risk program and actions taken to reduce the number of scams that are affecting customers.

Outlook

Australia's resource based economy is well-placed to outperform other developed markets with below-trend growth, but no recession.

That said, we believe earnings growth will be hard to come by in 2023, however Ausbil expects key sectors to offer strong EPS growth opportunities above consensus, and some quality leaders across the market to demonstrate earnings growth with resilient demand across the economic cycle, and the capacity to pass on higher costs to end-consumers.

With this in mind, we see ongoing support for earnings growth in resources, diversified financials, general insurers and in energy given the shock we have experienced from the invasion of Ukraine. In resources, we are invested extensively across the decarbonisation thematic, in copper, nickel, lithium and rare earths. 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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