

Ausbil Active Sustainable Equity Fund

Monthly performance update

July 2023

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

'In July, Ausbil's ESG Research Team carried out a major cultural review of S&P/ASX 200 companies based on anecdotes and trends in publically available independent staff reviews'

Performance Review

Fund performance for July 2023 was +3.61%¹ versus the benchmark return +2.88%, as measured by the S&P/ASX 200 Accumulation Index.

At a sector level, the overweight positions in the Financials and Information Technology sectors contributed 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 Industrials sectors detracted from relative performance. The underweight positions in the Consumer Discretionary, Energy, Real Estate and Utilities sectors also detracted from relative performance.

At a stock level, the overweight positions in Webjet, Sandfire Resources, Seek, Block, IDP Education, Worley, Challenger, HUB24, REA Group and Evolution Mining added to relative performance. Conversely, the overweight positions in Pilbara Minerals, Alkerm, CSL, IGO, Woolworths, Macquarie Group, Telstra and Sonic Healthcare detracted from relative performance. The nil positions in Woodside Energy Group and Westpac Bank detracted from relative performance.

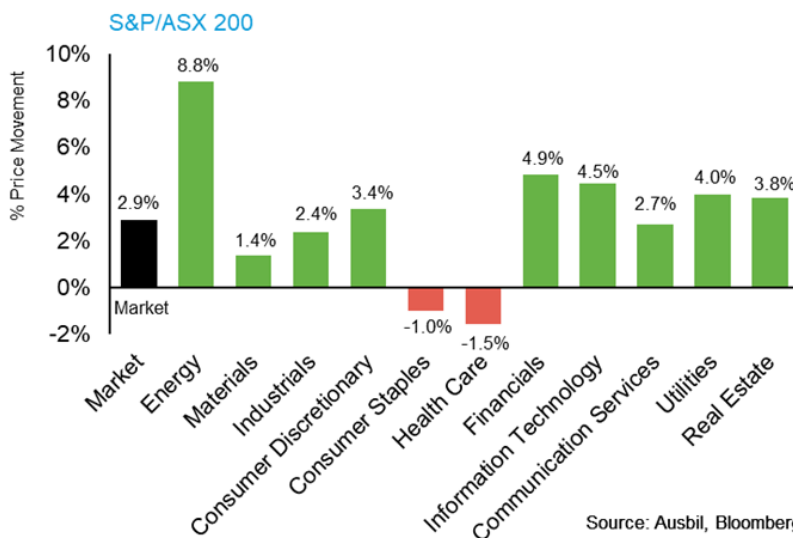
Market Review

With an RBA rate pause in July, markets rallied, delivering +2.9% for the month (S&P/ASX 200 Accumulation Index), bringing the trailing market 1-year return to +11.7%.

Despite a lot of negativity on inflation and rising rates, markets closed FY23 strongly, and have delivered a positive first month of FY24, largely because of expectations that the rate cycle is peaking.

At a sector level, all sectors delivered a good July return, except for Consumer Staples and Health Care, as shown in the chart.

Sector returns – July 2023



Fund Characteristics

Returns¹ as at 31 July 2023

Period	Fund Return ¹ %	Benchmark ² %	Out/Under-performance %
1 month	3.61	2.88	0.72
3 months	2.68	2.04	0.64
6 months	0.22	1.22	-1.01
1 year	5.82	11.67	-5.84
2 years pa	1.52	4.52	-3.00
3 years pa	10.59	11.99	-1.40
4 years pa	7.88	6.07	1.81
5 years pa	8.58	7.47	1.10
Since inception pa Date: 31 Jan 2018	8.88	7.95	0.93

Top 10 Stock Holdings

Name	Fund %	Index ² %	Tilt %
Commonwealth Bank	8.86	8.14	0.71
CSL	7.33	5.92	1.42
Macquarie Group	4.94	2.90	2.03
National Australia Bank	4.77	4.07	0.69
Telstra	4.22	2.25	1.97
Rio Tinto	4.11	1.99	2.12
ANZ Bank	4.01	3.53	0.48
Transurban Group	4.00	2.02	1.98
Goodman Group	3.55	1.61	1.94
Woolworths	3.12	2.15	0.97

Sector Tilts

Sector	Fund %	Index ² %	Tilt %
Energy	2.53	6.28	-3.75
Materials	16.29	23.78	-7.48
Industrials	7.32	6.37	0.95
Consumer Discretionary	1.82	6.66	-4.84
Consumer Staples	3.12	4.70	-1.57
Health Care	12.60	9.30	3.30
Financials	30.98	28.71	2.28
Information Technology	14.54	3.93	10.60
Communication Services	4.22	2.63	1.59
Utilities	0.00	1.54	-1.54
Real Estate	5.28	6.10	-0.82
Cash	1.29	0.00	1.29
Total	100.00	100.00	0.00

1. Fund returns are net of fees but before taxes and assume distributions are reinvested.

2. The benchmark is S&P/ASX 200 Accumulation Index.



Subscribe to our monthly updates here

ESG Review

In July, Ausbil's ESG Research Team carried out a major cultural review of S&P/ASX 200 companies based on anecdotes and trends in publicly available independent staff reviews. The work provides a view on internal CEO approval rates, general staff engagement trends and other key metrics, which assists in providing a view on operational performance ahead of the reporting season.

In addition, Ausbil had a number of company meetings on ESG topics, including participating in a climate change roundtable, which focused on climate change strategy, targets and climate change risk exposure. Ausbil engaged with a major bank on physical climate change risk in residential mortgages and opportunities in the necessary transmission renewal. Ausbil also provided feedback on ESG materiality for sustainability by a mining company, and a similar process on a human rights framework for another company. In other engagements, we discussed packaging and the circular economy, the Safeguard Mechanisms and the potential for hydrogen. Ausbil also had a number of governance meetings, and we continued our engagements on opportunities in relation to the decarbonisation of the economy.

Outlook

Inflation continued to soften slowly, and the RBA held rates for a second month in a row, though the market remains on notice that data might still call for another rate rise.

The economy is slowing as expected. However, Ausbil believes that Australia will outperform peers in the context of the overall slowing in world economic growth because of the global demand for natural resources in which Australia is a global leader. Low unemployment, record levels of household savings, strong terms of trade, structural support for commodity prices, and net migration all support this view. There are signs of rising wages, but so far these are not seen as driving a wage-price spiral.

We have entered reporting season, so next month we will have an idea on now inflation and rates have impacted earnings, and whether there is any sign of strain in the economy, or any significant impacts from a pressured consumer.

We have been saying all year that earnings growth will be hard to come by in FY24 because of the pressures of inflation, interest rate rises and a slowing economy. The market is still grappling with the impact of rising rates and inflation. Volatility reflects uncertainty about rates and growth. Inflation is likely to fall over time at a measured pace, towards central bank target levels. Ausbil expects low earnings growth in FY24. Aggregate earnings camouflage both weak and strong sectors, which adds to a potentially alpha-rich environment.

We remain focused on the key thematic areas that are driving long-term earnings growth, particularly where imbalances see demand exceeding supply on a fundamental basis for some time. We like critical metals and commodities for the long rotation from fossil fuels to renewables in the great decarbonisation, and the electrification-of-things, with the steady switch from combustion and fossil fuel power to renewable electricity generation. Service companies associated with the cap-ex investment needed for this energy transition are also attractive. Quality REITs, some quality leaders in technology, and some exposures in building products and health care are helping to bridge the shift from the inflation beneficiaries that outperformed in 2022 and into 2023.

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

Unless otherwise specified, any information contained in this publication is current as at the date of this report and is prepared by Ausbil Investment Management Limited (ABN 26 076 316 473 AFSL 229722) (Ausbil). Ausbil is the issuer of the Ausbil Active Sustainable Equity Fund (ARSN 623 141 784) (Fund). This report contains general information only and the information provided is factual only and does not constitute financial product advice. It does not take account of your individual objectives, financial situation or needs. Before acting on it, you should seek independent financial and tax advice about its appropriateness to your objectives, financial situation and needs. Securities and sectors mentioned in this monthly report are presented to illustrate companies and sectors in which the Fund has invested and should not be considered a recommendation to purchase, sell or hold any particular security. Holdings are subject to change daily. The value of an investment and the income from it can fall as well as rise and you may not get back the amount originally invested. Past performance is not a reliable indicator of future performance. Unless otherwise stated, performance figures are calculated net of fees and assume distributions are reinvested. Due to rounding the figures in the holdings, breakdowns may not add up to 100%. No guarantee or warranty is made as to the accuracy, adequacy or reliability of any statements, estimates, opinions or other information contained herein (any of which may change without notice) and should not be relied upon as a representation express or implied as to any future or current matter. You should consider the Product Disclosure Statement which is available at www.ausbil.com.au and the target market determination which is available at <https://www.ausbil.com.au/invest-with-us/design-and-distribution-obligations/fund-tmds> before acquiring or investing in the fund. RIAA's RI Certification Symbol signifies that a product or service offers an investment style that takes into account environmental, social, governance or ethical considerations. The Symbol also signifies that Ausbil Active Sustainable Equity Fund adheres to the strict operational and disclosure practices required under the Responsible Investment Certification Program for the category of Product. The Certification Symbol is a Registered Trademark of the Responsible Investment Association Australasia (RIAA). Detailed information about RIAA, the Symbol and Ausbil Active Sustainable Equity Fund's methodology, performance and stock holdings can be found at www.responsiblereturns.com.au, together with details about other responsible investment products certified by RIAA.¹

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.