

Ausbil Active Sustainable Equity Fund

Monthly performance update

August 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

'ESG featured heavily in many meetings this reporting season with key topics including climate change and modern slavery'

Performance Review

Fund performance for August 2023 was -0.94% (net of fees) versus the benchmark return -0.73%, as measured by the S&P/ASX 200 Accumulation Index.

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

At a stock level, the overweight positions in Altium, HUB24, Goodman Group, REA Group, James Hardie and NextDC added to relative performance. The nil positions in BHP, WiseTech Global, Coles Group and South32 also contributed value. Conversely, the overweight positions in ResMed, Block, Webjet, Transurban Group, Sonic Healthcare, Seek, Brambles and Cleanaway Waste Management detracted from relative performance. The nil positions in Wesfarmers and Cochlear also detracted from relative performance.

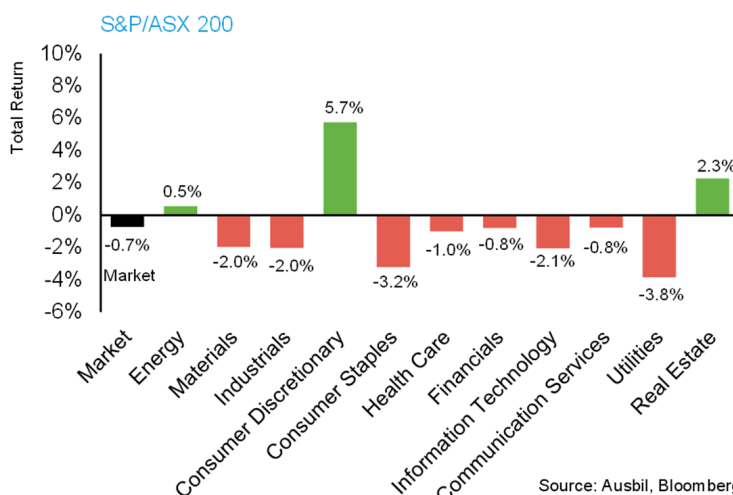
Market Review

In August, markets were softer, delivering -0.73% for the month (S&P/ASX 200 Accumulation Index), bringing the trailing market 1-year return to +9.56%.

The full year reporting season for 2023 has just closed, with the majority of companies reporting returns for the 12 months to 30 June. The Reserve Bank held the cash rate steady for a third consecutive month and there was very little by the way of major macro events. The main focus for markets was on the earnings results, which highlighted the impact of higher borrowing costs, rising capex and other inflationary pressures. Despite these factors creating a drag on earnings growth in the aggregate, we continue to believe there are attractive pockets of growth in this higher inflationary environment.

At a sector level, the negative sentiment was reflected in all sectors other than the Energy, Consumer Discretionary and Real Estate sectors.

Sector returns – August 2023



Source: Ausbil, Bloomberg

Fund Characteristics

Returns¹ as at 31 August 2023

Period	Fund Return ¹ %	Benchmark ² %	Out/Under-performance %
1 month	-0.94	-0.73	-0.21
3 months	2.75	3.92	-1.18
6 months	1.58	3.00	-1.42
1 year	3.61	9.56	-5.95
2 years pa	-2.07	2.86	-4.93
3 years pa	8.40	10.68	-2.28
4 years pa	8.04	6.51	1.53
5 years pa	7.88	7.01	0.87
Since inception pa Date: 31 Jan 2018	8.56	7.69	0.87

Top 10 Stock Holdings

Name	Fund %	Index ² %	Tilt %
Commonwealth Bank	8.56	7.98	0.58
CSL	8.39	6.11	2.28
Macquarie Group	5.01	2.99	2.02
National Australia Bank	4.86	4.21	0.65
Goodman Group	4.04	1.85	2.18
Telstra	3.97	2.15	1.83
ANZ Bank	3.95	3.52	0.42
Rio Tinto	3.71	1.94	1.77
Transurban Group	3.70	1.89	1.81
Woolworths	3.54	2.15	1.38

Sector Tilts

Sector	Fund %	Index ² %	Tilt %
Energy	0.00	5.58	-5.58
Materials	15.94	23.99	-8.05
Industrials	10.39	7.01	3.39
Consumer Discretionary	4.56	6.88	-2.32
Consumer Staples	3.54	4.57	-1.03
Health Care	13.19	9.33	3.86
Financials	29.86	28.35	1.51
Information Technology	6.99	2.42	4.57
Communication Services	7.86	4.03	3.83
Utilities	0.00	1.53	-1.53
Real Estate	5.25	6.31	-1.05
Cash	2.41	0.00	2.41
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

August is a busy time for ESG, particularly given that it is full year reporting season. This month, the ESG team (along with portfolio managers and financial analysts) met with executive management of companies in the ASX 200. ESG featured heavily in many meetings. During the month, Ausbil had over 40 engagement meetings, which covered a wide range of topics. For example, Ausbil discussed the process for engagement with traditional owners with two major energy companies. Ausbil also engaged with companies that had reported fatalities in the reporting season to understand the nature of these fatalities and what companies have done in response. The FY23 reporting season saw a high number of fatalities reported, resulting in missed safety bonuses for many CEOs. Other key ESG topics discussed with companies this reporting season included climate change, cyber security, culture and modern slavery. Ausbil discussed the impacts of the Safeguard Mechanism reform with energy and materials companies. FY23 saw a very high level of insurance claims costs from natural peril events, and we engaged with two insurance companies on climate change and the impact of this on the insurance and reinsurance industries. Another topic that is gaining momentum in company focus and reporting is biodiversity and nature, in preparation of the Taskforce on Nature-related Financial Disclosures or TNFD. Ausbil has done a preliminary assessment on biodiversity risk for ASX 200 companies which will assist in our engagements on this issue going forward.

Outlook

There is a distinct normalisation occurring in global monetary policy. Global cash rate policy pauses have seen an incremental extension on the proviso that new data could see additional rate hikes, and with warnings that inflation remains sticky, we view the risks as asymmetric. In this context, central banks are taking a pause, will assess the incoming data and will move if needed.

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.

In this environment, we believe earnings growth will be harder to find. Compared to the stellar earnings growth experienced post the COVID reopening in FY21/22, nearer term earnings growth is likely to stabilise. However, there is room for some upward surprise in certain sectors as Australia's economy remains relatively resilient and is operating near full employment.

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.