Contactus@
ausbil.com.au

ausbil

Ausbil Reporting Season Wrap HY22

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
Fax 61 2 9259 0222

March 2022

HY22 Reporting Season Wrap

Highlights from reporting season

- HY22 was another positive earnings season, with 47% of the ASX 200 beating on revenue forecasts, and 44% on EPS.[i]
- Consensus earnings outlook strengthened with FY22 EPS growth of +14.2% (S&P/ASX 200), up from its pre-reporting season outlook of +13.6%.
- Australian resources continued to deliver earnings beats against expectations. Battery materials were a highlight on EV and renewable energy on strong demand and supply dynamics.
- Strong results from banks following record capital management in FY21, with strengthening NIM on firming rates.
- Energy showed improving earnings from previous underinvestment, strong demand and commodity tailwinds.
- Dividends were lower compared to the record dividends in FY21, however strong dividends were achieved in resources and energy exposures.

Outlook for earnings

- Company guidance returned in HY22, with most companies optimistic on the outlook.
- We expect FY22 is the first of a trilogy of positive earnings years for equities.
- With COVID moving from pandemic to endemic, we expect that travel, entertainment and leisure will lead domestic cyclical sectors.
- Companies have strong investment plans for ‘22 and ‘23 – to drive potential future earnings growth.
- We expect significant upward earnings adjustments for the energy, and metals and mining sectors.

Context

The HY22 financial reporting season has just concluded marking the first half of the full second year of earnings under pandemic conditions, though it seems that the pandemic is quickly evolving into an endemic issue. HY22 marks a significant milestone in the path of earnings because, as with the last two halves (FY21 and HY21), profits have grown despite major uncertainty around the path of COVID-19 and its variants. Of course, it was the onslaught of monetary and fiscal stimulus unleashed from March 2020, and the triumph of science with the design and release of affective vaccines in late 2021 that has created an unfolding path towards greater normality, ensured access to liquidity, and driven the economy to resurgence from the brief two-quarter technical recession experienced in 2020. The invasion of Ukraine by Russia in the last week of reporting bought a new level of uncertainty to the market. To put it bluntly, we are living through extraordinary times, and this reporting season as with the last two, is testament to the power of optimism and effort in business and life in the face of great resistance.

At the close of HY22 reporting season, consensus is expecting FY22 EPS growth of +14.2% (S&P/ASX 200), up from its pre-reporting season outlook for earnings growth of +13.6% for the year, as illustrated in the following chart.

i. Source: Goldman Sachs

Chart: Current consensus FY22 earnings outlook and most improved across HY22

Current post-reporting season outlook

Sector	FY22 EPS Growth
Energy	133.08%
Steel	120.23%
Chemicals	78.86%
Media	51.89%
General Insurance	40.43%
Diversified Consumer Services	38.07%
Agriculture	34.20%
Construction Materials	30.25%
Online Services	28.00%
Infrastructure Trusts	26.07%
Diversified Financials	19.16%
Capital Goods	16.00%
Banks	15.50%
Market	**14.17%**
Real Estate Investment Trusts	13.93%
Containers & Packaging	12.98%
Hotels Restaurants & Leisure	12.27%
Automobile & Components	9.85%
Diversified Metals & Mining	8.83%
Health Care Equipment & Services	3.76%
Food Beverage & Tobacco	3.49%
Other Metals & Mining	1.06%
Life Insurance	0.31%
Food & Staples Retailing	0.24%
Commercial Services & Supplies	-0.33%
Utilities	-3.15%
Pharmaceuticals & Biotechnology	-4.11%
Telecommunication Services	-6.07%
Transport (Ex Infrastructure Trusts)	-7.62%
Software & Services	-8.48%
Retailing	-10.17%
Gold	-19.62%
Real Estate	-27.40%

Most improved EPS growth outlook this reporting season

Sector	EPSg: Nominal change
Media	33.52%
Transport (Ex Infrastructure Trusts)	30.80%
Agriculture	14.37%
Chemicals	9.68%
Energy	7.35%
Containers & Packaging	6.07%
Diversified Financials	5.10%
Construction Materials	4.58%
Other Metals & Mining	3.02%
Real Estate Investment Trusts	2.66%
Food & Staples Retailing	2.57%
Online Services	2.22%
Banks	1.96%
Retailing	0.98%
Market	**0.62%**
Utilities	0.13%
Diversified Metals & Mining	-0.37%
Life Insurance	-0.58%
Automobile & Components	-0.58%
Diversified Consumer Services	-0.92%
Commercial Services & Supplies	-1.58%
Food Beverage & Tobacco	-1.79%
Capital Goods	-2.88%
Gold	-3.07%
Telecommunication Services	-3.39%
Steel	-3.44%
Health Care Equipment & Services	-3.47%
Pharmaceuticals & Biotechnology	-3.83%
General Insurance	-6.51%
Software & Services	-13.98%
Real Estate	-14.60%
Infrastructure Trusts	-15.80%
Hotels Restaurants & Leisure	-18.64%

Source: Ausbil, FactSet (S&P/ASX 200) at end February 2022.

Overall, as Ausbil expected, companies have delivered another round of solid earnings. This is to be expected in an environment of ongoing low interest rates against a backdrop of strong economic activity and a workforce and supply chain that are returning to more normality after two years of intermittent lockdowns, here and globally.

Results from a sector perspective

Energy

The energy sector has been flying on the back of strong economic growth and a demand background improving as we move beyond COVID. Energy is showing the strongest earnings growth outlook of all sectors at +133.1% for FY22. Across the reporting season, the earnings growth outlook for energy increased +7.4%. The market is distorted to some degree by supply shocks that are expected with the Russian invasion of Ukraine, and the subsequent sanctions that are being applied globally. Ausbil maintains exposure to quality leaders in energy, particularly with Santos. Santos delivered earnings in line with expectations, with strong free cash flows generated from a strong and expanding business. Woodside Petroleum also delivered earnings in line with expectations, with the company voting in May 2022 on the proposed merger with BHP Petroleum. Beach Energy undershot consensus earnings expectations by -4%, but is progressing key developments at Otway and Western Flank over the next 6-months as it expands its operations.

Materials

Materials benefited from the strong post-COVID resurgence in economic growth, and underlying secular trends driven by decarbonisation, including electric vehicles, batteries, renewable energy and the electrification-of-things. Moreover, commodities have been shown to be a natural hedge for inflation during periods of expansion, further supporting their place in investment portfolios.

The earnings growth outlook for Other Metals & Mining was upgraded by +3.0% across reporting season, to the current outlook for FY22 of +1.1%. In copper, earnings growth for OZ Minerals was in-line, with growth on track through Carra block cave and Prominent Hill underground developments continuing. Alumina earnings growth was in-line, and the dividend below expectations, however the Alumina market is improving materially on supply disruptions. In iron ore, Deterra Royalty, owner of the MAC Iron Ore Royalty, came in slightly under consensus.

In Battery Materials, strong prices from underlying commodities have helped drive earnings. In lithium, Allkem, the rebranded amalgam of Orocobre and Galaxy Resources, beat consensus expectations as did competing lithium producer IGO. In rare earths, market leader Lynas Rare Earths also outperformed consensus on tight supply, strong demand and rising risks. Iluka also delivered a +4% beat to consensus with its business in mineral sands, zircon and titanium dioxide feedstock. It is also in the stages of developing a rare earths deposit.

The Diversified Metals & Mining earnings growth outlook was downgraded by -0.4% across reporting season to consensus growth of +8.8%. Rio Tinto reported earnings in line with expectations, with the dividend ahead of consensus, though the market was looking for more on capital returns. BHP earnings came in 4% below market expectations. FY22 and FY23 guidance was unchanged. The proposed simplification from the current dual listing will also be keenly followed looking ahead.

Steel was downgraded by -3.4% but is showing FY22 earnings growth of +120.2% with the economy growing strongly. BlueScope Steel delivered earnings in line with consensus, with free cash flow impacted by working capital build, which should unwind rapidly. The company achieved strong capital returns through a $700m on-market buyback. Likewise, the market is now expecting earnings growth from Construction Materials of +30.3% for FY22, an improvement across reporting season of +4.6%. Finally, consensus sees Gold in earnings contraction for FY22 with EPS growth at -19.6%, having declined by -3.1% across reporting season.

Industrials

Across Industrials, there was a diversity in the outlook for FY22. In Transportation, the consensus earnings growth outlook vastly improved across reporting season (+30.8%), driven by the rapidly returning airline industry (Qantas and Air New Zealand), and improvements with respect to bulk commodities for companies like Qube and Aurizon, however the sector is still expected to deliver earnings downgrades for FY22 of -7.6%. Similarly, Commercial Services and Supplies is poised for a slight earnings downgrade this year as earnings expectations slid by -1.6% this reporting season to -0.3%. Qantas delivered a mixed result with headline earnings, cash flow and net debt better than expected but Q4 capacity guidance has been revised down given complications with world travel. Qantas remains a key quality leader exposed to a resurgence in post-COVID activity.

Capital Goods are also showing good expectations for earnings growth at +16.0% for FY22, even though forecasts shifted down by -2.9%. Worley delivered results broadly in line with consensus, across both revenue and earnings, predominantly driven by the cost out program. Seven Group, the owner of Coates, Westrac and now Boral, missed earnings by -6%, and faces some slower growth moving forward across all major businesses.

Finally, Infrastructure Trusts (basically Transurban, Atlas Arteria and Auckland International Airport in the top 300 following the privatisation of Sydney Airport) are showing a strong consensus earnings growth outlook for FY22 at +26.0%, even with a downgrade across reporting season of -15.8%. The market has downgraded the long-term earnings for these companies on forward interest rate expectations. However, quality leaders like Transurban are offering strong free cash flow and globally expanding businesses. Transurban missed earnings by -4% this half, but remains well placed to benefit as COVID restrictions are rolled back. Altas Arteria surprised on the upside on dividends, and is in the process of investing further in capex to expand their earnings base.

Consumer Discretionary

The diverse Consumer Discretionary sector includes all types of cyclical spending profiles across multiple industries. Media, for example, was the most re-rated this reporting season, by +33.5% to a post-reporting season outlook for earnings growth of +51.9%. Nine Entertainment Group is a preferred exposure in media, with its vast multi-media holdings and advertising reach. The company delivered positive earnings growth and a dividend 40% higher on positive performance across all its key operations. Diversified Consumer Services, while downgraded slightly in reporting season by -1.0%, is also offering significant earnings growth of +38.1% for FY22 according to consensus. Retailing, while rerating +1.0% is showing earnings contraction of -10.2% for FY22, particularly given the bricks-and-mortar makeup of the sector (such as Harvey Norman, JB Hi-Fi, Premier Investments and Super Retail Group), and as the surge to online retailing continues. Ausbil is significantly underweight the retailing sector other than leading operators with significant competitive advantage such as Lovisa, which delivered solid earnings growth for FY22 and an 85% increase in the interim dividend. Australia's love affair with automobiles coupled with the pandemic driving people to seek outdoor adventure rather than overseas travel has seen the Automobile Components sector perform strongly over the past few years. With reopening, the sector de-rated on earnings by -0.6% but is still expected to deliver FY22 earnings growth of +9.9%. ARB Corp, a standout in aftermarket automotive components delivered a strong earnings beat with an equally strong outlook. Bapcor and GUD Holdings delivered earning growth in-line with expectations.

In the Hotels, Restaurants and Leisure sector, consensus expectations were scaled back by -18.6% to an FY22 outlook for earnings growth of +12.3%. Some of this may be because the weight of earnings will be for the second half of FY22 given the impact of lockdowns and restrictions in the second half of calendar 2021. Tabcorp earnings were in-line, but compositionally stronger given the lotteries beat offset softer performance in wagering. PointsBet was slightly ahead of consensus, though better in Australia and softer in the US.

Consumer Staples

Food and Staples retailing is offering negligible earnings growth in FY22 at +0.2% though the sector was re-rated by +2.6% across the reporting season. Ausbil favours the quality leader, Woolworths, which is a dominant force in the sector. Woolworths delivered earnings in-line with consensus expectations, and is expected to deliver earnings upgrades with cost-out, some food inflation, and an earnings recovery in Big W. Coles also delivered in-line earnings though is still carrying some COVID drag on costs. The Food, Beverage and Tobacco sector is expected to deliver FY22 earnings growth of 3.5%, though was downgraded by -1.8% in the reporting season. In this sector, Treasury Wine Estates was in-line on results but has shown some expansion of the Penfolds brand outside of China, and have de-risked their earnings since the trade issues of 2021. FY22 earnings in Agriculture are expected to grow by +34.2%, having been rerated by +14.4% across reporting season following some tough structural years with trade relations and labour issues from COVID.

Health Care

Health Care, Equipment and Services are positioned for a positive FY22, with earnings growth expected at +3.8%, though consensus lowered expectations by -3.5% this reporting round. Quality leader, Cochlear produced a strong earnings beat on higher gross margin and lower operational expenditure. Another quality leader, Ramsay Health Care, delivered strong headline earnings well ahead of consensus due to a strong Europe beat, though after tax earnings were a miss. Ramsay is optimistic on their elective surgery backlog though cautious on higher costs in FY23 vs pre-COVID. Sonic Healthcare missed earnings expectations by 3%, however, they announced a $500m buyback which was not expected, flagging $1.4bn of available liquidity and an active M&A pipeline under evaluation. ResMed missed consensus expectations by 2%, and has been affected by issue in the Philips business, however the company issued a positive outlook.

The Pharmaceuticals and Biotechnology sector is expected to see a contraction in FY22 earnings of -4.1%, with consensus expectations having fallen by -3.8% during reporting season. CSL, the quality leader in this sector, delivered a very strong at 3% revenue beat and 18% earnings beat to consensus. CSL is in the process of acquiring Vifor Pharma.

Financials

Banks remain on track to deliver strong earnings for FY22 on a strong economy and expanding NIM as rates steadily rise. Strong banks are essential for the transformation of economic growth benefits across other industries. This reporting season, consensus expectations for bank earnings growth rose +2.0% to +15.5% for FY21. CBA was the only major to report results, with net profit +10.5% ahead of consensus, with the dividend up slightly to $1.75 per share. Of the small banks, Bendigo and Adelaide Bank also reported a beat for earnings at +14% above consensus, but a smaller dividend. The other majors reported quarterly updates, with NAB recording a +12% beat for NPAT, ANZ reporting a slightly softer quarter, and Westpac reporting cash NPAT +13% ahead of consensus. Virgin UK also gave a quarterly update with net interest margin improving by 5 bps. Overall, credit quality is strong and NIM is set to firm as rates steadily rise in the context of above trend economic growth. In diversified financials, Macquarie Group delivered a strong third quarter update, upgrading the outlook for Macquarie Capital Group and the Commodities and Global Markets group.

Diversified Financials also saw their earnings growth outlook upgraded by the market to +19.2% for FY22, an increase from before reporting season of +5.1%. Challenger Group, like banks and general insurers, stands to benefit from firming rates across their annuity business. Challenger delivered an in-line profit, though with higher expenses this half.

In General Insurance, while earnings growth expectations shrank by -6.5% across reporting season, the sector is still expected to deliver +40.4% in earnings growth for FY22. Across the sector, the benefits of stronger portfolio returns from rising interest rates is improving earnings outlooks. While QBE reported a -5% miss to consensus due to some structural adjustment in reserves, gross written premium was above consensus by +4%, with a strong earnings outlook ahead. IAG also reported an uplift in gross written premium, and though slightly down on the half against consensus, is expected to perform well into the full year, as with the other general insurers. Steadfast, the insurance broker, is benefiting with ongoing premium rate increases and relatively low risk expansions through rolling-up other brokers.

Information Technology

Online Services is showing consensus EPS growth of +28.0% for FY22 having strengthened in reporting by +2.2%. The Information Technology sector has taken a hit with firmer inflation and a clearer path to upward interest rate adjustment for central banks. This has seen the growth aspects of information technology punished somewhat, but the quality leaders in this sector remain attractive, including companies like NextDC, Seek and Domain Group. Local cloud and data centre leader, NextDC, achieved earnings +10% above consensus, and though it has been impacted by some rotation away from technology with rising inflation, it shows a strong growth pipeline and earnings profile. Seek achieved a significant beat on earnings, with positive guidance implying operating leverage on stronger revenue growth without significant underlying cost pressures. Also in online classifieds, Domain Group also beat expectations, though modestly. Domain was de-risking their growth profile, and benefit from the interrelationship with Nine Entertainment Group media, but there were limited upside catalysts near term.

In contrast to the thriving Online Services sector, the Software and Services sector is expected to deliver earnings contraction of -8.5% in FY22, having been downgraded by -14.0%. Link Market Services delivered +3% over consensus expectations which included a contribution from recently spun-off Pexa.

Consolidation continued in the buy-now-pay-later space following Block's (formerly Square) acquisition of Afterpay (now Block listed in Australia as SQ2), with an announcement by Zip Co that it was acquiring Sezzle for more leverage in the US. Unlike Block and Sezzle, Zip Co is classified as a diversified financial, though they compete in the same space on different platforms. Block continued to perform beating revenue expectations by +4% and gross profit expectations by +2.4%.

Communication Services

The Australian Communications Services market is expected to deliver earnings growth of -6.1% for FY22, with expectations having fallen by -3.4% in reporting season. Both Telstra and Uniti Group are quality leaders in the sector. Telstra, having de-risked and unburdened the company with the sale of their infrastructure assets, has positioned for growth, with project capex of $350mn over the next three years and upside in free cash flow. Uniti Group, who focus on the ownership, operation and provision of wireless and fibre networks across Australia, delivered earning in-line with consensus expectations but with a stronger margin.

Utilities

Across reporting season, Utilities saw a marginal uplift in consensus earnings growth outlook (+0.1%), but is expected to deliver -3.1% for FY21. Ausbil's Australian equity portfolios are not invested in utilities. The sector has vulnerability to rising rates, and some names that are struggling, including Origin Energy and AGL, which received an unsolicited takeover offer during reporting season from Mike Cannon-Brooks and infrastructure giant, Brookfield. The sector is exposed to climate change targets and decarbonisation, with the outlook for rising inflation and interest rates unhelpful from the perspective of valuation. An exception to this is APA Group which offers exposure to pipelines and contracted / regulated infrastructure revenue streams.

Real Estate

Real Estate (largely developers and builders, not real estate investment trusts) has suffered significantly over the last few years with COVID lockdowns and work from home conditions. As we stand, consensus has the outlook for the sector at -27.4%, with the sector having deteriorated by -14.6% across reporting season. Further complicating the real estate outlook is the path of rising interest rates, uncertainty about where commercial and retail real estate will settle as the population comes out of COVID, and tightening in residential and investment borrowing requirements. Ausbil has no exposure to the real estate sub-sector at this stage.

By contrast, Real Estate Investment Trusts (REITs) are showing consensus earnings growth of +13.9% for FY22, having firmed by +2.7% in reporting season. REITs, largely listed portfolios of real estate assets that collect rent, have term lease structures that ratchet up for inflation. Given they have largely managed the COVID shock with relatively small fallout, the market is now looking at the post-COVID benefits in REITs. Ausbil is cautious at this stage of REIT exposure to retail landlords, residential and leisure assets, however, those with strong logistic and warehousing businesses (namely Charter Hall and Goodman Group) remain compelling on the fundamental shift to e-commerce that was rapidly accelerated during lockdowns.

Results from an ESG perspective

Ausbil's full ESG integration saw our ESG Research team focused on over 40 meetings with company boards and management in February for companies in which Ausbil has an equity holding. In addition to reviewing the ESG attributes of Ausbil's active positions, our ESG Research team also updated ratings on every reporting stock in their coverage. Given that we take investment decisions holistically, to include top-down macro, bottom-up fundamental and ESG perspectives, our focused meetings were all attended by portfolio managers, financial analysts and members of Ausbil's ESG team, allowing for deep interrogation of results across all aspects of company performance. Ausbil has expanded our dedicated ESG team to three members whose roles are focused entirely on advocacy and engagement with ESG issues, and investment advice for portfolio managers on ESG risk and performance for the equities they consider for their strategies.

HY22 raised a kaleidoscope of ESG issues, including climate change and decarbonisation, relationships with traditional owners, sexual harassment in the workplace, safety performance and occupational health and safety, diversity, responsible sourcing and human rights in supply chains, modern slavery, corporate culture and governance, and many more.

This reporting season, a number of strong themes ran through our meetings, including:

- A substantial increase in focus on ESG issues, particularly on climate change. Companies are progressing their decarbonisation pathways and strategies, focused mainly on scope 1 and 2 emissions, but some on Scope 3. However, investors still need to assess the credibility of climate change strategies and net zero commitments.
- Many companies are in the process of a major cultural review based on independent staff reviews, reinforced with engagement and company disclosure. There has been an impact on staff engagement from long working hours and lack of wage growth (positive momentum in 2020-21 plateaued and turned negative for many companies in 1H22). COVID had forced companies to think more about staff engagement and development, with workplace culture efforts shifting to a stronger focus on mental health and wellbeing, and use of pulse surveys.
- We are seeing an increase in safety issues faced by companies, particularly with skilled labour shortages and the increased use of contractors during the pandemic.

Some of the key engagements with companies this reporting period were very productive. We spoke with Rio Tinto on how they are progressing in a number of ESG areas, particularly on climate change and safety. We engaged with Rio Tinto and BHP on sexual harassment, bullying and racism in the mining industry, and how they are working to eradicated these issues. In mining, we also engaged on the rights of indigenous communities, including IGO and other mining companies (we have engaged with Rio Tinto, BHP and Fortescue Metals previously on these issues). We spoke to many resources companies, including South32, on their net zero plans, and specific opportunities for decarbonisation in scope 1 and 2 emissions. We engaged with BlueScope Steel on safety deterioration which seems to have peaked, and the 'Responsible Steel' certification at Port Kembla. We engaged Ansell on concerns around labour rights in Malaysia, one of their manufacturing regions. We have been looking at corporate culture across general insurers, including IAG and Suncorp. We engaged with James Hardie on the exit of their CEO, and whether this was a reflection of more systemic problems, which at this stage does not seem to be the case. We spoke with Telstra on their workforce downsizing, and how they are maintaining staff engagement. Finally, we engaged with supermarkets, including Woolworths and Coles, on staff engagement towards the end of 2021 with some detectable workplace fatigue and could lead to safety issues.

Part of Ausbil's ongoing ESG activities involve active engagement with leading organisations, including IAST APAC and RIAA's Human Rights Working Group. Ausbil is a steering committee member and lead investor for Woolworths (IAST-APAC), is Chair of RIAA's Human Rights Working Group, and a co-author of RIAA's investor toolkit on human rights (with Mercer). Ausbil's Head of ESG, Mans Carlsson, has been appointed to the Board of RIAA. These advocacy and engagement activities assist in establishing the benchmarks for acceptable ESG standards across the market, provide guidance and support for ESG initiatives, and ultimately work to improve the overall ESG performance or all companies.

For further information please contact:

Mark Knight
Director, Head of Distribution
02 9259 0226
0438 307 841
mark.knight@ausbil.com.au

Ausbil Investment Management Limited
ACN 076 316 473
AFSL 229722
Level 27
225 George Street
Sydney NSW 2000
GPO Box 2525
Sydney NSW 2001
Phone 61 2 9259 0200
Fax 61 2 9259 0222

DISCLAIMER

Important Information: Australia, Canada, Denmark, Kuwait, Netherlands, Sweden, United Arab Emirates, USA, United Kingdom.

General

Research provided to a client may vary depending upon various factors such as a client's individual preferences as to the frequency and manner of receiving communications, a client's risk profile and investment focus and perspective (e.g., market wide, sector specific, long-term, short-term, etc.), the size and legal and regulatory constraints.

This information is for distribution only as may be permitted by law. It is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of, or located, in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or would subject Ausbil to any registration or licensing requirement within such jurisdiction.

This information is a general communication and is educational in nature; it is not an advertisement nor is it a solicitation or an offer to buy or sell any financial instruments or to participate in any particular trading strategy. Nothing in this document constitutes a representation that any investment strategy or recommendation is suitable or appropriate to an investor's individual circumstances or otherwise constitutes a personal recommendation. By providing this document, none of Ausbil or its representatives has any responsibility or authority to provide or have provided investment advice in a fiduciary capacity or otherwise. Investments involve risks, and investors should exercise prudence and their own judgment in making their investment decisions. None of Ausbil or its representatives is suggesting that the recipient or any other person take a specific course of action or any action at all. By receiving this document, the recipient acknowledges and agrees with the intended purpose described above and further disclaims any expectation or belief that the information constitutes investment advice to the recipient or otherwise purports to meet the investment objectives of the recipient. The financial instruments described in the document may not be eligible for sale in all jurisdictions or to certain categories of investors.

The value of any investment or income may go down as well as up, and investors may not get back the full (or any) amount invested. Past performance is not necessarily a guide to future performance. Neither Ausbil nor any of its directors, employees or agents accepts any liability for any loss (including investment loss) or damage arising out of the use of all or any of the Information.

Prior to making any investment or financial decisions, any recipient of this document or the information should take steps to understand the risk and return of the investment and seek individualised advice from his or her personal financial, legal, tax and other professional advisors that takes into account all the particular facts and circumstances of his or her investment objectives.

Any prices stated in this document are for information purposes only and do not represent valuations for individual securities or other financial instruments. There is no representation that any transaction can or could have been effected at those prices, and any prices do not necessarily reflect Ausbil's internal books and records or theoretical model-based valuations and may be based on certain assumptions. Different assumptions by Ausbil or any other source may yield substantially different results.

No representation or warranty, either expressed or implied, is provided in relation to the accuracy, completeness or reliability of the information contained in any materials to which this document relates (the "Information"), except with respect to Information concerning Ausbil. The Information is not intended to be a complete statement or summary of the securities, markets or developments referred to in the document. Ausbil does not undertake to update or keep current the Information. Any opinions expressed in this document may change without notice and may differ or be contrary to opinions expressed by other business areas or groups, personnel or other representative of Ausbil. Any statements contained in this Report attributed to a third party represent Ausbil's interpretation of the data,

Information and/or opinions provided by that third party either publicly or through a subscription service, and such use and interpretation have not been reviewed by the third party. In no circumstances may this document or any of the Information (including any forecast, value, index or other calculated amount ("Values")) be used for any of the following purposes:

(i) valuation or accounting purposes;

(ii) to determine the amounts due or payable, the price or the value of any financial instrument or financial contract; or

(iii) to measure the performance of any financial instrument including, without limitation, for the purpose of tracking the return or performance of any Values or of defining the asset allocation of portfolio or of computing performance fees.

By receiving this document and the Information you will be deemed to represent and warrant to Ausbil that you will not use this document or any of the Information for any of the above purposes or otherwise rely upon this document or any of the Information. Except as otherwise specified herein, these materials are distributed by Ausbil, to persons who are eligible counterparties or professional clients and are only available to such persons. The Information does not apply to, and should not be relied upon by, retail clients.

The information contained in this document is given by Ausbil Investment Management Limited (ABN 2676316473) (AFSL 229722) (Ausbil) and has been prepared for informational and discussion purposes only and does not constitute an offer to sell or solicitation of an offer to purchase any security or financial product or service. Any such offer or solicitation shall be made only pursuant to an Australian Product Disclosure Statement or other offer document (collectively Offer Document) relating to an Ausbil financial product or service. A copy of the relevant Offer Document may be obtained by calling Ausbil on +612 9259 0200 or by visiting **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. You should consider the Offer Documents in deciding whether to acquire, or continue to hold, any financial product. This document is for general use only and does not take into account your personal investment objectives, financial situation and particular needs. Ausbil strongly recommends that you consider the appropriateness of the information and obtain independent financial, legal and taxation advice before deciding whether to invest in an Ausbil financial product or service. The information provided by Ausbil has been done so in good faith and has been derived from sources believed to be accurate at the time of completion. While every care has been taken in preparing this information. Ausbil make no representation or warranty as to the accuracy or completeness of the information provided in this video, except as required by law, or takes any responsibility for any loss or damage suffered as a result or any omission, inadequacy or inaccuracy. Changes in circumstances after the date of publication may impact on the accuracy of the information. Ausbil accepts no responsibility for investment decisions or any other actions taken by any person on the basis of the information included. Past performance is not a reliable indicator of future performance. Ausbil does not guarantee the performance of any strategy or fund or the securities of any other entity, the repayment of capital or any particular rate of return. The performance of any strategy or fund depends on the performance of its underlying investments which can fall as well as rise and can result in both capital gains and losses.

Canada This document does not pertain to the offering of any securities. This document is not, and under no circumstances is to be construed as, an advertisement or a public offering of the securities described in Canada. No securities commission or similar authority in Canada has reviewed or in any way passed upon this document or the merits of the securities, and any representation to the contrary is an offence.

Sweden The information contained in the document is given by Ausbil and has been prepared for information and discussion purposes only and does not constitute an offer to sell or solicitation of an offer to purchase any security or financial product or service. It is provided to you as an institutional investor as that term is understood under Swedish law. By reading this document, you agree to be bound by these limitations, terms and conditions set out in the paragraphs above.

United Arab Emirates & Kuwait This information relates to a Fund which is not subject to any form of regulation or approval by the Dubai Financial Services Authority ("DFSA"). The DFSA has no responsibility for reviewing or verifying any Prospectus or other documents in connection with this Fund. Accordingly, the DFSA has not approved this or any other associated documents nor taken any steps to verify the information set out in this Prospectus, and has no responsibility for it. The Units to which this Report relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers should conduct their own due diligence on the Units If you do not understand the contents of this document you should consult an authorized financial adviser. This information does not constitute or form part of any offer to issue or sell, or any solicitation of any offer to subscribe for or purchase, any securities or investment products in Kuwait, UAE (including the Dubai International Financial Centre) and accordingly should not be construed as such. Furthermore, this information is being made available on the basis that the recipient acknowledges and understands that the entities and securities to which it may relate have not been approved, licensed by or registered with the UAE Central Bank, the UAE Securities & Commodities Authority, the Dubai Financial Services Authority or any other relevant licensing authority or governmental agency in the UAE. The content of this Report has not been approved by or filed with the CBK, UAE Central Bank, the UAE Securities & Commodities Authority or Dubai Financial Services Authority.

United Kingdom This information may be issued in the United Kingdom to, and/or is directed at, only persons to or at whom it may lawfully be issued, or directed under the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) including persons who are authorised under the Financial Services and Markets Act 2000 ("FSMA"), certain persons having professional experience in matters relating to investments, high net worth companies, high net worth unincorporated associations or partnerships, or trustees of high value trusts. The services described in it are only available to such persons in the United Kingdom and this document must not be relied or acted upon by any other persons in the United Kingdom. By reading this document, you agree to be bound by these limitations, terms and conditions set out in the paragraphs above.

Australia The information contained in this Report has been prepared for general use only and does not take into account your personal investment objectives, financial situation or particular needs. Ausbil is the issuer of the Ausbil Australian Active Equity Fund (ARSN 089 996 127), Ausbil Australian Geared Equity Fund (ARSN 124 196 407), Ausbil Australian Emerging Leaders Fund (ARSN 089 995 442), Ausbil MicroCap Fund (ARSN 130 664 872), Ausbil Australian SmallCap Fund (ARSN 630 022 909), Ausbil Balanced Fund (ARSN 089 996 949), Ausbil Active Dividend Income Fund (ARSN 621 670 120), Ausbil Australian Concentrated Fund (ARSN 622 627 696), Ausbil Active Sustainable Equity Fund (ARSN 623 141 784), Ausbil Global SmallCap Fund (ARSN 623 619 625), Candriam Sustainable Global Equity Fund (ARSN 111 733 898), Ausbil 130/30 Focus Fund (ARSN 124 196 621), Ausbil Long Short Focus Fund (ARSN 642 635 498), Ausbil Global Essential Infrastructure Fund (ARSN 628 816 151), Ausbil Global Resources Fund (ARSN 623 619 590) and MacKay Shields Multi-Sector Bond Fund (ARSN 611 482 243) (collectively known as 'the Funds').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 you make any decision about whether to invest in a financial product 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.

The information provided by Ausbil Investment Management Limited (ABN 26 076 316 473 AFSL 229722) has been done so in good faith and has been derived from sources believed to be accurate at the time of compilation. Changes in circumstances, including unlawful interference and unauthorised tampering, after the date of publication may impact on the accuracy of the information. Ausbil Investment Management Limited accepts no responsibility for any inaccuracy or for investment decisions or any other actions taken by any person on the basis of the information included. Past performance is not a reliable indicator of future performance.

Ausbil Investment Management Limited does not guarantee the performance of the Funds, the repayment of capital or any particular rate of return. The performance of any unit trust depends on the performance of its underlying investment which can fall as well as rise and can result in both capital losses and gains. Consequently, due to market influences, no assurance can be given that all stated objectives will be achieved.

United States

AN INVESTMENT IN THE FUND IS SPECULATIVE AND INCLUDES A HIGH DEGREE OF RISK, INCLUDING THE RISK OF A TOTAL LOSS OF CAPITAL. INTERESTS IN THE FUND WILL BE ILLIQUID AND SUBJECT TO SIGNIFICANT RESTRICTIONS ON TRANSFER. PROSPECTIVE INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE RISKS ASSOCIATED WITH SUCH INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. A PRIVATE OFFERING OF INTERESTS IN THE FUND WILL ONLY BE MADE PURSUANT TO THE FUND'S PRODUCT DISCLOSURE STATEMENT (THE "PDS"), AND RELATED DOCUMENTATION FOR THE FUND, WHICH WILL BE FURNISHED TO QUALIFIED INVESTORS ON A CONFIDENTIAL BASIS AT THEIR REQUEST FOR THEIR CONSIDERATION IN CONNECTION WITH SUCH OFFERING, WHO SHOULD CAREFULLY REVIEW SUCH DOCUMENTS PRIOR TO MAKING AN INVESTMENT DECISION. ANY INVESTMENT DECISION WITH RESPECT TO SUCH INTERESTS MUST BE BASED SOLELY ON THE DEFINITIVE AND FINAL VERSIONS OF SUCH DOCUMENTS.

The information contained herein will be superseded by, and is qualified in its entirety by reference to the PDS, which contains additional information about the investment objective, terms and conditions of an investment in the Fund and also contains tax information, information regarding conflicts of interest and risk disclosures that are important to any investment decision regarding the Fund. No person has been authorized to make any statement concerning the Fund other than as set forth in the PDS and any such statements, if made, may not be relied upon.

The information contained in this Report must be kept strictly confidential and may not be reproduced (in whole or in part) or redistributed in any format without the express written approval of AUSBIL INVESTMENT MANAGEMENT LIMITED (together with its affiliates, the "Firm"). Neither the Firm nor any of its affiliates makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained herein and nothing contained herein should be relied upon as a promise or representation as to past of future performance of the Fund or any other entity. Except where otherwise indicated herein, the information provided in this Report is based on matters as they exist as of the date of the document and not as of any future date, and will not be updated or otherwise revised to reflect information that subsequently becomes available, or circumstances existing or changes occurring after the date hereof.

This Report has not been approved by the U.S. Securities and Exchange Commission (the "SEC"), the Financial Industry Regulatory Authority ("FINRA"), or any other regulatory authority or securities commission in the United States or elsewhere and does not constitute an offer to sell, or a solicitation of any offer to buy, any securities. This Report is not to be relied upon as investment, legal, tax, or financial advice. Any investor must consult with his or her independent professional advisors as to the investment, legal, tax, financial or other matters relevant to the suitability of an investment in the interests of the Fund. The reader is urged to read the sections in the PDS addressing risk factors, conflicts of interest and other relevant investment considerations.

PAST PERFORMANCE INFORMATION INDICATED HEREIN IS NEITHER A GUARANTEE NOR INDICATIVE OF THE FUTURE PERFORMANCE OR INVESTMENT RETURNS OF THE FUND AND ACTUAL EVENTS OR CONDITIONS MAY NOT BE CONSISTENT WITH, AND MAY DIFFER MATERIALLY FROM, HISTORICAL OR FORECASTED EVENTS OR CONDITIONS.

The interests in the Fund (the "Interests") have not been registered under the U.S. Securities Act of 1933 (the "Securities Act"), the securities laws of any state or the securities laws of any other jurisdiction, nor is such registration contemplated. The Interests will be offered and sold under the exemption from registration provided by Section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder, and other exemptions of similar import under the laws of the states and jurisdictions where the offering will be made. The Fund will not be registered as an investment company under the United States Investment Company Act of 1940, as amended (the "Investment Company Act"). Consequently, Interests are being offered to prospective qualified U.S. investors, and investors will not be afforded the protections of the Investment Company Act, or any other United States federal or state securities laws.