

Ausbil Australian Emerging Leaders Fund

Monthly performance update

October 2024

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 this environment, we believe earnings growth will recover more than the market expects'

Performance Review

Fund performance for October 2024 was -2.53% (net of fees) versus the benchmark return of -1.46%. The benchmark is a composite, 70% of the S&P/ASX MidCap 50 Accumulation Index and 30% of the S&P/ASX Small Ordinaries Accumulation Index.

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

At a stock level, the overweight positions in Life360, Hub24, Zip, Judo Capital, REA Group, Evolution Mining, Pro Medicus, News Corporation and Boss Energy contributed to relative performance. The nil position in Flight Centre Travel Group also contributed value. Conversely, the overweight positions in Web Travel Group, WiseTech Global, Reece Australia, Iluka Resources, Paladin Energy, AGL Energy, Webjet Group and Cleanaway Waste Management detracted from relative performance. The nil positions in Arcadium Lithium and Bendigo & Adelaide Bank also detracted from performance.

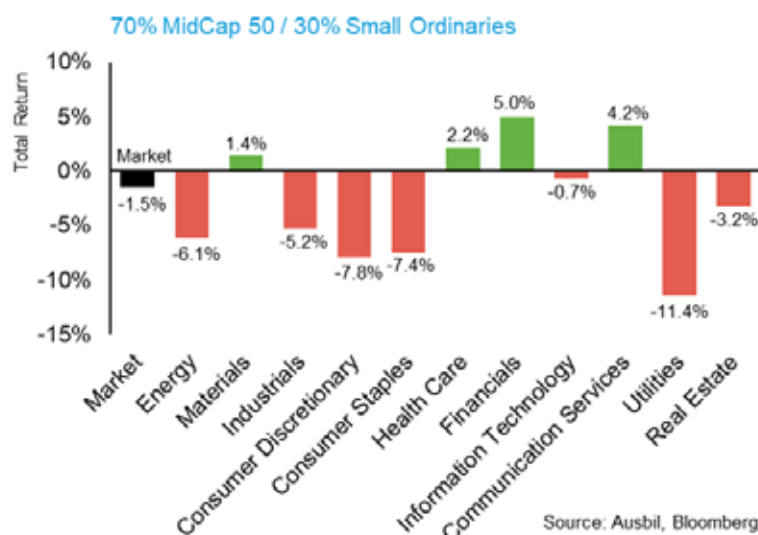
Market Review

October saw equities fall on uncertainty driven by the looming US election, the path of Fed rate cuts and the quantum of potential China stimulus with the Composite Benchmark (70% S&P/ASX MidCap 50 and 30% S&P/ASX Small Ordinaries accumulation indices) delivering a return of -1.5%, bringing the trailing market 1-year return to +25.1%.

Globally, with almost all markets down for the month of October, developed markets (MSCI World) outperformed emerging markets (MSCI EM). The only positives were Japan and Canada.

The negative performance in October was reflected across all sectors, apart from Health Care, Financials, Communication Services and Materials, as shown in the chart.

Sector returns – October 2024



Fund Characteristics

Returns¹ as at 31 October 2024

Period	Fund Return ¹ %	Benchmark ² %	Out/Under performance %
1 month	-2.53	-1.46	-1.07
3 months	5.87	2.93	2.94
6 months	6.39	5.90	0.50
1 year	24.74	25.13	-0.39
2 years pa	9.83	9.35	0.48
3 years pa	3.26	3.74	-0.48
5 years pa	10.35	8.56	1.79
7 years pa	7.89	8.40	-0.51
10 years pa	8.94	10.16	-1.22
15 years pa	8.44	8.12	0.32
20 years pa	8.90	7.75	1.15
Since inception pa Date: April 2002	10.54	9.01	1.52

Top 10 Stock Holdings

Name	Fund %	Index ² %	Tilt %
REA Group	4.36	2.74	1.62
Pro Medicus	4.19	2.48	1.72
Seven Group	4.16	1.95	2.20
Evolution Mining	3.81	2.44	1.38
Washington H Soul Company	3.77	1.92	1.85
Charter Hall Group	3.67	1.67	1.99
Lynas Rare Earths	3.52	1.55	1.98
HUB24	3.26	1.31	1.94
Qube	3.13	1.54	1.59
Cleanaway Waste Management	3.12	1.43	1.70

Sector Tilts

Sector	Fund %	Index ² %	Tilt %
Energy	9.83	7.40	2.43
Materials	16.21	19.42	-3.21
Industrials	16.15	13.62	2.54
Consumer Discretionary	2.59	8.77	-6.19
Consumer Staples	1.82	4.21	-2.39
Health Care	7.25	8.19	-0.94
Financials	15.90	14.18	1.72
Information Technology	16.14	12.62	3.52
Communication Services	3.92	1.51	2.42
Utilities	2.97	1.49	1.48
Real Estate	4.91	8.60	-3.69
Cash	2.31	0.00	2.31
Total	100.00	100.00	0.00

1. Fund returns are net of fees and gross of taxes.

2. The composite benchmark is 70% S&P/ASX Midcap 50 Accumulation Index and 30% S&P/ASX Small Ordinaries Accumulation Index.



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Outlook

The election of Donald Trump as President of the United States in November was met with a resounding positive response from markets. However, policy uncertainty and potential tariffs are likely to fuel ongoing volatility in an otherwise positive environment for equities.

Australia's GDP is expected to rise in 2024 and move higher through 2025. Inflation continues to fall, with headline CPI now within the RBA's target band at 2.8% annualised for the September quarter, though services inflation remains stubborn. The world is in a monetary easing cycle which the RBA is yet to join, though they are widely expected to join in 2025 with some modest easing. The economy remains close to full employment. Overall, we see this as a good environment for equities.

In this environment, we believe earnings growth will recover more than the market expects, broadening across sectors, and moving down the market cap spectrum. The market is showing a wide dispersion of opportunities, and many in companies that are globally facing and market leaders in their sectors.

Given the current economic backdrop, we see some return of select cyclical exposures in addition to key thematic areas like decarbonisation and technological change. Exposures in this regard focus on profitable models to capture cyclical growth and compound increased spending that comes with economic growth, and improvement in housing and discretionary spending.

Decarbonisation and the energy transition are driving value across resources, energy, utilities and the mining services sector with respect to critical commodities. We like copper, uranium and rare earths for the central role they will play in renewable energy, storage and grid capacity expansion.

Structural earnings growth in technology and the rise of artificial intelligence (AI) is benefitting the enablers that increasingly operate in the digital environment, including communications companies. This includes data centres, energy and energy storage that backs-up data processing, telecommunications and internet companies that support the web of connectivity and data. It also includes companies that are able to leverage the networking and processing power offered by enablers to capture more business, and more customers at lower and lower costs.

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

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