Contactus@
ausbil.com.au

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Ausbil Australian Emerging Leaders Fund

Quarterly performance update

March 2025

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

‘Trump’s ‘Liberation Day’ reciprocal tariffs on 2 April were at levels which were significantly larger and materially worse than markets expected’

Performance Review

Fund performance for the quarter ending March 2025 was -4.09% (net of fees) versus the benchmark return of -2.61%. 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 Industrials and Communication Services sectors contributed to relative performance. The underweight positions in the Consumer Discretionary and Health Care sectors also added value. Conversely, the overweight positions in the Financials, Information Technology and Utilities sectors detracted from relative performance. The underweight positions in the Energy, Materials, Consumer Staples and Real Estate sectors also detracted value.

At a stock level, the overweight positions in The a2 Milk Company, Megaport, Evolution Mining, Charter Hall Group, Ingenia Communities, SGH and Sandfire Resources contributed to relative performance. The nil positions in Bendigo & Adelaide Bank, Ampol and Viva Energy Group also contributed to value. Conversely, the overweight positions in Zip, Reece Australia, WiseTech Global, NexGen Energy, Block, Iluka Resources, Guzman Y Gomez, Pinnacle Investment Management Group, IGO and Challenger detracted from relative performance.

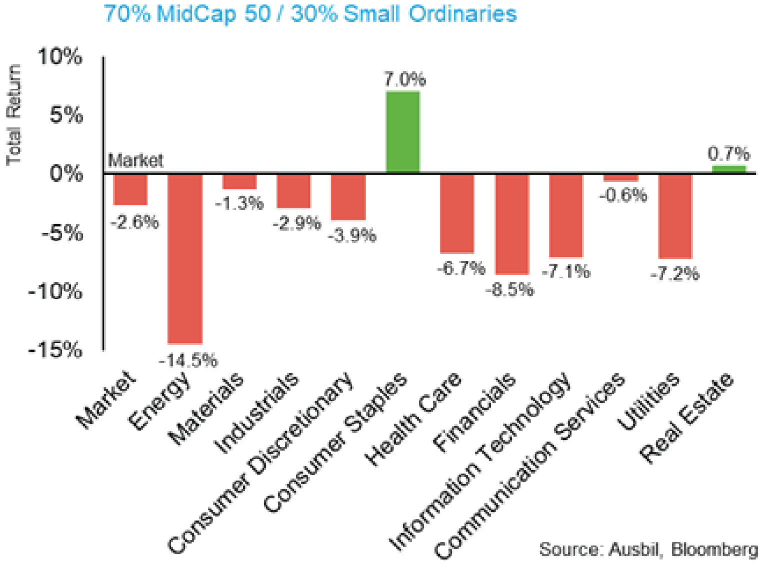
Market Review

The March quarter was marked with highs and lows as President Trump excited, then worried markets with his broad sweeping tariff policies. The Composite Benchmark (70% S&P/ASX MidCap 50 and 30% S&P/ASX Small Ordinaries accumulation indices) fell by -2.6%, in the quarter, and -3.5% for the month, bringing the trailing market 1-year return to +1.3%.

Emerging markets outperformed developed markets, with the US in particular underperforming. Global markets ended the quarter in a tailspin waiting for the outcome of Trump’s ‘Liberation Day’ tariff announcements that will potentially rewrite world trade flows.

At the sector level this quarter, market uncertainty reflected in performance. Energy, Information Technology, Financials, Health Care and Utilities were sold off significantly relative to market, with the more defensive sector of Consumer Staples outperforming, as shown in the Chart.

Sector returns – March Quarter 2025



Source: Ausbil, Bloomberg

Fund Characteristics

Returns[1] as at 31 March 2025

Period	Fund Return[1] %	Bench-mark[2] %	Out/Under performance %
1 month	-5.85	-3.54	-2.31
3 months	-4.09	-2.61	-1.48
6 months	-6.59	-3.39	-3.20
1 year	1.75	1.32	0.42
2 years pa	8.84	7.75	1.08
3 years pa	1.22	2.72	-1.49
5 years pa	16.14	14.62	1.53
7 years pa	6.50	7.54	-1.04
10 years pa	7.59	8.71	-1.11
15 years pa	7.56	7.68	-0.12
20 years pa	7.99	7.24	0.75
Since inception pa Date: April 2002	10.13	8.75	1.38

Top 10 Stock Holdings

Name	Fund %	Index[2] %	Tilt %
SGH	5.01	2.43	2.59
REA Group	4.74	2.77	1.97
Evolution Mining	4.30	3.47	0.83
Charter Hall Group	4.25	1.88	2.37
Telix Pharmaceutical	3.96	1.88	2.08
Washington H Soul Company	3.81	2.13	1.69
The a2 Milk Company	3.73	1.41	2.33
Reece Australia	3.62	0.92	2.70
HUB24	3.55	1.36	2.19
Lynas Rare Earths	3.37	1.47	1.89

Sector Tilts

Sector	Fund %	Index[2] %	Tilt %
Energy	2.80	6.51	-3.72
Materials	16.83	19.82	-2.99
Industrials	20.37	15.17	5.19
Consumer Discretionary	1.96	8.88	-6.92
Consumer Staples	3.73	4.46	-0.73
Health Care	6.31	7.68	-1.37
Financials	18.16	14.17	3.99
Information Technology	14.19	9.53	4.66
Communication Services	3.83	1.69	2.14
Utilities	1.52	1.56	-0.04
Real Estate	6.12	10.52	-4.40
Cash	4.18	0.00	4.18
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 release of Trump's 'Liberation Day' reciprocal tariffs on 2 April were at levels which were significantly larger and materially worse than markets expected. The negative surprise, triggered in quick fashion, delivered a seismic tariff shock for global markets. Ausbil has undertaken significant analysis of the tariff situation unfolding.

Ausbil's view of the US economy is that tariffs will have a downward drag on growth in the near term, but the economy will avoid recession, before growth begins to build again at the end of 2025 and into 2026. We think the chance of a US recession is relatively slimmer than the market is ascribing because considerations such as tax cuts, deregulation, lower oil prices, lower inflation and lower interest rates will help offset some growth drag from tariffs. With the hard monetary tightening undertaken by global central banks in 2022 and 2023, monetary authorities have significant room to stimulate should this be needed. While tariffs have caused a major shake-up in global trade, Ausbil expects Australian growth to be relatively unchanged and expect Australian companies to generate earnings growth in excess of consensus expectation of +8.2% in FY26.

During the COVID pandemic, we found significant opportunities in the market that delivered superior earnings growth in the years that followed. The Trump tariff shock is also revealing opportunities for those who can hold their nerve in the noise and find earnings growth that is relatively unrelated to tariffs. Underpinning our outlook for equities are a number of structural drivers that are offering opportunities, now at significantly cheaper valuations than before the tariffs. These include an increased commitment to military spending globally (as the US withdrawal of support for Ukraine and others has sparked an upward shift in defense spending); increased investment in infrastructure to accommodate the growth in AI; ongoing investment to secure independent energy security; and the increase in demand for electricity over carbon-based energy.

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