

# Ausbil Australian Emerging Leaders Fund

Monthly performance update

April 2024

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'We believe earnings growth will recover more than the market expects in FY25'

## Performance Review

Fund performance for April 2024 was -0.21% (net of fees) versus the benchmark return of -2.40%. 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 Energy, Materials, Information Technology and Utilities sectors contributed to relative performance. The underweight positions in the Industrials, Consumer Discretionary, Financials and Real Estate sectors also added value. Conversely, the overweight position in the Communication Services sector detracted from relative performance. The underweight positions in the Consumer Staples and Health Care sectors also detracted value.

At a stock level, the overweight positions in Lynas Rare Earths, Evolution Mining, Whitehaven Coal, Sandfire Resources, Life360, Paladin Energy, Boss Energy and AGL Energy contributed to relative performance. The nil positions in Charter Hall Group and Orora also contributed to value. Conversely, the overweight positions in Block, Beach Energy, Megaport, Light & Wonder, Webjet, Worley, Challenger and Viva Energy detracted from relative performance. The nil positions in Fisher & Paykel and Telix Pharmaceutical also detracted from performance.

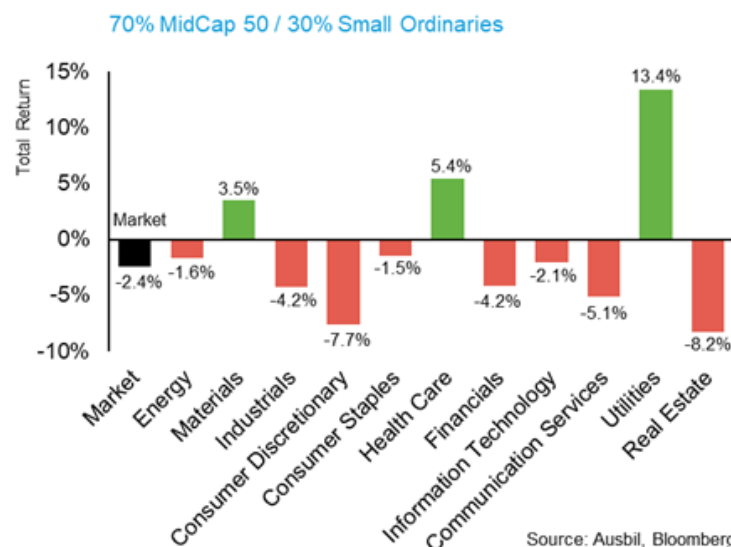
## Market Review

April saw markets give back a little of the upside delivered in the March quarter, with Composite Benchmark (70% S&P/ASX MidCap 50 and 30% S&P/ASX Small Ordinaries accumulation indices) delivered -2.4%, bringing the trailing market 1-year return to +8.3%.

Globally, developed markets (MSCI World) underperformed emerging markets (MSCI EM) on indications that rate cuts would be pushed out on stronger than expected economic data. North American and European markets were down, with the exception of the UK. Hong Kong was a positive outlier.

At a sector level, Utilities, Health Care and Materials were the only positive standouts, as shown in the chart. Many sectors like Real Estate, Consumer Discretionary and Information Technology were impacted by the market's view that rates cuts would be pushed out on stronger data.

## Sector returns – April 2024



## Fund Characteristics

### Returns<sup>1</sup> as at 30 April 2024

Period	Fund Return <sup>1</sup> %	Bench- mark <sup>2</sup> %	Out/Under performance %
1 month	-0.21	-2.40	2.20
3 months	8.83	5.66	3.17
6 months	17.24	18.16	-0.91
1 year	12.72	8.28	4.44
2 years pa	1.59	2.95	-1.35
3 years pa	4.99	4.65	0.34
5 years pa	9.35	8.19	1.16
7 years pa	9.11	8.80	0.32
10 years pa	8.06	9.79	-1.73
15 years pa	10.23	9.60	0.63
20 years pa	9.80	8.56	1.24
Since inception pa Date: April 2002	10.48	8.95	1.53

### Top 10 Stock Holdings

Name	Fund %	Index <sup>2</sup> %	Tilt %
NextDC	5.49	2.44	3.05
WiseTech Global	5.45	4.15	1.30
Worley	4.37	1.36	3.01
Lynas Rare Earths	4.30	1.50	2.80
Whitehaven Coal	4.10	1.58	2.53
Block	4.08	0.96	3.12
Evolution Mining	4.00	1.97	2.04
ALS	3.95	1.55	2.40
REA Group	3.48	2.26	1.22
Challenger	3.28	0.75	2.53

### Sector Tilts

Sector	Fund %	Index <sup>2</sup> %	Tilt %
Energy	22.08	7.46	14.62
Materials	22.96	20.31	2.64
Industrials	10.16	13.51	-3.35
Consumer Discretionary	1.23	8.64	-7.42
Consumer Staples	0.00	2.87	-2.87
Health Care	2.01	5.28	-3.26
Financials	10.60	13.42	-2.82
Information Technology	24.63	17.28	7.34
Communication Services	1.76	1.75	0.01
Utilities	3.01	1.40	1.61
Real Estate	0.00	8.07	-8.07
Cash	1.57	0.00	1.57
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>

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

Australia's economy remains robust, though growing sub-trend across calendar 2024. Ausbil expects economic growth to bottom in 2024 at 2.0%, after which we see it firming to 2.5% in calendar 2025. We believe we will see some modest rate cuts in late 2024 and further cuts in 2025 (Australia and the US). This will help smooth the cost of capital for businesses through moderating the yield curve, not as stimulus for a struggling economy.

In this environment, we believe earnings growth will recover in FY25 to +5.5%, broadening across sectors, and moving down the market cap spectrum. We think that with a downward bias in rates, and tax cuts that take effect in July, cyclicalities will return to the market. This will support housing, consumers, select real estate and other cyclical businesses.

Decarbonisation and the energy transition remain significant themes that will drive value across resources, energy, utilities and the mining services sector with respect to critical commodities. We are also seeing structural earnings growth in technological transformation, the rise of artificial intelligence (AI), and the enablers and businesses that increasingly operate in the digital environment, including communications companies.

Consensus estimates for the S&P/ASX MidCap 50 Index forecast EPS growth at -7.7% for FY24 and +8.4% for FY25 which delivers PE valuations of 21.1x and 19.4x for FY24 and FY25 respectively, with a dividend yield of 2.5% for FY24. For the S&P/ASX Small Ordinaries Index, consensus forecast EPS growth estimates are at -11.8% for FY24 and +18.9% for FY25 with PE valuations sitting at 19.6x for FY24 and 16.5x for FY25, with a dividend yield of 3.0% for FY24.

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