

Ausbil Australian Active Equity Fund

Quarterly performance update

September 2024

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'We remain focused on the key thematicats that are driving long-term earnings growth'

Performance Review

Fund performance for the quarter ending September 2024 was +7.32% (net of fees), versus the benchmark return of +7.81%, as measured by the S&P/ASX 300 Accumulation Index.

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

At a stock level, the overweight positions in Lynas Rare Earths, Evolution Mining, ResMed, Sandfire Resources, James Hardie and Aristocrat Leisure contributed to relative performance. The nil positions in Woodside Energy Group, Cochlear, Woolworths and Fortescue also added value. Conversely, the overweight positions in Origin Energy, Santos, Web Travel Group, Treasury Wine Estates, Block, CSL and Boss Energy detracted from relative performance. The underweight position in WiseTech Global and the nil positions in Westpac Bank and Brambles also detracted value.

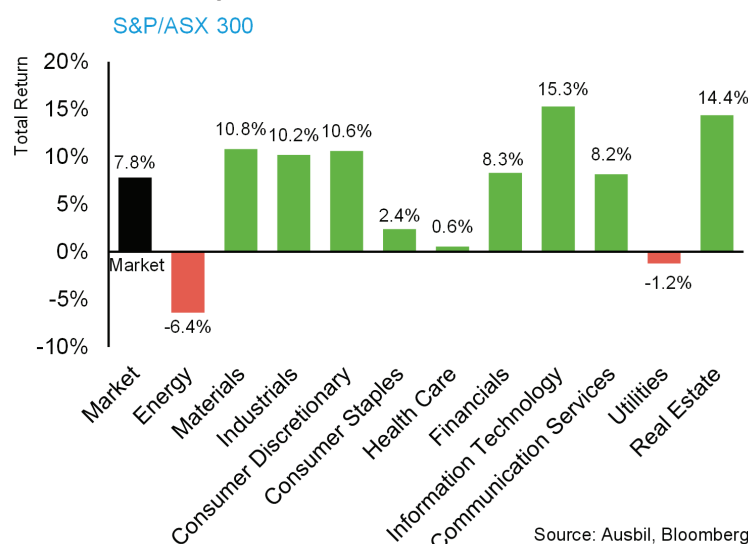
Market Review

The September quarter was positive for equities with the US Federal Reserve cutting interest rates slightly more than expectations (50bps) combined with a rate cut in China with the additional promise of more stimulus (monetary and fiscal) as needed to achieve GDP targets. The S&P/ASX 300 Accumulation Index delivered a positive return of +7.8%, bringing the trailing market 1-year return to +21.7%.

Globally, emerging markets (MSCI EM) outperformed developing markets (MSCI World). With the exception of Japan, all major developed markets were up in September.

At a sector level, performance was largely positive across the September quarter, with the exception of Energy which is under pressure from the combination of weaker than expected demand, and concerns regarding the potential that Saudi Arabia may be considering changing its oil price strategy and increasing output into an already well supplied market.

Sector returns – September Quarter 2024



Fund Characteristics

Returns¹ as at 30 September 2024

Period	Fund Return ¹ %	Benchmark ² %	Out/Under performance %
1 month	4.06	3.07	0.98
3 months	7.32	7.81	-0.49
6 months	5.94	6.52	-0.57
1 year	19.39	21.69	-2.30
2 years pa	15.25	17.22	-1.97
3 years pa	8.25	8.13	0.12
5 years pa	10.19	8.30	1.89
7 years pa	11.16	9.70	1.45
10 years pa	9.78	8.92	0.86
15 years pa	8.69	8.13	0.56
20 years pa	9.79	8.58	1.22
25 years pa	10.23	8.64	1.60
Since inception pa Date: July 1997	10.30	8.46	1.83

Top 10 Stock Holdings

Name	Fund %	Index ² %	Tilt %
BHP	11.24	9.22	2.02
Commonwealth Bank	7.86	8.97	-1.11
CSL	6.70	5.47	1.23
National Australia Bank	6.54	4.56	1.99
Macquarie Group	4.96	3.26	1.70
Goodman Group	4.72	2.56	2.16
ANZ Bank	3.80	3.62	0.18
Xero	3.42	0.85	2.57
Rio Tinto	3.26	1.90	1.37
Aristocrat Leisure	3.00	1.46	1.53

Sector Tilts

Sector	Fund %	Index ² %	Tilt %
Energy	5.10	4.41	0.69
Materials	28.53	21.06	7.47
Industrials	1.21	6.34	-5.13
Consumer Discretionary	5.66	7.53	-1.87
Consumer Staples	2.76	3.87	-1.11
Health Care	8.61	9.57	-0.96
Financials	27.76	31.67	-3.91
Information Technology	8.78	4.79	3.99
Communication Services	2.54	2.32	0.22
Utilities	2.77	1.36	1.41
Real Estate	5.77	7.09	-1.32
Cash	0.51	0.00	0.51
Total	100.00	100.00	0.00

1. Fund returns are net of fees but before taxes.

2. The benchmark is S&P/ASX 300 Accumulation Index.



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Outlook

The August FY24 reporting season was a weak one, and market expectations for FY25 earning growth fell contrary to Ausbil's view that earnings will grow. At the end of Q3 calendar 2024, we think that consensus is being overly negative about the outlook for FY25 earnings growth, and we expect to see a retracement in this position as data shows that the environment is far more positive than the market is currently crediting. The surprise China rate cut in September and their express commitment to further stimulus as needed added a tailwind to Ausbil's positive earnings growth outlook.

We remain focused on the key thematic that are driving long-term earnings growth, particularly where imbalances see demand exceeding supply on a fundamental basis for some time. Our house view that economic growth will bottom in calendar 2024, after which we see it firming into calendar 2025 means that we see some return of select cyclical exposures in addition to key thematic 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 remain significant themes that 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 these will play in renewable energy, energy storage and upgrading electrical grids worldwide.

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. These enablers include data centres, energy and energy storage that backs-up data processing, telecommunications and internet companies that support the web of connectivity and data. We also like beneficiaries of the digital revolution, companies that are able to leverage the networking and processing power offered by enablers to capture more business, more customers and at lower and lower costs.

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