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Ausbil Australian Concentrated Equity Fund

Quarterly performance update

March 2024

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‘Ausbil believes that we are at the start of a rate cutting cycle, though the quantum and timing remains unknown’

Performance Review

Fund performance for the quarter ending March 2024 was +4.94% (net of fees), versus the benchmark return of +5.43%, as measured by the S&P/ASX 300 Accumulation Index.

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

At a stock level, the overweight positions in Goodman Group, National Australia Bank, NextDC, ResMed, Xero, Treasury Wine Estates, Sandfire Resources and Suncorp contributed to relative performance. The nil positions in Fortescue Metals and Newmont Corporation also added value. Conversely, the overweight positions in Lynas Rare Earths, IGO, BHP, Evolution Mining, Worley and Rio Tinto detracted from relative performance. The nil positions in Wesfarmers, Westpac Bank, ANZ Group and Brambles also detracted value.

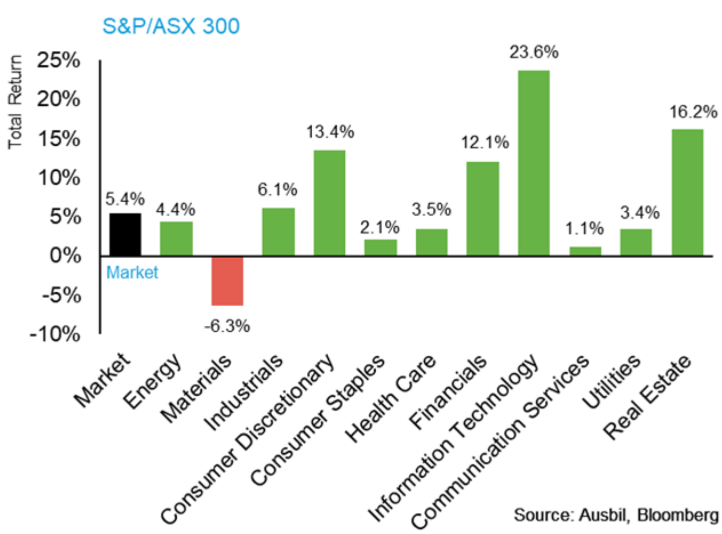
Market Review

The March quarter was buoyant in equities with the S&P/ASX 300 Accumulation Index posting gains of +5.4%, bringing the trailing market 1-year return to +14.4%.

Globally, developed markets (MSCI World) outperformed emerging markets (MSCI EM). Every major market, with the exception of Hong Kong and Singapore, delivered positive returns this quarter, with Japan showing a thumping +20.0% and the S&P 500 delivering +10.2%.

At a sector level, Information Technology, Consumer Discretionary and Real Estate sectors were significantly rerated as the cycle turned from a tightening to an easing outlook with falling inflation, as shown in the chart. Materials lagged largely through weakness in commodity prices, cyclical issues, and ongoing concerns around China.

Sector returns – March Quarter 2024



Source: Ausbil, Bloomberg

Fund Characteristics

Returns[1] as at 31 March 2024

Period	Fund Return[1] %	Bench-mark[2] %	Out/Under-performance %
1 month	3.38	3.26	0.12
3 months	4.94	5.43	-0.49
6 months	13.00	14.24	-1.25
1 year	14.34	14.40	-0.06
2 years pa	6.59	6.66	-0.07
3 years pa	10.59	9.43	1.16
4 years pa	19.19	16.04	3.16
5 years pa	11.57	9.15	2.42
Since inception pa Date: 30 Nov 2017	10.47	8.71	1.76

Top 10 Stock Holdings

Name	Fund %	Index[2] %	Tilt %
BHP	10.64	9.29	1.35
National Australia Bank	9.85	4.46	5.39
Commonwealth Bank	8.92	8.34	0.57
CSL	7.46	5.76	1.70
Goodman Group	5.04	2.42	2.63
Macquarie Group	4.51	2.96	1.55
Santos	3.16	1.04	2.11
Xero	3.08	0.78	2.30
ResMed	3.03	0.74	2.29
Treasury Wine Estates	2.97	0.42	2.55

Sector Tilts

Sector	Fund %	Index[2] %	Tilt %
Energy	7.97	5.23	2.74
Materials	26.34	21.80	4.53
Industrials	1.57	6.34	-4.78
Consumer Discretionary	2.72	7.33	-4.61
Consumer Staples	4.41	3.99	0.42
Health Care	10.49	9.62	0.86
Financials	30.12	30.41	-0.29
Information Technology	5.26	4.55	0.71
Communication Services	2.83	2.41	0.43
Utilities	2.19	1.31	0.88
Real Estate	5.04	7.00	-1.95
Cash	1.06	0.00	1.06
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 overall macro-economic outlook has stabilised with rates peaking, and inflation falling, and with Australia's excess savings, strong employment market and global demand for our resources, Ausbil expects Australia to avoid recession. Ausbil believes that we are at the start of a rate cutting cycle, though the quantum and timing remains unknown.

In this environment, we believe earnings growth will recover more than the market expects, broadening across sectors, and moving down the market cap spectrum. We think that with a downward bias in rates, cyclicality will return to the market, with more relief for the consumer, supporting housing, consumer, 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.

On aggregate, we see earnings growth for FY24 as a little more positive than implied by consensus as companies are now settling into operating in a normalised interest rate environment. Our macro reading of the economy is that rate cuts will come from central banks while economic growth remains positive, though sub-trend, mainly in order to ensure that real interest rates are not a hinderance for longer term business investment. We think this will also see economic growth strengthen, and earnings growth for FY25 exceed consensus expectations, as earnings recover and broaden across sectors, and down the market cap spectrum. We believe dividend yields have peaked and will normalise across FY24 and FY25.

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