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Ausbil Australian Active Equity Fund

Monthly performance update

April 2024

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'We believe earnings growth will recover more than the market expects in FY25, to +5.5% in earnings growth on Ausbil's estimates'

Performance Review

Fund performance for April 2024 was -2.49% (net of fees), versus the benchmark return of -2.92%, as measured by the S&P/ASX 300 Accumulation Index.

At a sector level, the overweight positions in the Materials, Health Care, Communication Services 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 positions in the Energy and Information Technology sectors detracted from relative performance. The underweight position in the Consumer Staples sector also detracted value.

At a stock level, the overweight positions in Lynas Rare Earths, ResMed, Evolution Mining, IGO, Sandfire Resources, Origin Energy, Suncorp, Rio Tinto and Pilbara Minerals contributed to relative performance. The underweight position in Woodside Energy Group also added value. Conversely, the overweight positions in Block, James Hardie, Xero, Worley, Goodman Group and Aristocrat Leisure detracted from relative performance. The nil positions in South32, Westpac Bank, Newmont Corporation and Fortescue Metals also detracted value.

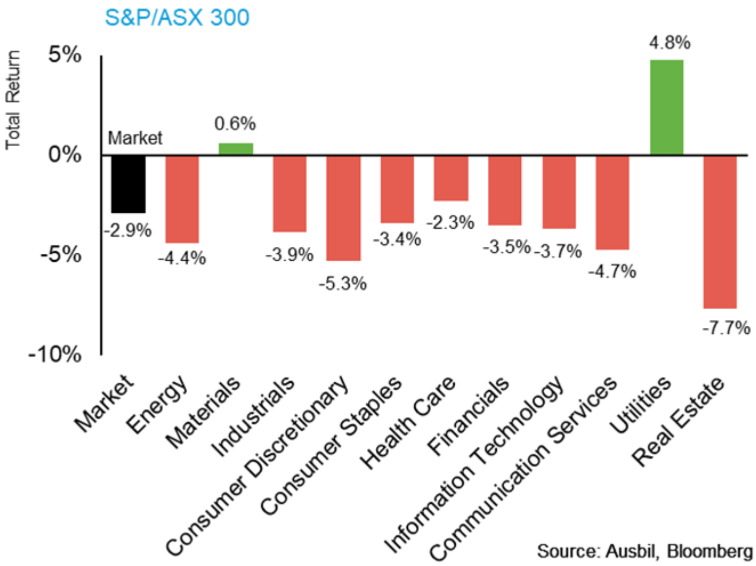
Market Review

April saw markets give back a little of the upside delivered in the March quarter, with the S&P/ASX 300 Accumulation Index delivering -2.9%, bringing the trailing market 1-year return to +9.0%.

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 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



Source: Ausbil, Bloomberg

Fund Characteristics

Returns[1] as at 30 April 2024

Period	Fund Return[1] %	Bench-mark[2] %	Out/Under performance %
1 month	-2.49	-2.92	0.44
3 months	2.45	1.23	1.22
6 months	14.58	15.29	-0.71
1 year	8.93	9.04	-0.11
2 years pa	5.54	5.53	0.01
3 years pa	8.10	7.05	1.04
5 years pa	10.33	7.98	2.35
7 years pa	9.60	7.98	1.62
10 years pa	8.63	7.77	0.87
15 years pa	10.07	9.26	0.80
20 years pa	10.03	8.60	1.43
25 years pa	9.87	7.99	1.88
Since inception pa Date: July 1997	10.12	8.23	1.90

Top 10 Stock Holdings

Name	Fund %	Index[2] %	Tilt %
BHP	10.65	9.29	1.35
Commonwealth Bank	7.71	8.18	-0.47
CSL	7.22	5.70	1.52
National Australia Bank	7.01	4.48	2.53
Goodman Group	4.84	2.33	2.51
Macquarie Group	4.02	2.86	1.16
ANZ Bank	3.91	3.61	0.31
Santos	3.47	1.07	2.41
Xero	3.05	0.73	2.32
ResMed	3.05	0.83	2.22

Sector Tilts

Sector	Fund %	Index[2] %	Tilt %
Energy	7.08	5.13	1.95
Materials	26.89	22.54	4.35
Industrials	1.58	6.29	-4.70
Consumer Discretionary	4.64	7.15	-2.51
Consumer Staples	3.26	3.97	-0.70
Health Care	10.28	9.70	0.58
Financials	29.57	30.25	-0.69
Information Technology	6.59	4.55	2.05
Communication Services	2.45	2.36	0.10
Utilities	2.73	1.41	1.31
Real Estate	4.84	6.66	-1.82
Cash	0.09	0.00	0.09
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

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, cyclicality 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 300 Index forecast EPS growth at -3.7% for FY24 and +4.4% for FY25. The market is now offering PE valuations of 16.8x and 16.1x for FY24 and FY25 respectively, with a dividend yield of 3.8% for FY24.

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