

Ausbil Active Sustainable Equity Fund

Monthly performance update

November 2024

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'There is potential for mandatory human rights due diligence as the next step for Australia's modern slavery regulation'

Performance Review

Fund performance for November 2024 was +5.62% (net of fees), versus the benchmark return of +3.79%, as measured by the S&P/ASX 200 Accumulation Index.

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

At a stock level, the overweight positions in Block, Web Travel Group, Life360, Pro Medicus, Xero, James Hardie, REA Group, Hub24 and CAR Group added to relative performance. The nil position in BHP also added value. Conversely, the overweight positions in Evolution Mining, Pilbara Minerals, Computershare, Rio Tinto and Sandfire Resources detracted from relative performance. The underweight position in Westpac Bank, and the nil positions in QBE Insurance, Aristocrat Leisure, GPT Group and Insurance Australia Group also detracted value.

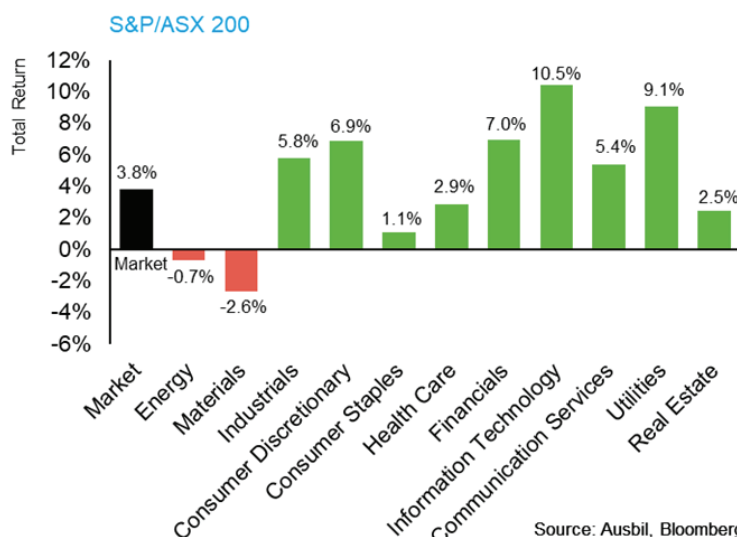
Market Review

Markets enjoyed a Trump pro-business victory boost in November, with the S&P/ASX 200 Accumulation Index delivering a return of +3.8%, bringing the trailing market 1-year return to +23.4%.

Globally, North American markets rallied following the US election and this flowed through to Australia. Emerging markets were the big underperformers, as the initial reaction to the US election outcome was that Trump policies could be inflationary, resulting in fewer Fed rate cuts and a stronger USD which has historically been a headwind for emerging markets.

Across sectors, the only laggards were Energy and Materials. Across the board, sectors reflected post-US election optimism, as shown in the Chart.

Sector returns – November 2024



Source: Ausbil, Bloomberg

Fund Characteristics

Returns¹ as at 30 November 2024

Period	Fund Return ¹ %	Bench- mark ² %	Out/Under- performance %
1 month	5.62	3.79	1.83
3 months	7.42	5.47	1.95
6 months	17.65	11.53	6.12
1 year	34.58	23.42	11.16
2 years pa	14.46	11.90	2.56
3 years pa	7.94	9.55	-1.61
4 years pa	10.53	11.00	-0.48
5 years pa	10.84	8.28	2.56
Since inception pa	11.06	9.27	1.79

Date: 31 Jan 2018

Top 10 Stock Holdings

Name	Fund %	Index ² %	Tilt %
Commonwealth Bank	7.01	10.59	-3.57
CSL	6.68	5.44	1.24
Macquarie Group	5.73	3.27	2.46
National Australia Bank	4.72	4.81	-0.09
Wesfarmers	4.48	3.25	1.22
Rio Tinto	3.95	1.75	2.20
Goodman Group	3.89	2.64	1.25
Westpac Bank	3.83	4.60	-0.78
Life360	3.28	0.22	3.05
ANZ Bank	3.21	3.73	-0.52

Sector Tilts

Sector	Fund %	Index ² %	Tilt %
Energy	0.00	4.09	-4.09
Materials	12.56	19.07	-6.50
Industrials	6.53	6.04	0.49
Consumer Discretionary	6.07	7.46	-1.39
Consumer Staples	2.29	3.63	-1.34
Health Care	10.80	9.58	1.23
Financials	37.93	34.77	3.16
Information Technology	14.10	4.81	9.29
Communication Services	2.81	2.24	0.57
Utilities	0.00	1.39	-1.39
Real Estate	6.21	6.94	-0.73
Cash	0.69	0.00	0.69
Total	100.00	100.00	0.00

1. Fund returns are net of fees but before taxes and assume distributions are reinvested.

2. The benchmark is S&P/ASX 200 Accumulation Index.



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Outlook

Australia's economic outlook is improving following the US election with widespread optimism in markets on global growth with a resurgent US economy unshackled by expectations of increasing deregulation. GDP growth is expected to rise in 2025. Inflation continues to fall, and the world is in a monetary easing cycle which the RBA is yet to join, though they are widely expected to join in 2025 with some modest easing. The economy remains close to full employment. Overall, we see this as a good environment for equities. The new Trump administration is taking shape for the handover of power in the new year. So far, markets have responded well to the election promises, but the impact of tariffs will be closely watched. In this environment, we believe earnings growth will recover more than the market expects in 2025.

Given the current economic backdrop, we see some return of select cyclical exposures in addition to key thematic areas 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 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 they will play in renewable energy, storage and grid capacity expansion.

Structural earnings growth in technology and the rise of artificial intelligence (AI) is benefitting the enablers that increasingly operate in the digital environment, including communications companies. This includes data centres, energy and energy storage that backs-up data processing, telecommunications and internet companies that support the web of connectivity and data. It also includes companies that are able to leverage the networking and processing power offered by enablers to capture more business, and more customers at lower and lower costs.

ESG Review

November was a busy month in terms of proxy voting. Ausbil engaged with the Chair of Sandfire Resources ahead of the AGM to discuss accountability around the cultural heritage disturbance reflected in deductions in remuneration outcomes for executives. Ausbil also engaged with NextDC in relation to their AGM, engaging on the inclusion of financial performance hurdles in their LTI plan. Ausbil engaged with ANZ on the upcoming AGM, including board composition, executive remuneration, climate change commitments, fossil fuel exposure and the energy transition. Ausbil engaged Xero on executive remuneration, including the principles behind individual remuneration packages and the components of the long-term incentive. We also engaged Brambles on chairman and CEO succession as well as board composition, particularly discussing the workload of individual directors, and executive remuneration. As part of a long-standing company engagement theme, Ausbil hosted a dedicated ESG group meeting with Woolworths to discuss their latest Modern Slavery Statement and approach to responsible sourcing. We also discussed decarbonisation and transition fuels. We engaged with Block on their current approach to AI and mentioned/escalated our attempts to reach out under the Ethical AI investor group engagement to discuss their approach to responsible AI. Ausbil engaged with ANZ's CEO on the merger with Suncorp Bank and the impact on staff engagement and turnover, and on the ASIC investigation on alleged conduct issues, data misreporting and alleged manipulation of bond trading. We also met the CFO of Westpac Bank to discuss the FY24 results, including a discussion on culture and staff engagement, particularly the drivers of the uptick in the Organisational Health Index.

We met with the CEO of the Minerals Council of Australia (MCA) to discuss the council's climate change statement and the MCA's stance on the future energy mix, ESG reporting aspects and engagement between miners and traditional owners. Ausbil also continued our advocacy on human rights, including chairing the fourth and last meeting of the Human Rights Working Group of RIAA, which included a guest presentation by the Heartland Initiative to discuss heightened human rights due diligence, especially in relation to armed conflict and international humanitarian law. In addition, as a contributing author of the RIAA published AI and Human Rights Toolkit, Ausbil presented an update on AI, human rights and modern slavery legislation, and shared feedback from meetings with politicians in Parliament House, Canberra, earlier in the year. A highlight for November was Ausbil hosting a RIAA meeting with the UN Special Rapporteur on Modern Slavery, Professor Tomoya Obokata, who was visiting Australia. In this group meeting, hosted by the Australian Human Rights Commission, Ausbil is looking forward to the UN Special Rapporteur's findings.

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