

Ausbil Active Sustainable Equity Fund

Monthly performance update

April 2024

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Performance Review

Fund performance for April 2024 was -3.38% (net of fees), versus the benchmark return of -2.94%, as measured by the S&P/ASX 200 Accumulation Index.

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

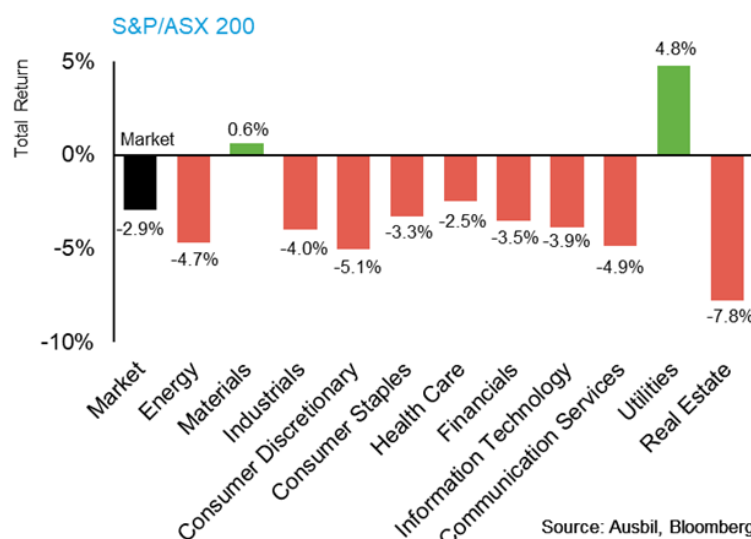
At a stock level, the overweight positions in Sandfire Resources, Evolution Mining, ResMed, Rio Tinto, Pilbara Minerals, Pro Medicus and Suncorp added to relative performance. The nil positions in Woodside Energy Group, Aristocrat Leisure and Mirvac also added value. Conversely, the overweight positions in Charter Hall Group, Block, James Hardie, Brambles, Xero and Goodman Group 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 200 Accumulation Index delivering -2.9%, bringing the trailing market 1-year return to +9.1%.

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.



Fund Characteristics

Returns¹ as at 30 April 2024

| Period | Fund Return ¹ % | Bench- mark ² % | Out/Under- performance % |
|---|-------------------------------|----------------------------------|--------------------------------|
| 1 month | -3.38 | -2.94 | -0.44 |
| 3 months | 4.27 | 1.04 | 3.24 |
| 6 months | 21.86 | 15.17 | 6.69 |
| 1 year | 11.43 | 9.07 | 2.36 |
| 2 years pa | 3.13 | 5.90 | -2.77 |
| 3 years pa | 4.89 | 7.30 | -2.41 |
| 4 years pa | 13.51 | 12.74 | 0.77 |
| 5 years pa | 9.63 | 8.00 | 1.63 |
| Since inception pa Date: 31 Jan 2018 | 9.20 | 8.11 | 1.08 |

Top 10 Stock Holdings

| Name | Fund % | Index ² % | Tilt % |
|-------------------------|-----------|-------------------------|-----------|
| Commonwealth Bank | 8.81 | 8.41 | 0.40 |
| CSL | 7.77 | 5.87 | 1.90 |
| National Australia Bank | 5.51 | 4.61 | 0.90 |
| Macquarie Group | 4.91 | 2.95 | 1.96 |
| Wesfarmers | 4.83 | 3.32 | 1.51 |
| Goodman Group | 4.69 | 2.40 | 2.29 |
| Rio Tinto | 4.11 | 2.12 | 1.99 |
| ANZ Bank | 4.11 | 3.71 | 0.40 |
| Sandfire Resources | 3.90 | 0.19 | 3.71 |
| Woolworths | 3.15 | 1.71 | 1.44 |

Sector Tilts

| Sector | Fund % | Index ² % | Tilt % |
|------------------------|---------------|-------------------------|-------------|
| Energy | 1.63 | 5.11 | -3.47 |
| Materials | 15.13 | 22.47 | -7.34 |
| Industrials | 6.28 | 6.17 | 0.11 |
| Consumer Discretionary | 6.35 | 6.98 | -0.64 |
| Consumer Staples | 3.15 | 4.04 | -0.89 |
| Health Care | 12.38 | 9.66 | 2.72 |
| Financials | 31.80 | 30.80 | 1.00 |
| Information Technology | 12.04 | 4.42 | 7.62 |
| Communication Services | 2.74 | 2.32 | 0.43 |
| Utilities | 0.00 | 1.46 | -1.46 |
| Real Estate | 8.35 | 6.57 | 1.78 |
| Cash | 0.14 | 0.00 | 0.14 |
| 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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ESG Review

During April, Ausbil had a number of company meetings that included ESG engagement, including a group meeting with Wesfarmers' sustainability team focused on responsible sourcing and their modern slavery risk management approach. As part of that, we suggested the Amader Kotha helpline in Bangladesh as a whistle-blower hotline alternative. This idea came out of the research trip that Ausbil undertook in Bangladesh in 2023. The conversation with Wesfarmers also included a discussion about WES approach to key risk raw materials, including cotton and polysilicon.

Ausbil also had a meeting focused on human rights through an external consultant hired by CSL to discuss key human rights-related risks facing CSL, including in the supply chain and blood plasma collection. This meeting also included a discussion on CSL's disclosure in their modern slavery statement.

Further, Ausbil engaged with ResMed on the company's approach on cyber security and AI, including the controls RMD has in place for AI.

Ausbil met with BHP's CFO to discuss their move on Anglo-American, including a discussion on the ESG-related due diligence undertaken. We also discussed the cultural fit of Anglo-American and BHP in terms of decarbonisation, health and safety performance (given the high number of fatalities that Anglo-American has had in the past), and community engagement. Ausbil engaged with Viva Energy who sought feedback from us on their Sustainability Report content, and our views on their decarbonisation pathway, including the Geelong Refinery & Safeguard Mechanism. In addition, we also engaged on their decisions regarding alternative energy projects. Ausbil also engaged with a number of other companies, including Origin Energy, Treasury Wine Estates, IDP Education, GPT Group and Ampol.

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 200 Index forecast EPS growth at -4.3% for FY24 and +3.0% for FY25. The market is now offering PE valuations of 16.3x and 15.9x for FY24 and FY25 respectively, with a dividend yield of 3.9% for FY24.

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