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Ausbil Australian Geared Equity Fund

Quarterly performance update

December 2024

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'In a nutshell, we believe that the market will trade higher next year, driven by lower rates, improved earnings, and the macro-economic outlook'

Performance Review

Fund performance for the quarter ending December 2024 was -6.27% (net of fees), versus the benchmark return of -0.81%, as measured by the S&P/ASX 300 Accumulation Index.

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

At a stock level, the overweight positions in Block, Xero, Aristocrat Leisure, Origin Energy, REA Group and Evolution Mining contributed to relative performance. The nil positions in Fortescue, Woolworths, Mineral Resources and Newmont Corporation also added value. Conversely, the overweight positions in Lynas Rare Earths, Pilbara Minerals, Web Travel Group, BHP, Sandfire Resources, BlueScope Steel, IGO, NextDC and James Hardie detracted from relative performance. The nil position in Westpac Bank also detracted value.

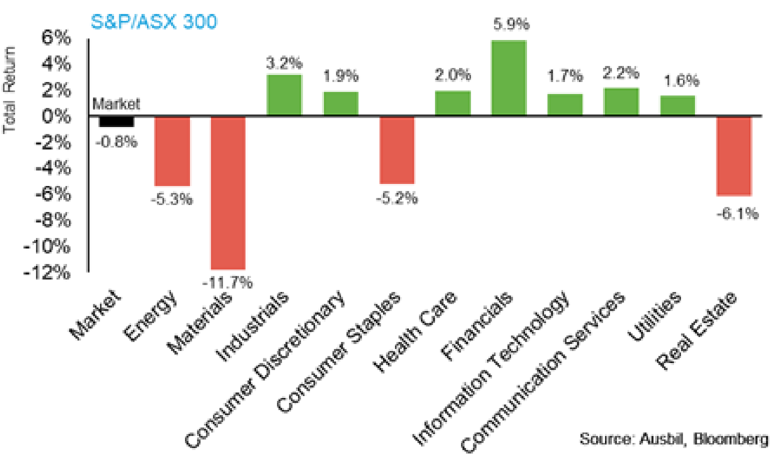
Market Review

Markets were down in December with Trump 2.0 uncertainty and the prospect of fewer rate cuts in the US. The S&P/ASX 300 Accumulation Index fell by -3.1%, bringing the trailing market 1-year return to +11.4%.

Across the December quarter, 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. Australia was weak on worries about China growth and the potential rewriting of global trade relations in 2025.

At the sector level this quarter, Energy, Materials, Consumer Staples and Real Estate were the laggards. Financials led the positive sectors, as shown in the chart.

Sector returns – December Quarter 2024



Source: Ausbil, Bloomberg

Fund Characteristics

Returns[1] as at 31 December 2024

Period	Fund Return %	Benchmark[2] %	Out/Under-performance %
1 month	-8.26	-3.07	-5.19
3 months	-6.27	-0.81	-5.46
6 months	6.73	6.94	-0.21
1 year	11.60	11.39	0.22
2 years pa	14.79	11.76	3.03
3 years pa	7.60	7.06	0.55
5 years pa	11.29	7.97	3.33
7 years pa	11.93	8.41	3.51
10 years pa	12.73	8.52	4.22
15 years pa	10.25	7.83	2.41
Since inception pa Date: May 2007	5.40	5.82	-0.42

Top 10 Stock Holdings

Name	Fund %	Index[2] %	Tilt %
BHP	21.76	8.02	13.74
Commonwealth Bank	19.54	10.25	9.28
CSL	14.54	5.45	9.09
National Australia Bank	14.18	4.56	9.62
Macquarie Group	10.86	3.14	7.72
Goodman Group	9.42	2.72	6.69
Xero	8.06	0.97	7.10
ANZ Bank	7.31	3.40	3.91
Block	7.23	0.26	6.96
Rio Tinto	6.91	1.74	5.16

Sector Tilts

Sector	Fund %	Index[2] %	Tilt %
Energy	6.86	4.24	2.63
Materials	55.61	18.82	36.80
Industrials	2.98	6.33	-3.35
Consumer Discretionary	13.53	7.79	5.74
Consumer Staples	5.68	3.71	1.97
Health Care	18.81	9.89	8.92
Financials	64.79	33.64	31.16
Information Technology	23.51	4.87	18.64
Communication Services	5.63	2.42	3.21
Utilities	6.31	1.38	4.92
Real Estate	11.80	6.92	4.89
Cash	-115.52	0.00	-115.52
Total	**100.00**	**100.00**	**0.00**

1. Fund returns are net of fees but before taxes.
2. The benchmark S&P/ASX 300 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 in 2025.

The new Trump administration is taking shape for the handover of power on 20 January. The potential geopolitical upheaval from promised tariff wars is very real now, and markets are braced for the unknown. We believe the overall pro-growth, pro-business stance of Trump will override general concerns, but we are watching events closely and ensuring we are positioned in sectors and names that stand to benefit from the impending policy changes, such as in energy, US tax stimulus and onshoring.

The market is showing a wide dispersion of opportunities, and many in companies that are globally facing and market leaders in their sectors. With an improving growth outlook, we are seeing opportunity in cyclical names. This includes resources, the construction materials and consumer discretionary sectors. With economic growth improving and the potential for monetary easing to support consumer spending, we think that some exposure to the best bank and diversified financials is important in 2025.

In a nutshell, we believe that the market will trade higher next year, driven by lower rates, improved earnings, and the macro-economic outlook, with the possibility of increasing corporate activity. We think that earnings will be better than expected by the market for FY25, and we are less focused on defensive names and more invested in growth and cyclical names to take advantage.

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