

Ausbil Australian Emerging Leaders Fund

Quarterly performance update

September 2024

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'We think that consensus is being overly negative about the outlook for FY25 earnings growth, and we expect to see a retracement in this position'

Performance Review

Fund performance for the quarter ending September 2024 was +10.16% (net of fees) versus the benchmark return of +8.59%. The benchmark is a composite, 70% of the S&P/ASX MidCap 50 Accumulation Index and 30% of the S&P/ASX Small Ordinaries Accumulation Index.

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

At a stock level, the overweight positions in Charter Hall Group, Zip, Lynas Rare Earths, WiseTech Global, Pro Medicus, Judo Capital, Life360, Guzman Y Gomez and HUB24 contributed to relative performance. The nil position in Steadfast Group also contributed to value. Conversely, the overweight positions in Megaport, Boss Energy, Web Travel Group, Whitehaven Coal, Challenger and Endeavour Group detracted from relative performance. The nil positions in JB Hi-Fi, TechnologyOne, Vicinity Centres and Orora also detracted value.

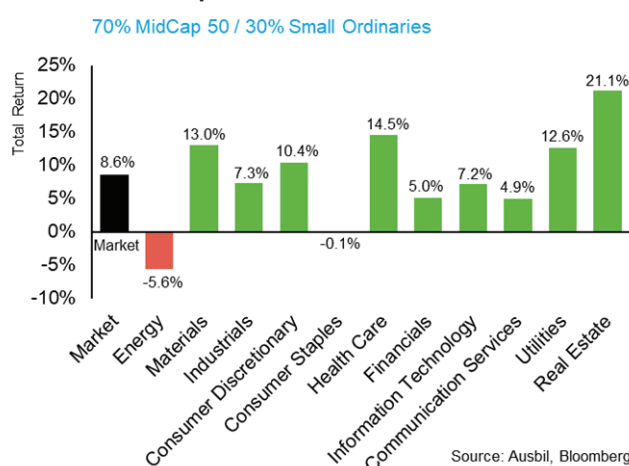
Market Review

The September quarter was positive for equities with the US Federal Reserve cutting interest rates slightly more than expectations (50bps) combined with a rate cut in China with the additional promise of more stimulus (monetary and fiscal) as needed to achieve GDP targets. The Composite Benchmark (70% S&P/ASX MidCap 50 and 30% S&P/ASX Small Ordinaries accumulation indices) delivered a positive return of +8.6%, bringing the trailing market 1-year return to +18.7%.

Globally, emerging markets (MSCI EM) outperformed developing markets (MSCI World). With the exception of Japan, all major developed markets were up in September.

At a sector level, performance was largely positive across the September quarter, with the exception of Energy which is under pressure from the combination of weaker than expected demand, and concerns regarding the potential that Saudi Arabia may be considering changing its oil price strategy and increasing output into an already well supplied market.

Sector returns – September Quarter 2024



Fund Characteristics

Returns¹ as at 30 September 2024

| Period | Fund Return ¹ % | Benchmark ² % | Out/Under performance % |
|--|-------------------------------|-----------------------------|----------------------------|
| 1 month | 5.20 | 3.66 | 1.53 |
| 3 months | 10.16 | 8.59 | 1.57 |
| 6 months | 8.93 | 4.88 | 4.04 |
| 1 year | 18.37 | 18.74 | -0.37 |
| 2 years pa | 14.58 | 13.90 | 0.68 |
| 3 years pa | 4.50 | 4.42 | 0.08 |
| 5 years pa | 10.68 | 8.80 | 1.88 |
| 7 years pa | 9.35 | 9.52 | -0.17 |
| 10 years pa | 9.48 | 10.64 | -1.16 |
| 15 years pa | 8.48 | 8.03 | 0.46 |
| 20 years pa | 9.39 | 8.17 | 1.23 |
| Since inception pa Date: April 2002 | 10.70 | 9.12 | 1.58 |

Top 10 Stock Holdings

| Name | Fund % | Index ² % | Tilt % |
|----------------------------|-----------|-------------------------|-----------|
| Seven Group | 4.13 | 1.96 | 2.17 |
| Charter Hall Group | 3.91 | 1.72 | 2.19 |
| Lynas Rare Earths | 3.84 | 1.59 | 2.25 |
| Washington H Soul Company | 3.79 | 1.95 | 1.84 |
| REA Group | 3.73 | 2.37 | 1.37 |
| Pro Medicus | 3.71 | 2.21 | 1.50 |
| Evolution Mining | 3.27 | 2.10 | 1.16 |
| Cleanaway Waste Management | 3.25 | 1.50 | 1.75 |
| Challenger | 3.22 | 0.77 | 2.45 |
| Qube | 3.21 | 1.59 | 1.62 |

Sector Tilts

| Sector | Fund % | Index ² % | Tilt % |
|------------------------|---------------|-------------------------|-------------|
| Energy | 10.90 | 7.75 | 3.15 |
| Materials | 16.78 | 19.06 | -2.28 |
| Industrials | 16.21 | 14.02 | 2.20 |
| Consumer Discretionary | 1.76 | 9.32 | -7.56 |
| Consumer Staples | 4.80 | 4.46 | 0.34 |
| Health Care | 6.48 | 7.88 | -1.40 |
| Financials | 15.30 | 13.30 | 2.00 |
| Information Technology | 16.83 | 12.25 | 4.59 |
| Communication Services | 1.80 | 1.54 | 0.26 |
| Utilities | 2.97 | 1.64 | 1.33 |
| Real Estate | 4.83 | 8.79 | -3.97 |
| Cash | 1.35 | 0.00 | 1.35 |
| Total | 100.00 | 100.00 | 0.00 |

1. Fund returns are net of fees and gross of taxes.

2. The composite benchmark is 70% S&P/ASX Midcap 50 Accumulation Index and 30% S&P/ASX Small Ordinaries Accumulation Index.



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Outlook

The August FY24 reporting season was a weak one, and market expectations for FY25 earnings growth fell contrary to Ausbil's view that earnings will grow. At the end of Q3 calendar 2024, we think that consensus is being overly negative about the outlook for FY25 earnings growth, and we expect to see a retracement in this position as data shows that the environment is far more positive than the market is currently crediting. The surprise China rate cut in September and their express commitment to further stimulus as needed added a tailwind to Ausbil's positive earnings growth outlook.

We remain focused on the key themes that are driving long-term earnings growth, particularly where imbalances see demand exceeding supply on a fundamental basis for some time. Our house view that economic growth will bottom in calendar 2024, after which we see it firming into calendar 2025 means that we see some return of select cyclical exposures in addition to key themes 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 remain significant themes that 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 these will play in renewable energy, energy storage and upgrading electrical grids worldwide.

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. These enablers include data centres, energy and energy storage that backs-up data processing, telecommunications and internet companies that support the web of connectivity and data. We also like beneficiaries of the digital revolution, companies that are able to leverage the networking and processing power offered by enablers to capture more business, more customers and at lower and lower costs.

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