Contactus@
ausbil.com.au

ausbil

Ausbil's outlook for the economy, equities and markets in 2024

Research & Insights

December 2023

Ausbil Investment
Management Limited
ABN 26 076 316 473
AFSL 229722
Level 27
225 George Street
Sydney NSW 2000
GPO Box 2525
Sydney NSW 2001
Phone 61 2 9259 0200

Ausbil's Paul Xiradis, Executive Chairman, Co-founder and Chief Investment Officer of Ausbil Investment Management, and Jim Chronis, Chief Economist, share their thoughts on the outlook for Australia's economy, markets and company earnings.

10-minute read

Key points

- We have experienced 15-years of ongoing abnormal emergency settings in monetary policy, including pandemic-driven extraordinary fiscal policy since 2020. Heading into 2024, the economy is now in the early stages of normalisation.
- While there is much geopolitical risk, the global economy is on an upward path, and is expected to grow by 3.2% in 2024 on Ausbil's forecasts.
- Australia's advantage in global resources places it well ahead of other developed economies in supporting activity and avoiding a recession. Ausbil expects Australian GDP growth of 1.75% in 2024.
- Low unemployment, record levels of household savings, strong terms of trade, structural support for commodity prices, and net migration all support this view. Recent data has been confirming this view, which Ausbil has held for some time.
- While we believe inflation has peaked, there remains upside risks in terms of dwelling and energy costs, and other supply shocks that requires close monitoring of these key inflationary pressures.
- In this environment, we believe earnings growth will be harder to find. Compared to the stellar earnings growth of 22% in FY22 and 30% in FY21 in the pandemic rebound, we view earnings growth stabilising into FY24. There is room for some upward surprise in certain sectors as Australia's economy remains relatively resilient and is operating near full employment. The overall consensus EPS growth outlook for FY24 is for a contraction in earnings of -4.0% (S&P/ASX 200).

Paul Xiradis
**Executive Chairman,
Chief Investment Officer,
Head of Equities**

Jim Chronis
**Chief Economist, Associate
Director – Debt and
Diversifieds**

Q: Jim, after almost two years of rampant rate rises, how would you describe the macro environment heading into 2024?

JC: In one word, 'normalising' is how I would describe the macro environment we are heading into. We have come off abnormal monetary policy settings since the Global Financial Crisis in 2008. We first thought the normalisation was coming in 2018 when the Federal Reserve commenced quantitative tightening. However, the Fed pivot in early 2019, and then the global pandemic in 2020 ensured that monetary policy remained abnormal until now, where the Fed appears to be on an extended pause in its war against inflation. Looking ahead, with inflation falling, though sticky, we are seeing a more normal financial and economic environment appearing, one with inflation tracking lower, real yields on the 10-yr Treasury returning to the long-run average of around 2-2.5% from being negative, and term premia for the risk of investing over time returning to positive territory from a decade in pronounced negative territory. We see 2024 as a key part of this normalisation, where rates plateau, companies get used to borrowing at normal rates, and where equity valuations have been rebased to take into account this new level of more normal rates. Of course, there remains a risk with the slowing economy, though we do not think this risk extends to recession at this stage.

ausbil

Q: Can you describe how the Australian economy is doing at the moment?

JC: The Australian economy performed well in 2023, and is expected to continue performing into 2024. The stronger performance is uniquely related to our geographic exposure to the faster growth engines of the Asia-pacific region, compared to the slower regions of the global economy.

Australia will continue to benefit as a net exporter of commodities, driven by the ongoing cyclical rise in resources demand, and the underlying long-term structural trends, including decarbonisation, that are commodity demand intensive. In addition, Australia will also benefit from China's politburo announcing targeted measures supporting fading momentum in domestic activity; in particular, expanding the central budget deficit by an additional 0.8% to 3.8% of GDP to meet China's growth target of 5%. This was implemented through an infrastructure stimulus package to be funded by at least 1 trillion yuan (US$137 billion) of additional sovereign debt. There is also an increasing likelihood of another US$137 billion in direct credit funding from the Peoples Bank of China targeting the housing sector in the lower tiered cities and western regions, which will offer low-cost financing for urban village renovation and affordable housing programs. This should result in an injection of money in phases into public programs via policy banks and via options including the Pledged Supplemental Lending Facility.

Table 1: Asia-pacific growth engine to outpace the US and Europe

Real GDP % year average November 2023	10 yr. average 2010 to 2019 %	Re-opening Actual 2022 %	Official Sector Consensus 2023 (f) %	Official Sector Consensus 2024 (f) %	Ausbil 2023 (f) %	Ausbil 2024 (f) %
United States	2.3	2.1	2.0	1.5	2.0	1.7
Japan	1.2	1.0	1.5	1.0	1.3	1.1
Eurozone	1.4	3.4	0.7	1.1	0.7	1.4
China	7.7	3.0	5.1	4.6	5.1	4.8
India	7.0	7.2	6.2	6.2	5.9	6.5
Australia	2.6	3.7	1.4	1.5	2.1	1.75
Global GDP	3.7	3.4	3.0	3.0	3.0	3.2

Source: FactSet, Ausbil, 2023.

Australia's GDP growth is forecast by Ausbil at 1.75% in 2024 (revised from 1.6%), but still sub-trend, with the drag on activity primarily coming through the household consumption channel flowing into 2024. The labour market remains resilient with the unemployment rate ticking higher to 4.1%, below the NAIRU (natural rate of unemployment) Reserve Bank of Australia (RBA) estimate of 4.5%.

Overall, activity will be supported by the terms of trade, full employment, a reducing savings rate and the gradual rundown in the stock of excess savings. Private households currently have A$286 billion in excess savings. Of that excess, A$138 billion is sitting in mortgage offset and redraw accounts. We estimate the savings drawdown rate at A$10 billion per quarter supporting subdued consumption of 0.3% per quarter and mortgage repayments. That said, as the situation is fluid, we are watching the data very closely for any signs of deterioration, or any consumer stress that emerges. Meanwhile, the positive terms of trade, growing income tax receipts and lesser outlays has seen fiscal policy move dramatically from cyclical deficit into surplus, which is expected to continue over the medium term.

Population growth and net migration have rebounded and are now close to pre-COVID highs. This is supportive for Australia's economic growth, our skilled workers pool, the property market and consumer spending. Labour supply will increase the participation rate, and the

About Ausbil Investment Management

employment-to-population ratio should remain around record highs. The ratio of the number of unemployed persons per job vacancy is currently 1.4:1, compared to 3:1 prior to the pandemic. We are forecasting a modest uptick in unemployment to 4.1%, but with the economy holding on to broad-based gains.

We are forecasting a gradual moderation in underlying domestic inflation over 2024 to 3.4%, still above the upper central bank target level. The moderation is driven by ongoing supply-side improvements against an expected pick-up in nominal wages growth. We see real wages growing in the June quarter 2024 with headline CPI at 4.0%, and the wage price index at 4.4%. However, persistent higher wages and resilient employment outcomes will see the RBA biased to raising interest rates.

Structural demand for resources will underpin the Australian dollar with the AUD expected to appreciate into the range of US70 cents, and the trade weighted basket remaining steady since the tightening cycle commenced. Since July, the RBA has exercised caution in adjusting rates given policy lags and underlying macro uncertainties. Although policy decisions are subject to incoming data from meeting to meeting, the Board highlighted the upside risk that "services price inflation has been surprisingly persistent overseas and the same could occur in Australia." Ausbil is forecasting the cash rate as being sustained in restrictive territory at these levels for an extended period, and the data supports a higher probability of another rate hike. This is based on our view that the real cash rate should be in the range of 1.5% to 2.0%, bringing it in-line with the US real cash rates currently at 2.0 to 2.5%. This should allow companies and consumers alike to readjust to a more stabilised policy environment. Meanwhile, the RBA will be monitoring the global economy, household spending, and wage and price-setting behaviour. In summary, we do not see Australia entering a recession, a view we have held for some time, and consensus is increasingly adopting a similar view.

Q: Can you explain some of the risks to your macro view?

JC: We see a range of critical risks on the macro side, and in geopolitics that are of concern and warrant close attention. On macro, we are watching for signs of a slowing economy and risks of recession, though we do not believe Australia will enter recession. We are watching inflation, which remains sticky with some upside risk. We are looking at the rebound in real rates, especially the 10-year Treasury real rate which has rebounded from negative territory, and repriced global equity markets in the process, alongside all other assets.

There is also the risk that inflation could fall more quickly than the market is anticipating, which could open the possibility of earlier rate cuts to support economic growth. This would be a tailwind for those assets and sectors that have adjusted downward from higher interest rates, as well as benefitting cyclicals in general.

On geopolitics, the developments between Israel and Hamas in the Middle East are concerning to all investors. In the context of Russia's invasion of Ukraine, and ongoing political tensions with China, the world is now at a state of heightened tension and uncertainty. Both wars may be significantly impactful on energy prices. In this environment, there is significant risk of further oil price inflation, placing upward pressure on interest rates. There is also the risk of further drag on economic growth, which is a concern for markets.

Q: What is your outlook for the local and global economy?

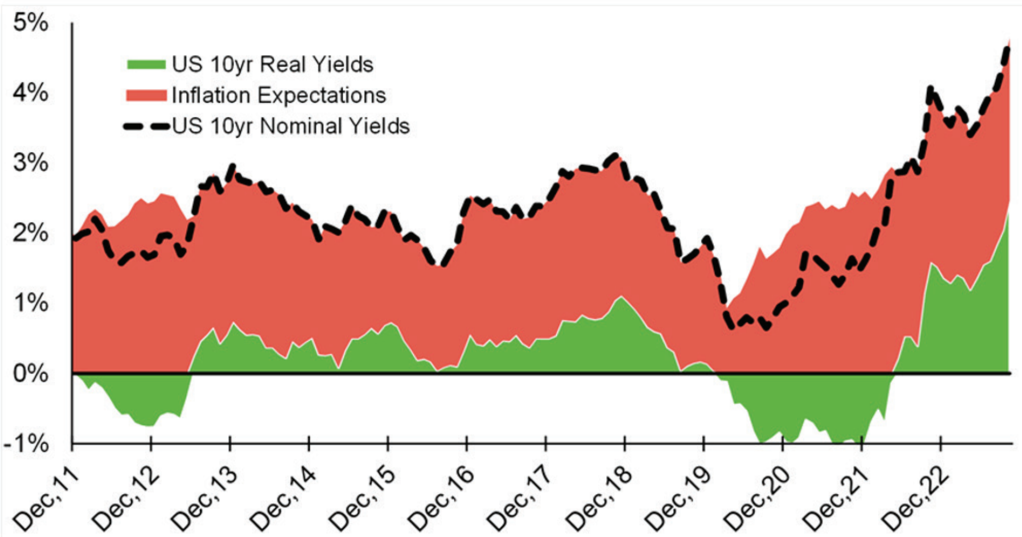
JC: We see the macroeconomic settings returning to more normal levels. We see global cash rates on an extended pause with authorities adopting a subjective risk management approach to policy. That is, there is an asymmetric bias in settings, with a low threshold required to tighten compared to a higher threshold to contemplate an easing. In essence, the monetary response function is succinctly expressed as to "pause, assess and move rates again if needed." This will continue into 2024 until rates have fallen back into central bank target ranges.

The structural long-run themes of decarbonisation and slowing globalisation will be commodity demand intensive and will underpin real activity. Global GDP growth has been revised higher as it is on a clearer upward path towards 3.2% in 2024 on a better performing US, as illustrated in Table 1. The Asia-Pacific growth engine, particularly India and China, is expected to outpace the US and a weak Europe. In this context, we have revised US growth higher to 1.7% in 2024.

Q: Paul, how are you seeing the market across calendar 2024?

PX: The pandemic and post-pandemic period have been extraordinary times in history. We had unprecedented global monetary and fiscal stimulus drive the economy back to growth from 2020, then unprecedented rapid monetary tightening in 2022 and 2023 when inflation blew through central bank target bands from 2021 and into 2022. Rates had been falling for 40 years, then suddenly they were rising. The free carry all assets enjoyed from falling rates had vanished, and was working in the other direction. As a result, we saw asset markets including equities repriced downward across 2022 and 2023 in the course of the great monetary normalisation through the impact of rising real yields (Chart 1). While rates rose rapidly, most of the movement was really the return to more normal settings as emergency monetary settings like negative rates and quantitative easing had variously been in place since the Global Financial Crisis in 2008.

Chart 1: The kick-up in real 10-yr yields across the tightening cycle



Source: Ausbil Global Listed Infrastructure, FactSet.

The recent tightening cycle was a multi-decade turning point in interest rates that most in the market have never experienced, not so much in the quantum of change, but in the relative size of the movement from when they started.

If you believe that rates are around their new peaks which we do, especially given that the US 10-yr Treasury is trading at a real rate near its long-term average, then it would suggest the market has re-based on valuation in this new rate environment. The next question becomes, which opportunities are better value and offer higher earnings growth expectations in this new environment?

Q: Paul, what is Ausbil's outlook for the economy in 2024 telling you about earnings and earnings growth?

PX: Our reading of the economy is that with economic growth harder to come by in 2024, so will be the case for system earnings growth. However, the average outcome for EPS growth in FY24 and into FY25 masks several areas in the economy where we expect to see growth.

From the perspective of cyclicality, the market is currently balanced on edge, between a negative view based on household spending that is being impacted by high inflation, higher rates, utilities and food costs; and a positive outlook that sees households adjusting because of a relatively resilient economy and a cushion of excess savings. In cyclical sectors there are some names that still standout, but overall, we remain cautious. In this market, with a sub-trend economic growth outlook, Ausbil favours earnings growth from GDP agnostic sectors and stocks, and quality leaders with demonstrated operational and pricing leverage. Quality telecommunications are expected to perform in this environment.

From the viewpoint of opportunity to generate growth, we expect earnings growth to come from fundamental demand generated by a number of themes, including: demand for resources from China; the shift to decarbonisation and the electrification of things; global changes in energy markets; and specific opportunities in technology companies that are cashflow positive and can generate positive earnings growth. Because growth opportunities are notionally longer in duration, the increase in real rates means that good opportunities for earnings growth in this space are cheaper than before the rate rises.

Q: You mention China. What is the current view on China demand for Australian exports?

PX: China's growth momentum as it came out of lockdowns has disappointed relative to increasing expectations in 2023. China has extended stimulus to build infrastructure and lowered some rates in the credit structure that impact real estate. In the context of a general politically thawing in relations with the US and Australia, the conditions are set as China rejoins the international global community in terms of renewed trade relations and a ramp-up in activity. China is also likely looking to slow the structural theme of reshoring and de-globalisation, increasing global competition for customers and resources. With the steady restoration of Chinese demand, we expect to see base metal prices supported and higher, and rising demand for future facing metals as we head into calendar 2024. Resurgence in China demand is also expected to underpin Australia's economy relative to other developed markets.

Q: What about decarbonisation? Can you describe where you see the opportunities?

PX: Decarbonisation remains a key driver of Australia's markets, with positive ramifications for the metals and mining, and energy sectors. Critical metals and commodities will benefit across the long rotation from fossil fuels to renewables in the great decarbonisation, and the electrification-of-things, driven by the building and upgrading of electricity transmission and storage infrastructure, with the steady switch from combustion and fossil fuel power to renewable electricity generation. This is a long game which requires a significant amount of investment. Service companies associated with the cap-ex investment needed for this energy transition are also attractive.

On energy, oil output is increasingly controlled by OPEC+ members. With the war in Ukraine, energy prices have been elevated. Trouble in the Middle East with the terrorist attack on Israel by Hamas, and the consequent war which has started between Israel and a number of neighbouring states, has raised the stakes again in energy and especially oil, with prices expected to firm again. As with key metals and bulk materials, chronic underinvestment in capacity is seeing demand outstrip supply. We expect the structural transition to renewables from fossil fuels will take longer than expected, resulting in stronger underlying base energy demand.

Q: Paul, you have been a big investor in banks over the years. What is your outlook for banks in 2024?

PX: As I have said many times, banks are a leveraged play on the economy, and for that reason, they tend to track the path of economic growth. On a net basis, banks are now faced with higher funding costs with the normalisation of monetary policy, although there is likely a lessening of competition on rate offerings for the lending segment of the market. This should see reduced pressure on net interest margin throughout the year. Furthermore, the better-than-planned balance sheet provisioning for bad and doubtful debts is expected to be benign as the unemployment rate remains stable at around current levels, and less than the 4.5% estimated by the RBA. Whilst we see 2024 as a trough period for margins and volumes, and hence earnings, strong capital levels will continue to support sustainable dividend yields.

General insurers (GIs) have performed well as interest rates have normalised, and we expect topline growth to remain elevated through premium growth. Both these factors have been positive for the general insurance sector. When rates begin to fall, growth will be driven by premiums and claims inflation.

Q: You mentioned that the technology sector had some potential for earnings upside in 2024. What are you seeing here?

PX: While Australia's equity market has long been seen as dominated by resources, banks and REITs, with a small to negligible tech sector, over the past few decades we have seen the emergence of a thriving and profitable technology hub. The ASX is now offering quite a unique range of tech names and opportunities, in online services, data centres, AI, data security and many other areas. The S&P/ASX 300 has around 33 technology names, across diverse areas of business. Higher rates had punished the technology sector in general, but with rates now stabilising at a more normal setting, the outlook is improving again for technology companies, particularly those with pricing power, strong and defendable markets and globally addressable opportunities for expansion, and which are also already cash flow positive and profitable.

While we may not hold all these names, Australia has some impressive technology-driven firms operating across different sectors that are global leaders in what they do and have huge addressable marketplaces, such as Block, Xero, Altium, Carsales.com, REA, Domain Group, Webjet, Life360, Megaport, WiseTech Global and NextDC. We are expecting to see some rerating of quality information technology stocks, especially those that are earnings positive and have strong EPS growth outlooks.

Q: Another sector you say is showing some improvement is REITs. What are you thinking about REITs in 2024?

PX: After a period of underperformance, REITs could be showing some promise in 2024, but it is critical that investors look at the right sectors within the REIT market as there is some disparity on performance. From a thematic perspective, some REITs like Goodman Group in the industrial and warehousing sector have benefited significantly from the rise in e-commerce logistics and mega-warehousing, and the growth of AI-driven automation for clients such as Amazon and Woolworths. During COVID, and in the ensuing boom in work-from-home, the opposite occurred in commercial office assets, with tenants struggling and higher vacancies cycling into lower valuations for commercial office stalwarts like GPT and Dexus. Retail REITs have also struggled largely with the secular shift to e-commerce which accelerated significantly during the pandemic, with the consumer changing and centre volumes falling. This has impacted companies like Scentre Group. Finally, rising mortgage rates had slowed the sale of new homes and apartments, impacting housing exposed REITs like Mirvac and Stockland.

Across the whole sector, after 40-years of compressing cap rates that corresponded with major rises in valuations, the recent aggressive monetary policy normalisation saw cap rates expand, and values fall across all REIT assets. This was partially offset by ratchet clauses in rental contracts that allow for them to capture rising inflation.

While the headwinds mentioned have not completely passed, we think share prices already reflect these challenges and some green shoots may be evident. With more office engagement and less work from home, and with cities having resumed normal activity following the pandemic, the office sector seems to be relatively undervalued for its future earnings profile, for example sector proxies like GPT. The growing focus on housing and government support for new policies to expand the stock of housing, and the stabilisation of monetary policy is expected to see residential REITs like Mirvac benefit. Retail REITs remain in the vortex of changing consumer behaviour and a secular shift to online, and for this reason we are not invested in this sector. The logistics REITs like Goodman have continued to benefit from their underlying thematic drivers and with inflation adjustment to leases.

While some risks remain, particularly that real rates could rise further, and cap rates rise with them, any short-term shock to REITs at the end of this normalisation process would offer additional buying opportunity for the best REITs in the sector.

Q: What do you see as the key risks to earnings in the coming year?

PX: With respect to earnings growth, there are a number of key risks, including:

- stubborn inflation (input cost pressure, wages pressure);
- high interest rates (debt costs, slowing economic activity);
- a slowing in economic growth well below trend, with heightened risk of recessionary conditions (though Ausbil does not currently expect recession);
- stagflation if the economy slows and unemployment rises without a fall in inflation (Ausbil does not currently expect stagflation);
- energy surety, short-term supply, and long-term independence;
- consumer and business sentiment in a slowing economic environment; and
- household balance sheets and the impact of higher rates, rents and costs of living.

We are monitoring these risks carefully on a top-down, bottom-up perspective. To put this mosaic of risks into perspective, there is always a prevailing set of risks when we assess our company outlook, and in the end, we anchor to companies that we expect have the best earnings growth outlook for the year ahead. We do this with regard to our macro outlook on which sectors are most advantaged in the current economic conditions through our top-down process. This approach has helped us generate a 26-year track record of outperformance across a range of major crises.

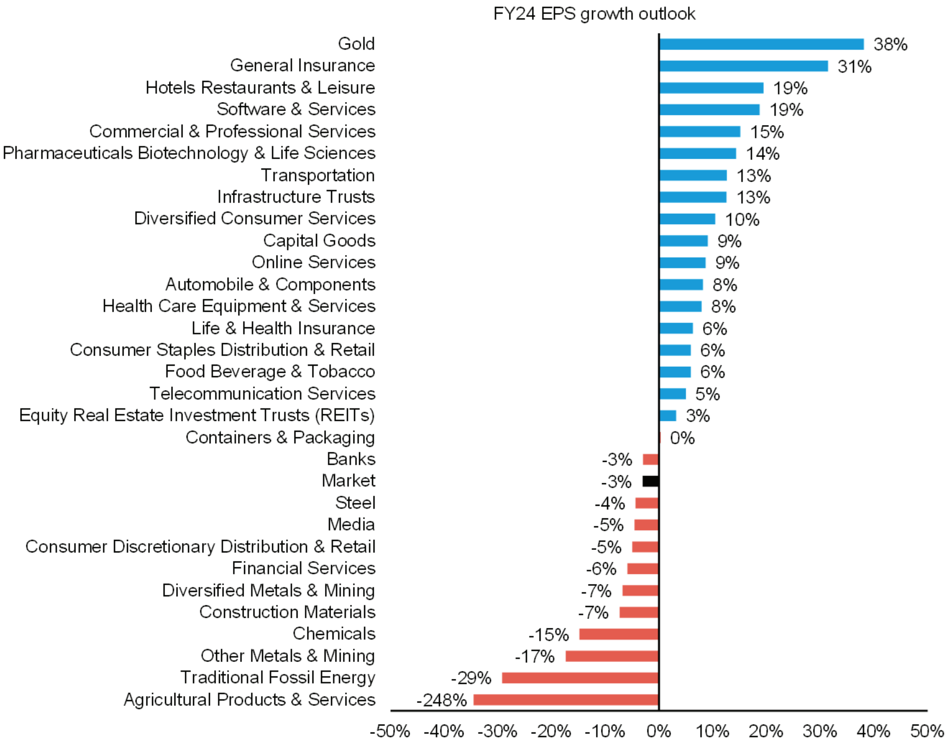
Q: What is your overall outlook for earnings growth in FY24?

PX: The economy is slowing, as intended, and we see economic growth below trend in 2024, but with some support from resources demand especially, that will see Australia avoid recession. In this environment, we believe earnings growth will be harder to find, but we still expect there to be pockets of growth. On aggregate, we see earnings growth for FY24 at a similar level to FY23. There is room for some upward surprise in certain sectors as Australia's economy remains relatively resilient and is operating near full employment.

On EPS growth, FY23 earnings growth was slightly down, which compared to FY21 (+30%) and FY22 (+21%) where earnings were driven by massive fiscal and monetary stimulus, represented a huge stall in earnings growth as the market adjusted to the normalisation of rates. If FY23 could be described as a 'growth pause' in earnings, we would suggest FY24 will be another flat year of earnings growth that can best be described as a 'consolidation' as balance sheets and P&Ls normalise for a future where interest rates are more normal, and only genuine growth in earnings matters.

Chart 2 illustrates the earnings growth outlook for FY24 for the S&P/ASX 200 at the end of reporting season. For background, you can read our FY23 reporting season wrap here for key observations by sector.

Chart 2: Post-reporting FY24 earnings outlook



Source: FactSet, Ausbil.

In aggregate terms, the market is expecting negative earnings growth to June 30 financial year 2024. On balance, we see risks to the upside relative to consensus driven by better than forecast commodity prices, particularly for the bulks and energy. In the non-resource sectors, better earnings growth outcomes are likely in the health care, technology, telecommunications, commercial services, and to a lesser extent the banking sector.

Higher interest rates have had an adverse impact on structured and highly leveraged businesses given rising funding costs. Sectors that had been impacted by the sustained higher rates included infrastructure, through the long duration impact on cashflow income streams; and REITs, through rising cap rates, lower occupancy rates, higher funding and high levels of indebtedness relative to adjusted lower NTA.

While rising rates had punished technology names across 2022, the plateauing and normalisation of rates as well as cost-out programs saw them re-rating in 2023. Ausbil sees technology as a potential earnings rerate in FY24, however, as most are long duration growth assets, the impact will be variable. We expect pressures on valuation multiples overall, particularly for non-profitable tech stocks. We are selective, and favour tech with underlying sustainable cashflows with strong and growing earnings.

Value is also emerging in quality REITs, particularly those with exposure to data centres and housing given population growth. Certain names within the infrastructure space are also offering value following the recent downward adjustment in prices.

The overall valuation of the Australian equity market is currently sitting close to long-term average multiples on a suppressed earnings outlook. Despite this, our conclusion on earnings growth opportunities heading into calendar 2024 is that the average never really tells the story on its own. Consensus currently expects earnings contraction in FY24 of -4.0% for the S&P/ASX 200, then a return to earnings growth of +4.7% in FY25, however we believe that earnings growth well above the system can be achieved in some sectors in FY24, and through key quality opportunities looking ahead.

Contact Us

Institutional

Mark Knight
Chief Executive Officer
Phone 0438 307 841
Email mark.knight@ausbil.com.au

Adrian Amores
Head of Global Institutional Distribution
Phone 0435 962 052
Email adrian.amores@ausbil.com.au

Fawaz Rashid
Senior Manager, Global Institutional Distribution
Phone 0401 830 483
Email fawaz.rashid@ausbil.com.au

Wholesale

Hik Chadirchi
Head of Wholesale Distribution
Phone 0424 160 728
Email hik.chadirchi@ausbil.com.au

Andrea McGarry
Business Development Manager, QLD & NT, Wholesale Clients
Phone 0411 465 426
Email andrea.mcgarry@ausbil.com.au

Dimitri Giannaras
Business Development Manager, NSW & ACT, Wholesale Clients
Phone 0431 576 815
Email dimitri.giannaras@ausbil.com.au

Marko Matosevic
Business Development Manager, VIC, TAS & WA, Wholesale Clients
Phone 0431 340 553
Email marko.matosevic@ausbil.com.au

William Orr
Business Development Manager NSW, Wholesale Clients
Phone 0402 620 188
Email william.orr@ausbil.com.au

DISCLAIMER

General

Research provided to a client may vary depending upon various factors such as a client's individual preferences as to the frequency and manner of receiving communications, a client's risk profile and investment focus and perspective (e.g., market wide, sector specific, long-term, short-term, etc.), the size and legal and regulatory constraints.

This information is for distribution only as may be permitted by law. It is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of, or located, in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or would subject Ausbil to any registration or licensing requirement within such jurisdiction.

This information is a general communication and is educational in nature; it is not an advertisement nor is it a solicitation or an offer to buy or sell any financial instruments or to participate in any particular trading strategy. Nothing in this document constitutes a representation that any investment strategy or recommendation is suitable or appropriate to an investor's individual circumstances or otherwise constitutes a personal recommendation. By providing this document, none of Ausbil or its representatives has any responsibility or authority to provide or have provided investment advice in a fiduciary capacity or otherwise. Investments involve risks, and investors should exercise prudence and their own judgment in making their investment decisions. None of Ausbil or its representatives is suggesting that the recipient or any other person take a specific course of action or any action at all. By receiving this document, the recipient acknowledges and agrees with the intended purpose described above and further disclaims any expectation or belief that the information constitutes investment advice to the recipient or otherwise purports to meet the investment objectives of the recipient. The financial instruments described in the document may not be eligible for sale in all jurisdictions or to certain categories of investors.

The value of any investment or income may go down as well as up, and investors may not get back the full (or any) amount invested. Past performance is not necessarily a guide to future performance. Neither Ausbil nor any of its directors, employees or agents accepts any liability for any loss (including investment loss) or damage arising out of the use of all or any of the Information.

Prior to making any investment or financial decisions, any recipient of this document or the information should take steps to understand the risk and return of the investment and seek individualised advice from his or her personal financial, legal, tax and other professional advisors that takes into account all the particular facts and circumstances of his or her investment objectives.

Any prices stated in this document are for information purposes only and do not represent valuations for individual securities or other financial instruments. There is no representation that any transaction can or could have been effected at those prices, and any prices do not necessarily reflect Ausbil's internal books and records or theoretical model-based valuations and may be based on certain assumptions. Different assumptions by Ausbil or any other source may yield substantially different results.

No representation or warranty, either expressed or implied, is provided in relation to the accuracy, completeness or reliability of the information contained in any materials to which this document relates (the "Information"), except with respect to Information concerning Ausbil. The Information is not intended to be a complete statement or summary of the securities, markets or developments referred to in the document. Ausbil does not undertake to update or keep current the Information. Any opinions expressed in this document may change without notice and may differ or be contrary to opinions expressed by other business areas or groups, personnel or other representative of Ausbil. Any statements contained in this Report attributed to a third party represent Ausbil's interpretation of the data,

Information and/or opinions provided by that third party either publicly or through a subscription service, and such use and interpretation have not been reviewed by the third party. In no circumstances may this document or any of the Information (including any forecast, value, index or other calculated amount ("Values")) be used for any of the following purposes:

(i) valuation or accounting purposes;

(ii) to determine the amounts due or payable, the price or the value of any financial instrument or financial contract; or

(iii) to measure the performance of any financial instrument including, without limitation, for the purpose of tracking the return or performance of any Values or of defining the asset allocation of portfolio or of computing performance fees.

By receiving this document and the Information you will be deemed to represent and warrant to Ausbil that you will not use this document or any of the Information for any of the above purposes or otherwise rely upon this document or any of the Information. Except as otherwise specified herein, these materials are distributed by Ausbil, to persons who are eligible counterparties or professional clients and are only available to such persons. The Information does not apply to, and should not be relied upon by, retail clients.

The information contained in this document is given by Ausbil Investment Management Limited (ABN 2676316473) (AFSL 229722) (Ausbil) and has been prepared for informational and discussion purposes only and does not constitute an offer to sell or solicitation of an offer to purchase any security or financial product or service. Any such offer or solicitation shall be made only pursuant to an Australian Product Disclosure Statement or other offer document (collectively Offer Document) relating to an Ausbil financial product or service. A copy of the relevant Offer Document may be obtained by calling Ausbil on +612 9259 0200 or by visiting **www.ausbil.com.au** and the target market determination which is available at **https://www.ausbil.com.au/invest-with-us/design-and-distribution-obligations/fund-tmds** before acquiring or investing in the fund. This document is for general use only and does not take into account your personal investment objectives, financial situation and particular needs. Ausbil strongly recommends that you consider the appropriateness of the information and obtain independent financial, legal and taxation advice before deciding whether to invest in an Ausbil financial product or service. The information provided by Ausbil has been done so in good faith and has been derived from sources believed to be accurate at the time of completion. While every care has been taken in preparing this information. Ausbil make no representation or warranty as to the accuracy or completeness of the information provided in this video, except as required by law, or takes any responsibility for any loss or damage suffered as a result or any omission, inadequacy or inaccuracy. Changes in circumstances after the date of publication may impact on the accuracy of the information. Ausbil accepts no responsibility for investment decisions or any other actions taken by any person on the basis of the information included. Past performance is not a reliable indicator of future performance. Ausbil does not guarantee the performance of any strategy or fund or the securities of any other entity, the repayment of capital or any particular rate of return. The performance of any strategy or fund depends on the performance of its underlying investments which can fall as well as rise and can result in both capital gains and losses.

Australia The information contained in this Report has been prepared for general use only and does not take into account your personal investment objectives, financial situation or particular needs. Ausbil is the issuer of the Ausbil Australian Active Equity Fund (ARSN 089 996 127), Ausbil Australian Geared Equity Fund (ARSN 124 196 407), Ausbil Australian Emerging Leaders Fund (ARSN 089 995 442), Ausbil MicroCap Fund (ARSN 130 664 872), Ausbil Australian SmallCap Fund (ARSN 630 022 909), Ausbil Balanced Fund (ARSN 089 996 949), Ausbil Active Dividend Income Fund (ARSN 621 670 120), Ausbil Australian Concentrated Equity Fund (ARSN 622 627 696), Ausbil Active Sustainable Equity Fund (ARSN 623 141 784), Ausbil Global SmallCap Fund (ARSN 623 619 625), Candriam Sustainable Global Equity Fund (ARSN 111 733 898), Ausbil 130/30 Focus Fund (ARSN 124 196 621), Ausbil Long Short Focus Fund (ARSN 642 635 498), Ausbil Global Essential Infrastructure Fund (ARSN 628 816 151) and Ausbil Global Resources Fund (ARSN 623 619 590) (collectively known as 'the Funds'). The information provided is factual only and does not constitute financial product advice. It does not take account of your individual objectives, financial situation or needs. Before you make any decision about whether to invest in a financial product, you should obtain and consider the Product Disclosure Statement of the financial product and the target market determination which is available at **https://www.ausbil.com.au/invest-with-us/design-and-distribution-obligations/fund-tmds** before acquiring or investing in the fund.

Contactus@
ausbil.com.au

ausbil
Strength. Wisdom. Agility.

CELEBRATING 25 YEARS IN FUNDS MANAGEMENT