

Ausbil Australian Geared Equity Fund

Quarterly performance update

June 2024

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'Ausbil is constructive on earnings growth, and more positive overall than consensus'

Performance Review

Fund performance for the quarter ending June 2024 was -4.07% (net of fees), versus the benchmark return of -1.20%, as measured by the S&P/ASX 300 Accumulation Index.

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

At a stock level, the overweight positions in Origin Energy, Aristocrat Leisure, National Australia Bank, Suncorp, Goodman Group and Xero contributed to relative performance. The underweight position in Woodside Energy Group and the nil positions in Fortescue Metals, Mineral Resources and Brambles also added value. Conversely, the overweight positions in Block, James Hardie, IGO, BlueScope Steel, Pilbara Minerals and Worley detracted from relative performance. The nil positions in Westpac Bank, South32, Pro Medicus and Insurance Australia Group also detracted value.

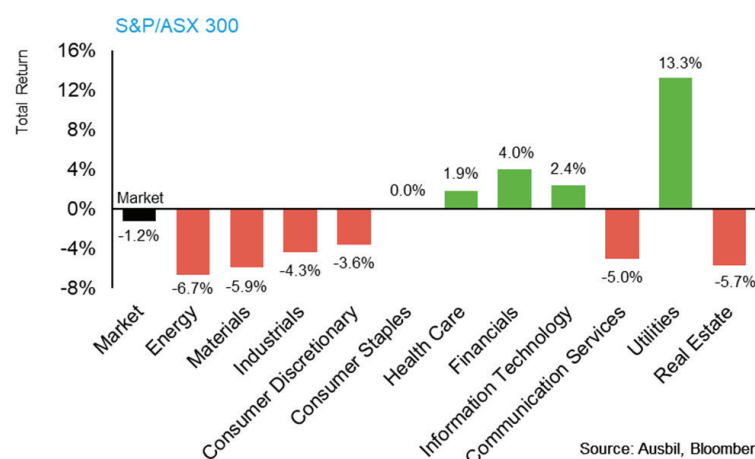
Market Review

In the June quarter, the S&P/ASX 300 Accumulation Index delivered a return of -1.2%, bringing the trailing market 1-year return to +11.9% with positive economic data, tax cuts from 1 July and a steady level of interest rates as background. Markets were further buoyed by interest rate cuts in Canada and Europe.

Globally, markets were mixed over the quarter with the US, Hong Kong and India outperforming and Europe, China and Japan lagging.

At a sector level, Utilities significantly outperformed other sectors delivering returns of +13.3%, positive returns were also derived from Health Care, Financials and Information Technology. All other sectors underperformed compared to the market, as shown in the chart.

Sector returns – June Quarter 2024



Fund Characteristics

Returns¹ as at 30 June 2024

Period	Fund Return %	Bench-mark ² %	Out/Under-performance %
1 month	1.34	0.92	0.43
3 months	-4.07	-1.20	-2.87
6 months	4.57	4.16	0.41
1 year	15.13	11.92	3.21
2 years pa	21.26	13.15	8.11
3 years pa	10.22	6.08	4.15
5 years pa	12.04	7.22	4.82
7 years pa	13.96	8.65	5.30
10 years pa	12.33	8.04	4.29
15 years pa	13.28	9.00	4.27
Since inception pa Date: May 2007	5.16	5.58	-0.42

Top 10 Stock Holdings

Name	Fund %	Index ² %	Tilt %
BHP	21.80	9.14	12.66
Commonwealth Bank	17.63	9.01	8.62
CSL	15.71	6.03	9.69
National Australia Bank	15.27	4.75	10.52
Goodman Group	10.67	2.54	8.13
Macquarie Group	9.03	3.08	5.95
ANZ Bank	8.28	3.59	4.69
Santos	7.05	1.05	5.99
Xero	6.95	0.82	6.13
Origin Energy	6.56	0.79	5.77

Sector Tilts

Sector	Fund %	Index ² %	Tilt %
Energy	12.81	5.05	7.75
Materials	52.43	20.59	31.83
Industrials	3.04	6.06	-3.02
Consumer Discretionary	10.37	7.20	3.17
Consumer Staples	6.40	4.10	2.30
Health Care	20.79	10.04	10.75
Financials	63.56	31.76	31.80
Information Technology	14.67	4.75	9.93
Communication Services	5.03	2.31	2.73
Utilities	6.56	1.50	5.06
Real Estate	10.67	6.64	4.03
Cash	-106.33	0.00	-106.33
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 growth remains positive, though below trend. Ausbil expects economic growth to bottom by the middle of calendar 2024, after which we see it firming into calendar 2025. We are forecasting the RBA to leave rates on hold at 4.35% for most of 2024, with ongoing forensic monitoring of the underlying dynamics on services inflation.

In terms of risk, the major focus is the possibility of a policy misstep by central banks given sticky inflation and geopolitical events. The unique aspect of the pending US Presidential election is that the two main candidates are known quantities, so either outcome would be unlikely to unsettle financial markets.

Ausbil is constructive on earnings growth, and more positive overall than consensus. We are expecting FY25 earnings growth of +5.5%, broadening across sectors, and moving down the market cap spectrum.

Decarbonisation and the energy transition remain significant themes that will drive value across resources, energy, utilities and the mining services sector. We are also seeing structural earnings growth in technological transformation and the rise of artificial intelligence (AI). The enablers and businesses that increasingly operate in the digital environment, including communications companies, are set to benefit.

Consensus estimates for the S&P/ASX 300 Index forecast EPS growth at -4.4% for FY24 and +4.2% for FY25. The market is now offering PE valuations of 17.4x and 16.7x for FY24 and FY25 respectively, with a dividend yield of 3.8% for FY24.

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