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Ausbil Australian Emerging Leaders Fund

Monthly performance update

January 2024

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'We have entered reporting season and will see how the market has responded to the plateauing of rates and the elevated inflation levels of the last 6-months'

Performance Review

Fund performance for January 2024 was -1.19% (net of fees) versus the benchmark return of -1.26%. 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 Energy and Information Technology sectors contributed to relative performance. The underweight position in the Industrials sector also added value. Conversely, the overweight positions in the Materials and Utilities sectors detracted from relative performance. The underweight positions in the Consumer Discretionary, Consumer Staples, Health Care, Financials, Communication Services and Real Estate sectors also detracted value.

At a stock level, the overweight positions in Boss Energy, Paladin Energy, Megaport, Whitehaven Coal, AUB Group, Star Entertainment, Altium, NIB Holdings and Life360 contributed to relative performance. The nil position in Domino's Pizza also contributed to value. Conversely, the overweight positions in Evolution Mining, Lynas Rare Earths, Block, Worley, IGO and Arcadium Lithium detracted from relative performance. The underweight position in CAR Group and the nil positions in JB Hi-Fi and Washington H. Soul Pattinson also detracted from performance.

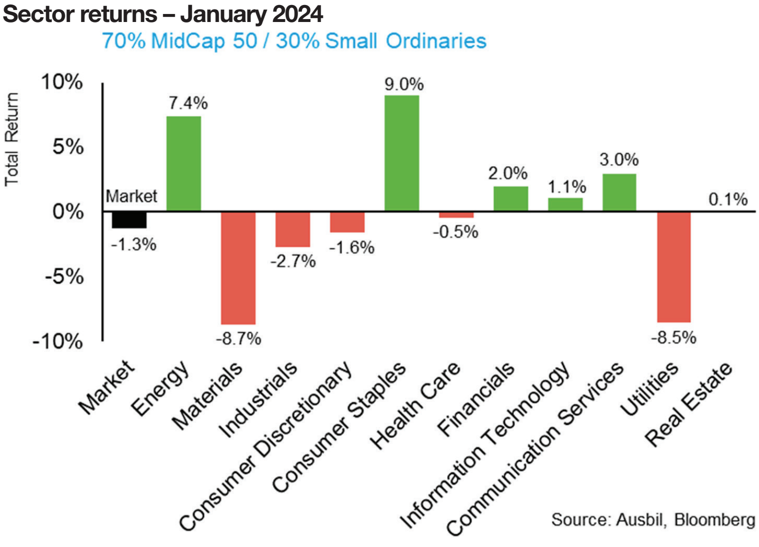
Market Review

January closed with a return of -1.3% for the Composite Benchmark (70% S&P/ASX MidCap 50 and 30% S&P/ASX Small Ordinaries accumulation indices), bringing the trailing market 1-year return to +0.3%. While inflation came in at a headline 4.1% on an annual basis for the December quarter, buoying market sentiment, mid and small-cap equities suffered from some pre-reporting season risk-off.

Globally, developed markets (MSCI World) outperformed emerging markets (MSCI EM). Japan was a positive outlier, with Hong Kong the negative outlier. Australia performed roughly in-line with developed markets.

At a sector level, Energy and Consumer Staples delivered the strongest positives. However, Materials suffered from slowing global economic growth, as shown in the chart below.

Sector returns – January 2024



Source: Ausbil, Bloomberg

Fund Characteristics

Returns[1] as at 31 January 2024

Period	Fund Return[1] %	Bench-mark[2] %	Out/Under performance %
1 month	-1.19	-1.26	0.06
3 months	7.73	11.83	-4.10
6 months	-2.86	-1.37	-1.49
1 year	-1.87	0.28	-2.15
2 years pa	0.56	2.47	-1.91
3 years pa	5.79	5.06	0.73
5 years pa	9.08	8.89	0.19
7 years pa	8.43	8.85	-0.43
10 years pa	8.28	9.96	-1.68
15 years pa	10.06	9.94	0.12
20 years pa	9.81	8.54	1.26
Since inception pa Date: April 2002	10.17	8.78	1.40

Top 10 Stock Holdings

Name	Fund %	Index[2] %	Tilt %
WiseTech Global	5.07	3.52	1.55
Lynas Rare Earths	4.42	1.44	2.98
REA Group	4.24	2.49	1.75
Whitehaven Coal	4.21	1.85	2.35
NextDC	4.19	1.90	2.30
Boss Energy	4.02	0.23	3.78
Evolution Mining	3.80	1.67	2.13
Block	3.76	0.86	2.89
ALS	3.64	1.61	2.03
Altium	3.60	1.60	2.00

Sector Tilts

Sector	Fund %	Index[2] %	Tilt %
Energy	19.42	6.42	13.00
Materials	22.77	18.81	3.95
Industrials	10.28	16.40	-6.12
Consumer Discretionary	6.77	9.05	-2.28
Consumer Staples	0.00	2.83	-2.83
Health Care	0.00	4.10	-4.10
Financials	11.08	13.77	-2.70
Information Technology	17.41	9.97	7.43
Communication Services	6.93	7.92	-0.99
Utilities	2.28	1.38	0.90
Real Estate	1.80	9.35	-7.55
Cash	1.26	0.00	1.26
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

We have entered reporting season and will see how the market has responded to the plateauing of rates and the elevated inflation levels of the last 6-months. Ausbil expects that economic growth will stabilise and improve in 2024, as will be the case for earnings growth.

On balance, we see potential 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.

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.

Ausbil maintains a constructive view on critical and base metals for the long rotation from fossil fuels to renewables in the great decarbonisation, and the electrification-of-things, 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.

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