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Ausbil Australian Active Equity Fund

Quarterly performance update

March 2025

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'Trump's 'Liberation Day' reciprocal tariffs on 2 April were at levels which were significantly larger and materially worse than markets expected'

Performance Review

Fund performance for the quarter ending March 2025 was -5.52% (net of fees), versus the benchmark return of -2.85%, as measured by the S&P/ASX 300 Accumulation Index.

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

At a stock level, the overweight positions in Evolution Mining, BlueScope Steel, Sandfire Resources, Lynas Rare Earths, Mirvac, Telstra and Santos contributed to relative performance. The nil positions in Fortescue, Pro Medicus and Mineral Resources also added value. Conversely, the overweight positions in Block, WiseTech Global, James Hardie, NextDC, Goodman Group, Treasury Wine Estates, Macquarie Group and Pilbara Minerals detracted from relative performance. The nil positions in QBE Insurance and Northern Star Resources also detracted value.

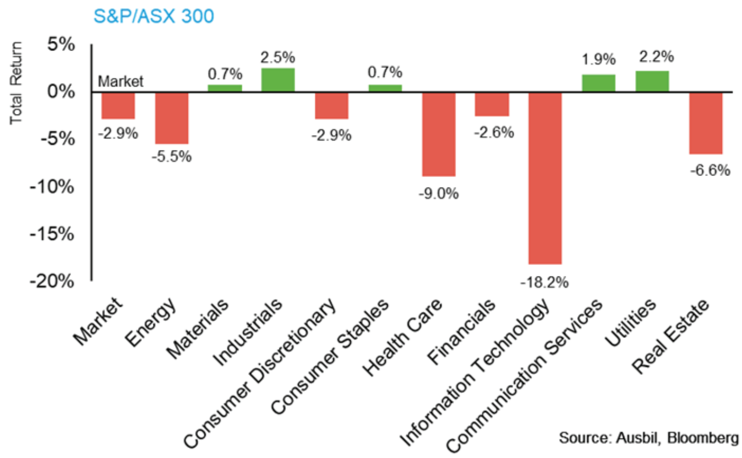
Market Review

The March quarter was marked with highs and lows as President Trump excited, then worried markets with his broad sweeping tariff policies. The S&P/ASX 300 Accumulation Index fell by -2.9%, in the quarter, and -3.3% for the month, bringing the trailing market 1-year return to +2.6%.

Emerging markets outperformed developed markets, with the US in particular underperforming. Global markets ended the quarter in a tailspin waiting for the outcome of Trump's 'Liberation Day' tariff announcements that will potentially rewrite world trade flows.

At the sector level this quarter, market uncertainty reflected in performance. Energy, Information Technology, Health Care, Real Estate were sold off significantly relative to market, with more defensive sectors like Utilities, Communications Services and Consumer Staples outperforming, as shown in the chart.

Sector returns – March Quarter 2025



Source: Ausbil, Bloomberg

Fund Characteristics

Returns[1] as at 31 March 2025

Period	Fund Return[1] %	Bench-mark[2] %	Out/Under performance %
1 month	-4.85	-3.34	-1.52
3 months	-5.52	-2.85	-2.67
6 months	-7.67	-3.64	-4.04
1 year	-2.19	2.64	-4.83
2 years pa	5.43	8.36	-2.93
3 years pa	3.37	5.30	-1.93
5 years pa	14.75	13.23	1.53
7 years pa	8.92	8.56	0.36
10 years pa	7.58	7.15	0.43
15 years pa	7.76	7.54	0.22
20 years pa	8.35	7.65	0.69
25 years pa	9.32	8.04	1.29
Since inception pa Date: July 1997	9.78	8.16	1.62

Top 10 Stock Holdings

Name	Fund %	Index[2] %	Tilt %
BHP	10.43	8.00	2.43
Commonwealth Bank	9.48	10.42	-0.94
National Australia Bank	6.47	4.31	2.16
CSL	6.29	4.98	1.31
Macquarie Group	4.69	2.88	1.81
Goodman Group	3.88	2.38	1.50
Xero	3.72	0.92	2.80
Wesfarmers	3.30	3.37	-0.07
Rio Tinto	3.23	1.77	1.46
ANZ Bank	3.13	3.57	-0.44

Sector Tilts

Sector	Fund %	Index[2] %	Tilt %
Energy	3.06	4.06	-1.00
Materials	27.28	19.30	7.98
Industrials	0.00	6.43	-6.43
Consumer Discretionary	6.26	7.78	-1.51
Consumer Staples	2.92	3.80	-0.88
Health Care	8.86	9.80	-0.93
Financials	28.16	33.70	-5.54
Information Technology	9.99	4.31	5.68
Communication Services	3.85	2.62	1.23
Utilities	2.83	1.43	1.39
Real Estate	5.29	6.77	-1.48
Cash	1.50	0.00	1.50
Total	**100.00**	**100.00**	**0.00**

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

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Outlook

The release of Trump's 'Liberation Day' reciprocal tariffs on 2 April were at levels which were significantly larger and materially worse than markets expected. The negative surprise, triggered in quick fashion, delivered a seismic tariff shock for global markets. Ausbil has undertaken significant analysis of the tariff situation unfolding.

Ausbil's view of the US economy is that tariffs will have a downward drag on growth in the near term, but the economy will avoid recession, before growth begins to build again at the end of 2025 and into 2026. We think the chance of a US recession is relatively slimmer than the market is ascribing because considerations such as tax cuts, deregulation, lower oil prices, lower inflation and lower interest rates will help offset some growth drag from tariffs. With the hard monetary tightening undertaken by global central banks in 2022 and 2023, monetary authorities have significant room to stimulate should this be needed. While tariffs have caused a major shake-up in global trade, Ausbil expects Australian growth to be relatively unchanged and expect Australian companies to generate earnings growth in excess of consensus expectation of +8.2% in FY26.

During the COVID pandemic, we found significant opportunities in the market that delivered superior earnings growth in the years that followed. The Trump tariff shock is also revealing opportunities for those who can hold their nerve in the noise and find earnings growth that is relatively unrelated to tariffs. Underpinning our outlook for equities are a number of structural drivers that are offering opportunities, now at significantly cheaper valuations than before the tariffs. These include an increased commitment to military spending globally (as the US withdrawal of support for Ukraine and others has sparked an upward shift in defense spending); increased investment in infrastructure to accommodate the growth in AI; ongoing investment to secure independent energy security; and the increase in demand for electricity over carbon-based energy.

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