

Ausbil Active Sustainable Equity Fund

Monthly performance update

May 2025

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'Ausbil continues its leadership on investor engagement and policy advocacy around modern slavery'

Performance Review

Fund performance for May 2025 was +5.78% (net of fees), versus the benchmark return of +4.20%, as measured by the S&P/ASX 200 Accumulation Index.

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

At a stock level, the overweight positions in Life360, Hub24, Web Travel Group, Pro Medicus, Sandfire Resources, Macquarie Group, Brambles and Generation Development Group added to relative performance. The nil positions in BHP and Aristocrat Leisure also added value. Conversely, the overweight positions in Judo Capital, Rio Tinto, Pilbara Minerals, REA Group, James Hardie, Cochlear and BlueScope Steel detracted from relative performance. The nil positions in TechnologyOne, WiseTech Global and Qantas also detracted value.

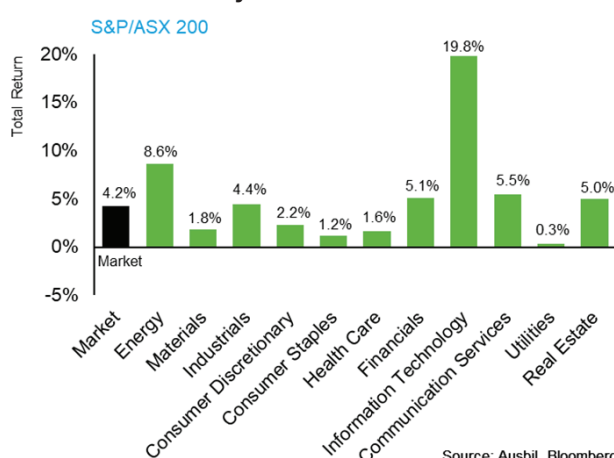
Market Review

May saw the April rebound continue as tariff uncertainty began to ease and macro data continued to highlight a resilient economy despite the tariff impacts. As a result, the S&P/ASX 200 Accumulation Index ended May up +4.2%, bringing the trailing market 1-year return to +13.4%.

All major world markets moved higher in response to the resilient economic data, some major central banks continuing to ease rates, and previously bearish positioning compelling market participants to increase their active risk. The S&P 500 and Nasdaq led, with developed and emerging markets joining with solid performances. The S&P 500 has retraced 18.6% since the tariff low close in early April, and is just 3.8% off its year-to-date high for 2025.

All sectors enjoyed positive returns in May, though Information Technology delivered an outsized result at +19.8%, driven by significant rerating in names like Life360 and WiseTech Global, as shown in the Chart.

Sector returns – May 2025



Fund Characteristics

Returns¹ as at 31 May 2025

Period	Fund Return ¹ %	Benchmark ² %	Out/Under-performance %
1 month	5.78	4.20	1.58
3 months	5.41	4.31	1.10
6 months	2.85	1.64	1.21
1 year	21.00	13.36	7.64
2 years pa	16.97	13.14	3.82
3 years pa	10.83	9.62	1.21
4 years pa	8.95	8.41	0.54
5 years pa	13.62	12.11	1.51
7 years pa	10.86	9.06	1.80
Since inception pa Date: 31 Jan 2018	10.69	8.85	1.84

Top 10 Stock Holdings

Name	Fund %	Index ² %	Tilt %
Commonwealth Bank	9.55	11.63	-2.08
CSL	6.19	4.72	1.46
Wesfarmers	4.95	3.72	1.23
Macquarie Group	4.37	3.00	1.37
Goodman Group	4.13	2.64	1.49
Rio Tinto	3.87	1.65	2.22
Telstra	3.66	2.18	1.48
National Australia Bank	3.61	4.61	-1.00
Life360	3.56	0.29	3.26
Westpac Bank	3.33	4.41	-1.08

Sector Tilts

Sector	Fund %	Index ² %	Tilt %
Energy	0.00	3.78	-3.78
Materials	12.44	18.34	-5.90
Industrials	7.22	6.25	0.97
Consumer Discretionary	6.65	7.66	-1.01
Consumer Staples	2.78	3.81	-1.03
Health Care	11.14	9.37	1.77
Financials	34.77	35.12	-0.35
Information Technology	13.69	4.71	8.98
Communication Services	3.66	2.63	1.03
Utilities	0.00	1.40	-1.40
Real Estate	6.79	6.93	-0.13
Cash	0.86	0.00	0.86
Total	100.00	100.00	0.00

1. Fund returns are net of fees but before taxes and assume distributions are reinvested. Past performance is not a reliable indicator of future performance.
2. The benchmark is S&P/ASX 200 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 quickly took the view that Trump would negotiate rather than remain recalcitrant, and we assessed the flow-on risks to Australia via the impact on China (noting that over 45% of Australia's exports to Asia are ex-China), ultimately determining that an overall US policy of lower taxes, support for manufacturing, and general deregulation with a background of monetary easing would not be overly impacted by tariffs. Since the April low, Trump has proven our thesis that he would negotiate, and this saw markets rebound not just in April, but further in May.

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 less than the market is ascribing because considerations such as tax cuts, deregulation, lower oil prices, higher than lower inflation and lower interest rates will help offset some growth drag from tariffs. With the quantum of 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 economic growth to be relatively unchanged. We expect Australian companies to generate earnings growth in excess of consensus expectations for FY26, which are currently at +5.9% for the S&P/ASX 200.

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 defence 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.

ESG Review

Ausbil continued its leadership on investor engagement and policy advocacy around modern slavery. In May, Ausbil participated in the RIAA Conference, including moderating and presenting on a panel focused on modern slavery from an investor perspective, alongside the Federal Anti-Slavery Commissioner, a person with lived experience from modern slavery and a representative from **COL's** Ethical Sourcing team. This session also saw the launch of the 3rd version of RIAA's toolkit on human rights. This version, called '**Human Rights in Global Value Chains**', includes the investment rationale and a practical guide for better practice management of human rights in value chains. The toolkit is the culmination of many months of research into global best practice on responsible sourcing and the purpose of the toolkit is to find ideas for investors to use in order to encourage other companies to adopt best practice. The toolkit provides rich content in terms of good practice and global case studies on identifying the issues, preventative actions and remediating the issues. The toolkit also provides discussion on interconnectedness on living wages, freedom of association, gender inequality, armed conflict, climate and just transition as well as the circular economy.

Ausbil also had several ESG engagement meetings during the month. Ausbil met with management of **WBC** and discussed the 1H25 result and the impact responsible lending rules have had on credit quality. We also discussed CFO succession, the difference in leadership style between the current and former CEOs, the appointment of a new Chief Sustainability Officer as well as staff engagement and how this is linked to improved IT systems and processes. Ausbil met with **NAB** to discuss the bank's focus on customer centricity and goals to improve Net Promoter Score (NPS). We also discussed CFO succession and customer scam loss prevention. Ausbil also engaged with **ANZ** on non-financial risk culture and key objectives for the new CEO in 2025. We also discussed ANZ's climate change commitments in the face of changes in the external environment around climate change. Ausbil also engaged with **MQG's** management about the ASIC investigations and consequence management, the impact on executive remuneration and other aspects. We also engaged with management on the energy transition and the role that MQG wants to play. Ausbil also met with the management of **XRO** and **360**, discussing XRO's inaugural sustainability report, and followed up on the cultural transformation taking place under the CEO to drive a stronger performance focus among staff. We also discussed 360's approach on advertising, in particular how they maintain privacy of data collected, and ensure that advertising doesn't impinge on the user experience.

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