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Ausbil Australian Geared Equity Fund

Monthly performance update

August 2024

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'While the August 2024 reporting period has been a weak one, overall, the market delivered a positive return'

Performance Review

Fund performance for August 2024 was -1.08% (net of fees), versus the benchmark return of +0.44%, as measured by the S&P/ASX 300 Accumulation Index.

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

At a stock level, the overweight positions in Lynas Rare Earths, ResMed, Evolution Mining, Xero and Block contributed to relative performance. The underweight position in QBE Insurance and the nil positions in Cochlear, Mineral Resources, Fortescue and The a2 Milk Company also added value. Conversely, the overweight positions in Santos, Treasury Wine Estates, Webjet, Origin Energy, BlueScope Steel, Goodman Group and Boss Energy detracted from relative performance. The nil positions in Westpac Bank, WiseTech Global and Brambles also detracted value.

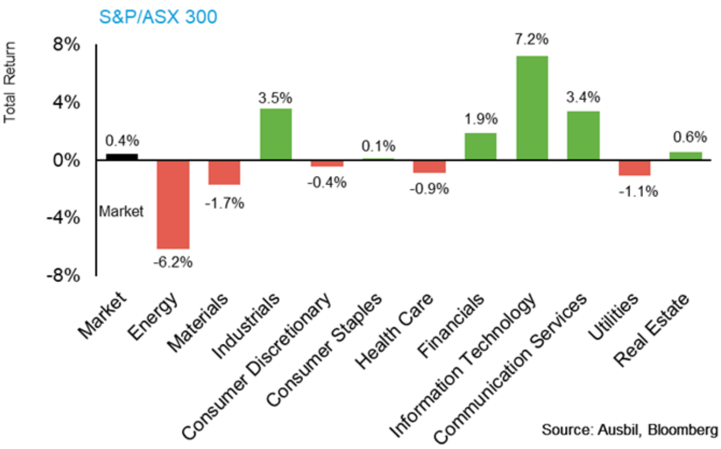
Market Review

While the August 2024 reporting period has been a weak one, overall, the market yielded a positive return with the S&P/ASX 300 Accumulation Index delivering a small positive return of +0.44%, bringing the trailing market 1-year return to +14.65%.

Globally, developed markets (MSCI World) outperformed emerging markets (MSCI EM). With the exception of Japan, China and Singapore, all major developed markets were up in August.

At a sector level, performance was mixed with positive outliers in Information Technology, Communication Services and Industrials, and a large negative in Energy, as shown in the chart.

Sector returns – August 2024



Fund Characteristics

Returns[1] as at 31 August 2024

Period	Fund Return %	Bench-mark[2] %	Out/Under-performance %
1 month	-1.08	0.44	-1.53
3 months	6.75	5.55	1.20
6 months	8.23	6.71	1.52
1 year	16.41	14.65	1.76
2 years pa	14.50	11.77	2.73
3 years pa	7.74	6.37	1.38
5 years pa	12.43	8.05	4.37
7 years pa	14.97	9.23	5.74
10 years pa	12.02	7.99	4.02
15 years pa	11.46	8.35	3.11
Since inception pa Date: May 2007	5.42	5.80	-0.37

Top 10 Stock Holdings

Name	Fund %	Index[2] %	Tilt %
BHP	21.84	8.42	13.43
Commonwealth Bank	18.40	9.51	8.89
CSL	16.03	6.04	9.98
National Australia Bank	15.15	4.82	10.33
Macquarie Group	9.76	3.13	6.63
Goodman Group	9.70	2.35	7.35
ANZ Bank	8.35	3.72	4.63
Xero	7.63	0.82	6.81
Santos	6.50	0.95	5.54
Aristocrat Leisure	6.30	1.41	4.89

Sector Tilts

Sector	Fund %	Index[2] %	Tilt %
Energy	11.66	4.51	7.15
Materials	55.61	19.59	36.03
Industrials	2.69	6.25	-3.56
Consumer Discretionary	11.93	7.54	4.39
Consumer Staples	5.67	4.10	1.57
Health Care	20.88	10.02	10.86
Financials	62.01	32.89	29.13
Information Technology	16.47	4.52	11.95
Communication Services	5.50	2.38	3.12
Utilities	5.73	1.38	4.35
Real Estate	11.15	6.83	4.32
Cash	-109.31	0.00	-109.31
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

The August 2024 reporting period has been a weak one. Overall, for the S&P/ASX 300, 30% of companies beat consensus earnings expectations by >5%, 27% missed by >5%, with 43% in-line[1]. Growth stocks performed on better interest rate dynamics, achieving more beats (48%) than other sectors. Domestic cyclicals largely met (63%) or beat (23%) expectations on more positive trading conditions for consumers than was expected. Resources missed on 40% of reports, and global cyclicals missed on 50% reflecting tougher conditions for these segments of the market[1]. Of the 34 Ausbil GICS sectors, 7 sectors were upgraded for FY25 earnings, 27 were downgraded. 25 sectors are still expected to deliver positive earnings growth in FY25[2].

Market expectations for FY25 earning growth fell across reporting season relative to Ausbil's view. We believe the difference in outlooks is based on divergent views on the economic outlook. Headline inflation has likely peaked across Australia and other developed countries. We are entering a new phase of the normalisation with the first-rate cuts in developed markets in Canada, Sweden, New Zealand and the ECB. The US is expected to begin cutting rates this month. Australia's GDP is expected to rise in the second half of 2024 and move higher through 2025.

In this environment, we believe earnings growth will recover more than the market expects, broadening across sectors, and moving down the market cap spectrum.

Decarbonisation and the energy transition remain significant themes that are driving value across resources, energy, utilities and the mining services sector with respect to critical commodities. We like copper, uranium and rare earths for the central role these will play in renewable energy, energy storage and upgrading electrical grids worldwide.

We are also seeing structural earnings growth in technological transformation, the rise of artificial intelligence (AI), and the enablers and businesses that increasingly operate in the digital environment, including communications companies. These enablers include data centres, energy and energy storage that backs-up data processing, telecommunications and internet companies that support the web of connectivity and data. We also like beneficiaries of the digital revolution, companies that are able to leverage the networking and processing power offered by enables to capture more business, more customers and at lower and lower costs.

1. Macquarie Research, 2024.
2. FactSet, 2024.

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