

Ausbil Active Dividend Income Fund

Quarterly performance update

December 2023

Ausbil Investment Management Limited
ABN 26 076 316 473
AFSL 229722
Level 27
225 George Street
Sydney NSW 2000
GPO Box 2525
Sydney NSW 2001
Phone 61 2 9259 0200

'We believe that earnings growth well above system can be achieved in some sectors in FY24'

Performance Review

Fund performance for the quarter ending December 2023 was +6.18% (net of fees), versus the benchmark return of +8.40%, as measured by the S&P/ASX 200 Accumulation Index.

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

At a stock level, the overweight positions in Goodman Group, James Hardie, CSL, Sandfire Resources, Newcrest Mining, Helia Group and BlueScope Steel contributed to relative performance. The nil positions in QBE Insurance, Liontown Resources and Allkem also added value. Conversely, the overweight positions in IGO, Treasury Wine Estates, Woodside Energy Group, Suncorp, Computershare, Washington H. Soul Pattinson and Metcash detracted from relative performance. The underweight position in Westpac Bank, and the nil positions in Fortescue Metals and Northern Star Resources also detracted value.

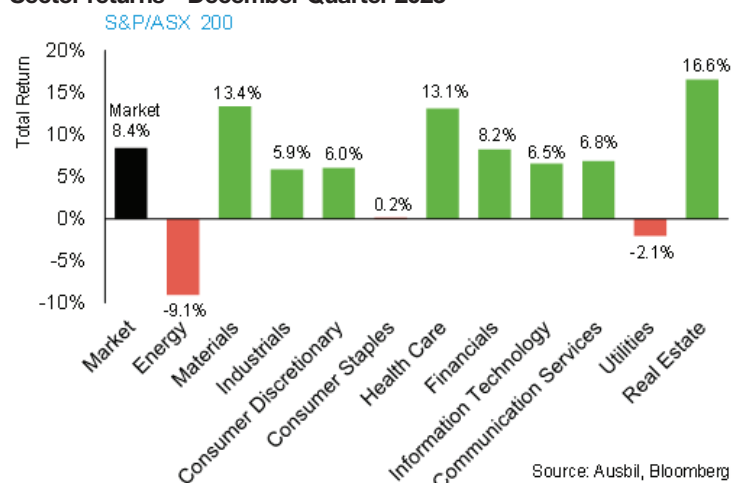
Market Review

Markets staged a rebound in the December quarter as inflation figures brought forward the possibility of rate cuts, commencing in the US in the first half of calendar 2024, with a quarterly return of +8.4% for the S&P/ASX 200 Accumulation Index, bringing the trailing market 1-year return to +12.4%.

As a result of monetary policy normalisation, while the economy remained near full employment, economic growth had slowed to below trend. As Ausbil has argued across 2023, persistently low unemployment, demand for Australian resources, and significant excess savings in the system helped soften the rapid normalisation of interest rates, and the impact of persistent higher inflation on consumers. Though markets were significantly impacted by the rising 10-year yield in 2022 and early 2023, and slowing economic growth, they responded positively to the slowing of rate rises towards the end of 2023.

At a sector level, the positive sentiment was also reflected across all sectors other than Utilities and Energy, as shown in the chart.

Sector returns – December Quarter 2023



Fund Characteristics

Returns¹ as at 31 December 2023

Period	Distribution Return ² % Net	Growth Return % Net	Total Return % Net	Bench- mark ³ %	Excess Return ⁴ % Net
1 month	0.48	6.05	6.54	7.26	-0.72
3 months	1.43	4.75	6.18	8.40	-2.21
6 months	2.81	2.97	5.78	7.57	-1.79
1 year	6.09	3.02	9.11	12.42	-3.31
2 years pa	6.49	-2.31	4.17	5.45	-1.29
3 years pa	6.77	1.32	8.09	9.24	-1.16
4 years pa	5.95	0.87	6.82	7.23	-0.41
5 years pa	7.29	3.27	10.56	10.28	0.28
Since inception pa Date: July 2018	6.48	1.85	8.33	7.90	0.42

Top 10 Stock Holdings

Name	Fund %	Index ³ %	Tilt %
BHP	12.40	11.30	1.10
National Australia Bank	7.91	4.25	3.66
CSL	7.64	6.13	1.51
Commonwealth Bank	5.70	8.29	-2.59
Macquarie Group	4.51	2.92	1.59
Wesfarmers	3.34	2.86	0.48
Goodman Group	3.30	1.93	1.36
Rio Tinto	3.29	2.23	1.06
Woodside Energy Group	3.02	2.61	0.41
Telstra	2.95	2.02	0.92

Sector Tilts

Sector	Fund %	Index ³ %	Tilt %
Energy	6.49	5.01	1.48
Materials	25.70	25.27	0.43
Industrials	5.71	6.80	-1.08
Consumer Discretionary	7.12	6.79	0.33
Consumer Staples	5.09	4.23	0.86
Health Care	8.91	9.61	-0.69
Financials	29.48	28.36	1.12
Information Technology	0.00	2.37	-2.37
Communications Services	2.95	3.94	-0.99
Utilities	2.00	1.38	0.61
Real Estate	6.10	6.25	-0.15
Cash	0.46	0.00	0.46
Total	100.00	100.00	0.00

1. Fund returns are net of fees but before taxes and exclude franking credits.
2. The 2018/2019 distribution was 92% franked. The 2019/2020 distribution was 70% franked. The 2020/2021 distribution was 71% franked. The 2021/2022 distribution was 93% franked. The 2022/2023 distribution was 85% franked.
3. S&P/ASX 200 Accumulation Index.
4. Excess returns are net of fees but before taxes and exclude franking credits.



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Outlook

Our reading of the economy is that economic growth will stabilise and improve in 2024, as will be the case for system earnings growth. However, the average outcome for EPS growth in FY24 and into FY25 masks several areas where we expect to see growth.

From the perspective of cyclical, the market is currently balanced on edge, between a negative view based on household spending that is being impacted by high inflation, higher rates, utilities and food costs; and a positive outlook that sees households adjusting because of a relatively resilient economy and a cushion of excess savings. In cyclical sectors there are some names that still stand out, but overall, we remain cautious. Ausbil continues to favour earnings growth from GDP agnostic sectors and stocks, and quality leaders with demonstrated operational and pricing leverage. Quality telecommunications are also expected to perform in this environment.

In aggregate terms, the market is expecting little earnings growth to June 30 financial year 2024. 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.

The overall valuation of the Australian equity market is currently sitting close to long-term average multiples on a suppressed earnings outlook. Despite this, our conclusion on earnings growth opportunities heading into calendar 2024 is that the average never really tells the story on its own. Consensus currently expects earnings contraction in FY24 of -4.3% for the S&P/ASX 200, then a return to earnings growth of +4.3% in FY25, however we believe that earnings growth well above system can be achieved in some sectors in FY24, and through key quality opportunities looking ahead.

Monthly Distributions

	Ex-Price (mid) 30 June	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Ex-Price (mid) 30 June	Total CPU	Franking Credit Per Unit	Franking Level
FY 2019	\$1.000000	0.45	0.45	0.45	0.44	0.44	0.44	0.44	4.77	0.44	0.44	0.44	2.43	\$1.019293	11.63	4.58	92%
FY 2020	\$1.019293	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.54	\$0.893822	5.60	1.67	70%
FY 2021	\$0.893822	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	1.15	\$1.099169	5.00	1.52	71%
FY 2022	\$1.099169	0.46	0.46	0.46	2.00	0.46	0.46	0.46	0.46	0.46	0.46	0.46	3.56	\$0.954105	10.16	4.07	93%
FY 2023	\$0.954105	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46	1.00	\$1.003187	6.06	2.20	85%
FY 2024	\$1.003187	0.47	0.47	0.47	0.47	0.47	0.47										

Ausbil Investment
Management Limited
Level 27
225 George Street
Sydney NSW 2000
Australia
Toll Free 1800 287 245

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ausbil.com.au

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