

Ausbil 130/30 Focus Fund

Quarterly performance update

December 2023

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'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 +5.54% (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 position in the Utilities sector contributed to relative performance. The underweight positions in the Industrials and Consumer Staples sectors also added value. Conversely, the overweight positions in the Energy, Health Care, Information Technology and Communication Services sectors detracted from relative performance. The underweight positions in the Materials, Consumer Discretionary, Financials and Real Estate sectors also detracted value.

The largest short positions were in selected stocks within the Consumer Discretionary, Health Care and Industrials sectors.

At a stock level, the overweight positions in Block, Goodman Group, James Hardie, CSL and BHP contributed to relative performance. The underweight position in Origin Energy, and the nil positions in QBE Insurance, IGO, Liontown Resources and Newmont Corporation also added value. Conversely, the overweight positions in AGL Energy, Treasury Wine Estates, IDP Education, Brambles, Telstra and Pilbara Minerals detracted from relative performance. The underweight positions in Xero and Northern Star Resources also detracted value.

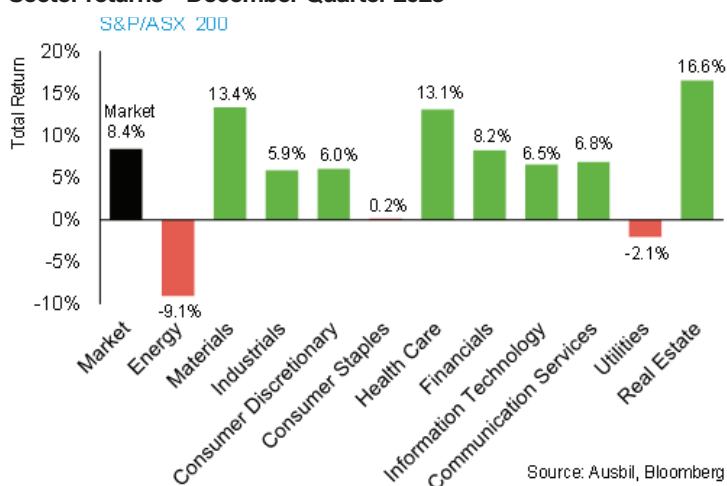
Market Review

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



Source: Ausbil, Bloomberg

Fund Characteristics

Returns¹ as at 31 December 2023

Period	Fund Return ¹ %	Bench- mark ² %	Out/Under- performance %
1 month	5.85	7.26	-1.40
3 months	5.54	8.40	-2.85
6 months	3.71	7.57	-3.85
1 year	6.43	12.42	-5.99
2 years pa	0.96	5.45	-4.49
3 years pa	5.77	9.24	-3.47
5 years pa	8.67	10.28	-1.61
7 years pa	7.48	8.51	-1.04
10 years pa	7.40	7.93	-0.54
Since inception pa Date: July 2010	8.72	8.54	0.17

Market Exposure

	% of Fund
Long	101.72
Short	-6.39
Net	95.33

Top 10 Stock Holdings

Name	Fund %	Index ² %	Tilt %
BHP	13.31	11.30	2.00
CSL	8.93	6.13	2.81
National Australia Bank	5.75	4.25	1.50
Commonwealth Bank	5.51	8.29	-2.78
ANZ Bank	4.94	3.45	1.50
Goodman Group	4.74	1.93	2.80
Macquarie Group	4.17	2.92	1.25
Telstra	4.01	2.02	1.98
Rio Tinto	3.25	2.23	1.02
Aristocrat Leisure	3.19	1.17	2.02

Sector Tilts

Sector	Fund %	Index ² %	Tilt %
Energy	4.92	5.01	-0.09
Materials	26.29	25.27	1.02
Industrials	4.21	6.80	-2.59
Consumer Discretionary	6.36	6.79	-0.42
Consumer Staples	3.41	4.23	-0.82
Health Care	8.43	9.61	-1.17
Financials	23.74	28.36	-4.62
Information Technology	3.79	2.37	1.42
Communication Services	5.95	3.94	2.01
Utilities	2.71	1.38	1.32
Real Estate	5.49	6.25	-0.76
Cash	4.69	0.00	4.69
Total	100.00	100.00	0.00

1. Fund returns are net of fees but before taxes.
 2. The benchmark S&P/ASX 200 Accumulation Index.

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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 re-rate 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.

ASIC Benchmark 2. - Periodic Reporting

This benchmark is aimed at ensuring that investors receive timely, basic fund investment performance information on a periodic basis to make informed investment decisions. Please refer to the below information relating to this benchmark.

The Fund's current net asset value and redemption price are available at www.ausbil.com.au/unit-prices. The Ausbil 130/30 Focus Fund – wholesale class' net performance returns are available at www.ausbil.com.au/performance-tables. There have been no changes to the key service providers, the related party status of the Fund, the Fund's risk profile, the Fund's strategy or the investment team.

Please refer to the Update of Information available at <http://www.ausbil.com.au/products/ausbil-130-30-focus-fund> (Important Notice to Investors) for more information on the appointment of additional securities lenders.

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