

Ausbil Australian Concentrated Equity Fund

Monthly performance update

May 2025

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'While tariffs have caused a major shake-up in global trade, Ausbil expects Australian economic growth to be relatively unchanged'

Performance Review

Fund performance for May 2025 was +4.24% (net of fees), versus the benchmark return of +4.20%, as measured by the S&P/ASX 300 Accumulation Index.

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

At a stock level, the overweight positions in Life360, WiseTech Global, Sandfire Resources, Xero, Evolution Mining, National Australia Bank and Macquarie Group contributed to relative performance. The nil positions in ANZ Group, Westpac Bank and Fortescue also added value. Conversely, the overweight positions in Pilbara Minerals, Lynas Rare Earths, BlueScope Steel, Treasury Wine Estates, Aristocrat Leisure, James Hardie, BHP, Rio Tinto and CSL detracted from relative performance. The nil position in TechnologyOne also detracted value.

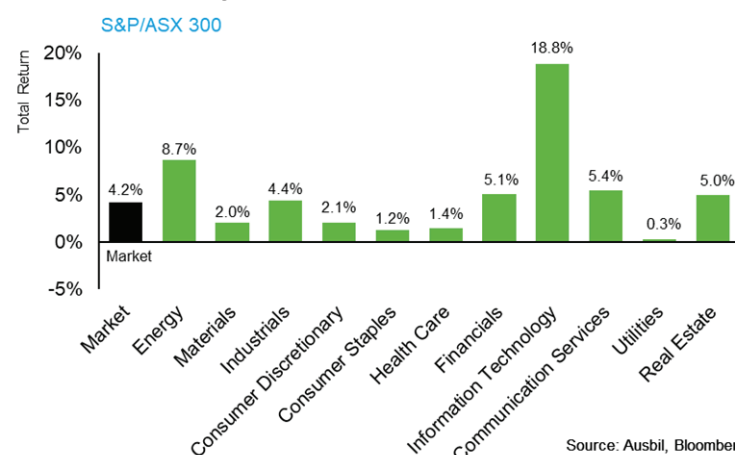
Market Review

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 300 Accumulation Index ended May up +4.2%, bringing the trailing market 1-year return to +13.2%.

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 +18.8%, 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 %	Bench- mark ² %	Out/Under- performance %
1 month	4.24	4.20	0.05
3 months	3.26	4.34	-1.09
6 months	-1.62	1.64	-3.26
1 year	8.42	13.17	-4.75
2 years pa	10.04	13.00	-2.96
3 years pa	7.59	9.34	-1.75
4 years pa	7.82	8.16	-0.35
5 years pa	13.32	11.99	1.33
7 years pa	9.41	8.99	0.42
Since inception pa	9.65	8.79	0.87
Date: 30 Nov 2017			

Top 10 Stock Holdings

Name	Fund %	Index ² %	Tilt %
BHP	10.65	7.45	3.20
Commonwealth Bank	9.87	11.30	-1.43
National Australia Bank	9.72	4.48	5.25
CSL	6.22	4.59	1.63
Macquarie Group	4.81	2.91	1.90
Goodman Group	4.42	2.57	1.86
Wesfarmers	3.71	3.62	0.09
Xero	3.47	1.02	2.45
Telstra	3.16	2.12	1.04
Rio Tinto	3.05	1.61	1.44

Sector Tilts

Sector	Fund %	Index ² %	Tilt %
Energy	1.83	3.76	-1.93
Materials	26.01	18.45	7.57
Industrials	0.00	6.49	-6.49
Consumer Discretionary	6.72	7.80	-1.09
Consumer Staples	3.40	3.76	-0.36
Health Care	8.42	9.42	-1.00
Financials	28.87	34.35	-5.48
Information Technology	10.85	4.88	5.96
Communication Services	3.89	2.74	1.15
Utilities	2.75	1.36	1.39
Real Estate	5.90	6.98	-1.08
Cash	1.36	0.00	1.36
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 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 then 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.

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