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Ausbil Australian Concentrated 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 -0.49% (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 position in the Information Technology sector added value. The underweight positions in the Consumer Discretionary, Consumer Staples, Energy and Health Care sectors also added value. Conversely, the overweight positions in the Communication Services, Materials and Utilities sectors detracted value. The underweight positions in the Financials, Industrials and Real Estate sectors also detracted from relative performance.

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

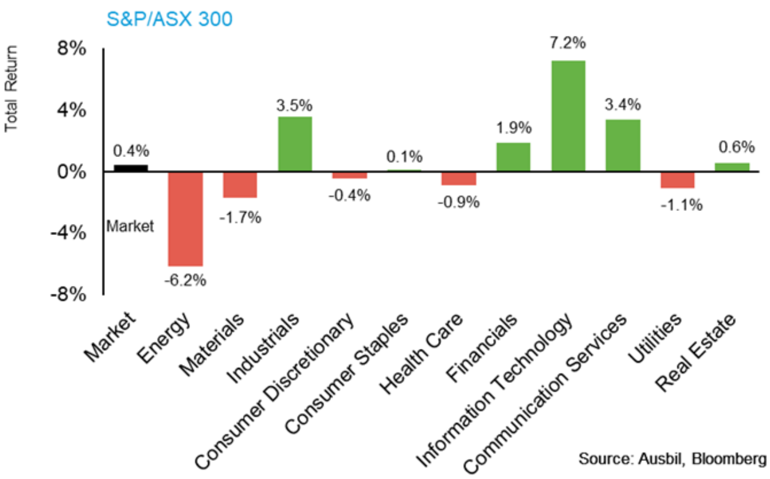
Market Review

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[1] %	Bench-mark[2] %	Out/Under-performance %
1 month	-0.49	0.44	-0.94
3 months	4.11	5.55	-1.44
6 months	5.43	6.71	-1.28
1 year	11.22	14.65	-3.43
2 years pa	10.08	11.77	-1.69
3 years pa	6.36	6.37	0.00
4 years pa	13.29	11.53	1.76
5 years pa	9.90	8.05	1.85
Since inception pa Date: 30 Nov 2017	10.11	8.68	1.44

Top 10 Stock Holdings

Name	Fund %	Index[2] %	Tilt %
BHP	11.47	8.42	3.05
National Australia Bank	10.16	4.82	5.34
Commonwealth Bank	9.03	9.51	-0.47
CSL	7.67	6.04	1.62
Macquarie Group	4.55	3.13	1.42
Goodman Group	4.26	2.35	1.91
Xero	3.47	0.82	2.64
Santos	3.42	0.95	2.46
Aristocrat Leisure	2.92	1.41	1.51
Rio Tinto	2.77	1.69	1.08

Sector Tilts

Sector	Fund %	Index[2] %	Tilt %
Energy	5.76	4.51	1.25
Materials	27.13	19.59	7.54
Industrials	1.34	6.25	-4.90
Consumer Discretionary	5.59	7.54	-1.94
Consumer Staples	2.60	4.10	-1.50
Health Care	9.93	10.02	-0.10
Financials	28.62	32.89	-4.27
Information Technology	7.09	4.52	2.57
Communication Services	2.69	2.38	0.31
Utilities	2.76	1.38	1.38
Real Estate	5.05	6.83	-1.78
Cash	1.44	0.00	1.44
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 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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