

Ausbil Active Dividend Income Fund

Quarterly performance update

March 2024

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'Ausbil believes that we are at the start of a rate cutting cycle, though the quantum and timing remains unknown'

Performance Review

Fund performance for the quarter ending March 2024 was +4.37% (net of fees), versus the benchmark return of +5.33%, as measured by the S&P/ASX 200 Accumulation Index.

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

At a stock level, the overweight positions in Goodman Group, Wesfarmers, Suncorp, Ampol, Sandfire Resources and Pinnacle Investment Management Group contributed to relative performance. The underweight positions in Fortescue Metals, and Transurban Group and the nil positions in Arcadium Lithium and Sonic Healthcare also added value. Conversely, the overweight positions in Rio Tinto, Woodside Energy Group, IGO, Worley, BHP and Evolution Mining detracted from relative performance. The underweight position in Westpac Bank, and the nil positions in QBE Insurance and WiseTech Global also detracted value.

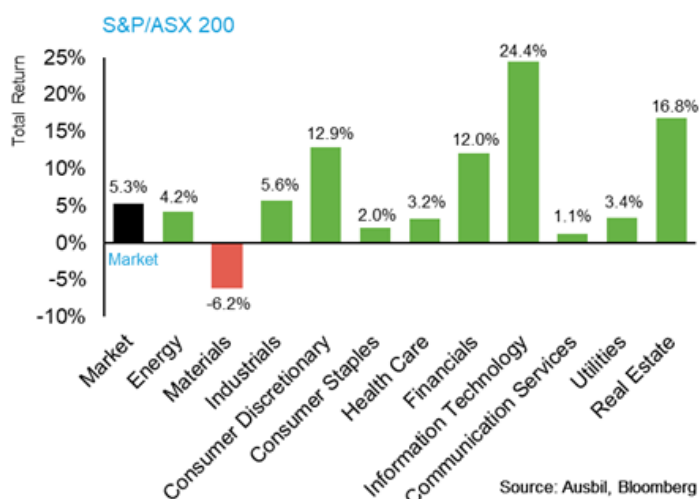
Market Review

The March quarter was buoyant in equities with the S&P/ASX 200 Accumulation Index posting gains of +5.3%, bringing the trailing market 1-year return to +14.5%.

Globally, developed markets (MSCI World) outperformed emerging markets (MSCI EM). Every major market, with the exception of Hong Kong and Singapore, delivered positive returns this quarter, with Japan showing a thumping +20.0% and the S&P 500 delivering +10.2%.

At a sector level, Information Technology, Consumer Discretionary and Real Estate sectors were significantly rerated as the cycle turned from a tightening to an easing outlook with falling inflation, as shown in the chart. Materials lagged largely through weakness in commodity prices, cyclical issues, and ongoing concerns around China.

Sector returns – March Quarter 2024



Fund Characteristics

Returns¹ as at 31 March 2024

Period	Distribution Return ² % Net	Growth Return % Net	Total Return % Net	Bench- mark ³ %	Excess Return ⁴ % Net
1 month	0.45	2.71	3.17	3.27	-0.11
3 months	1.37	3.00	4.37	5.33	-0.96
6 months	2.86	7.96	10.82	14.17	-3.35
1 year	6.04	4.94	10.98	14.45	-3.47
2 years pa	6.35	-1.86	4.49	7.03	-2.55
3 years pa	6.65	1.32	7.97	9.62	-1.65
4 years pa	7.57	7.34	14.91	16.00	-1.09
5 years pa	6.20	2.56	8.76	9.15	-0.40
Since inception pa Date: July 2018	6.37	2.39	8.76	8.52	0.23

Top 10 Stock Holdings

Name	Fund %	Index ³ %	Tilt %
BHP	11.62	9.56	2.06
CSL	6.76	5.93	0.83
Westpac Bank	5.82	3.89	1.93
Commonwealth Bank	5.51	8.59	-3.08
National Australia Bank	5.46	4.59	0.87
ANZ Bank	4.59	3.76	0.83
Wesfarmers	4.26	3.31	0.96
Goodman Group	4.11	2.49	1.62
Macquarie Group	3.77	3.05	0.73
Woodside Energy Group	2.89	2.47	0.43

Sector Tilts

Sector	Fund %	Index ³ %	Tilt %
Energy	7.96	5.22	2.73
Materials	22.37	21.73	0.64
Industrials	5.47	6.24	-0.77
Consumer Discretionary	9.35	7.14	2.21
Consumer Staples	3.87	4.06	-0.19
Health Care	7.99	9.60	-1.61
Financials	30.72	30.96	-0.23
Information Technology	0.00	4.42	-4.42
Communications Services	2.81	2.37	0.44
Utilities	3.23	1.35	1.88
Real Estate	4.97	6.91	-1.94
Cash	1.27	0.00	1.27
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

The overall macro-economic outlook has stabilised with rates peaking, and inflation falling, and with Australia's excess savings, strong employment market and global demand for our resources, Ausbil expects Australia to avoid recession. Ausbil believes that we are at the start of a rate cutting cycle, though the quantum and timing remains unknown.

In this environment, we believe earnings growth will recover more than the market expects, broadening across sectors, and moving down the market cap spectrum. We think that with a downward bias in rates, cyclicality will return to the market, with more relief for the consumer, supporting housing, consumer, select real estate and other cyclical businesses. Decarbonisation and the energy transition remain significant themes that will drive value across resources, energy, utilities and the mining services sector with respect to critical commodities. 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.

On aggregate, we see earnings growth for FY24 as a little more positive than implied by consensus as companies are now settling into operating in a normalised interest rate environment. Our macro reading of the economy is that rate cuts will come from central banks while economic growth remains positive, though sub-trend, mainly in order to ensure that real interest rates are not a hinderance for longer term business investment. We think this will also see economic growth strengthen, and earnings growth for FY25 exceed consensus expectations, as earnings recover and broaden across sectors, and down the market cap spectrum. We believe dividend yields have peaked and will normalise across FY24 and FY25.

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	0.47	0.47	0.47							

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