

Ausbil High Conviction Equity Fund

Quarterly performance update

September 2026

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

'Looking forward, Ausbil expects to see up to two rate rises over the remainder of calendar 2026'

Performance Review

Fund performance for the quarter ending September 2026 was -0.78% (net of fees), versus the benchmark return of +1.26%, as measured by the S&P/ASX 300 Accumulation Index.

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

At a stock level, the overweight positions in CSL, Firmus, ANZ Group, Sandfire Resources, Evolution Mining, Treasury Wine Estates and News Corporation contributed to relative performance. The underweight position in Commonwealth Bank, and the nil positions in Fortescue and Transurban Group also added value. Conversely, the overweight positions in PLS Group, Life360, Lynas Rare Earths, Mineral Resources, Qantas, Goodman Group, Xero and Block detracted from relative performance. The nil positions in Northern Star Resources and Woodside Energy Group also detracted value.

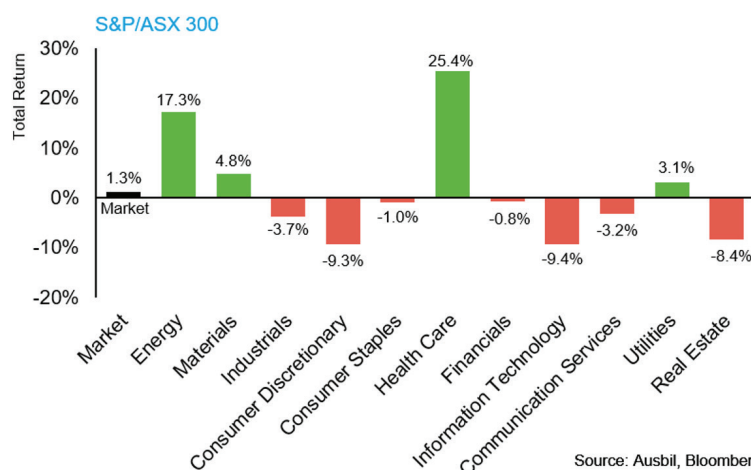
Market Review

The Australian equity market advanced over the September quarter, with the S&P/ASX 300 Accumulation Index returning +1.3%, bringing the one-year return to +2.4%. The September meeting of the RBA saw Australia entering a tightening cycle to combat inflation which, with the oil price elevated at over US\$100/bbl, weighed on the quarterly performance.

Global equity markets were mixed over the September quarter. The MSCI World returned +1.9% and the S&P 500 +2.0%, while the MSCI Emerging Markets declined -0.4%. Singapore (+9.8%) and Hong Kong (+7.6%) led the selected markets; China (-6.2%), India (-5.2%) and Japan (-4.7%) lagged.

Health Care and Energy were the strongest sectors over the quarter, while Information Technology, Consumer Discretionary and Real Estate were the main detractors.

Sector returns – September Quarter 2026



Fund Characteristics

Returns¹ as at 30 September 2026

Period	Fund Return ¹ %	Benchmark ² %	Out/Under Performance %
1 month	-5.43	-2.43	-3.01
3 months	-0.78	1.26	-2.04
6 months	7.18	5.46	1.72
1 year	3.87	2.39	1.48
2 years pa	5.77	6.49	-0.72
3 years pa	10.30	11.33	-1.04
4 years pa	10.61	11.73	-1.12
5 years pa	7.41	7.47	-0.06
7 years pa	8.94	7.78	1.17
Since inception pa	9.51	8.47	1.05

Date: 30 Nov 2017

Top 10 Stock Holdings

Name	Fund %	Benchmark ² %	Tilt %
BHP Group	13.54	11.26	2.28
ANZ Bank	11.17	4.21	6.96
Commonwealth Bank	7.57	9.21	-1.63
CSL	6.57	3.21	3.35
Macquarie Group	4.90	3.06	1.84
Rio Tinto	4.10	2.26	1.84
PLS Group	4.06	0.45	3.60
Goodman Group	3.94	2.02	1.91
Sandfire Resources	3.25	0.37	2.88
James Hardie	3.13	0.41	2.72

Sector Tilts

Sector	Fund %	Benchmark ² %	Tilt %
Energy	0.00	4.75	-4.75
Materials	36.34	26.41	9.93
Industrials	5.24	6.19	-0.95
Consumer Discretionary	5.60	6.51	-0.91
Consumer Staples	3.31	3.81	-0.50
Health Care	6.57	7.01	-0.44
Financials	26.25	32.95	-6.69
Information Technology	7.25	2.95	4.31
Communication Services	3.02	2.48	0.54
Utilities	1.48	1.38	0.10
Real Estate	3.94	5.57	-1.63
Cash	0.99	0.00	0.99
Total	100.00	100.00	0.00

1. Fund returns are net of fees but before taxes and assume distributions are reinvested. Past performance is not a reliable indicator of future performance.
2. The benchmark is S&P/ASX 300 Accumulation Index.



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Outlook

A positive August reporting season that concluded with a strong net EPS growth (EPSg) beat of 15% (Macquarie Equities) was followed in September by an escalation in Middle East tensions and the RBA pivoting to a tightening cycle to fight persistently stubborn inflation. The result was the S&P/ASX 200 Accumulation Index falling -2.4% in September, dulling what was otherwise a positive quarter. Despite these challenges, consensus is still forecasting two positive earnings growth years, with FY27 expected to deliver EPSg of +8.4% and FY28 of +7.2% (for the S&P/ASX 200).

Looking forward, Ausbil expects to see up to two rate rises over the remainder of calendar 2026 as the RBA fights the impact of second-round price pressures on inflation. This would slow Australian year average growth by half, from its current Q2 2026 rate of 2.3% to 1.2% pace by year end calendar 2027. Ausbil believes that the additional tightening in rates in 2026 would see the RBA having to reverse its position with multiple rate cuts in 2027.

From an earnings perspective, the key interest rate pivot by the RBA which is expected to see another rise in calendar 2026, before eventual easing again in 2027, altered Ausbil's equity outlook somewhat. Interest rate sectors like banks and real estate, already under pressure from changes to tax policy, became less attractive. Moreover, earnings from long duration sectors like information technology were discounted on the change. Finally, cyclical stocks leveraged to the consumer also looked less attractive with the shift to monetary tightening.

On the positive side, underlying secular earnings drivers still offer attractive opportunities for investors given the ongoing strength of metals and critical minerals demand, Australia's leading technology companies monetising AI, but with domestic productivity and local inflation challenges favouring global earnings streams over local.

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

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