

Ausbil 130/30 Focus Fund

Monthly performance update

July 2024

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'Ausbil believes fears of a recession are unsubstantiated at this point'

Performance Review

Fund performance for July 2024 was +2.67% (net of fees), versus the benchmark return of +4.19%, as measured by the S&P/ASX 200 Accumulation Index.

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

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

At a stock level, the overweight positions in James Hardie, Newmont Corporation, South32, Telstra and Aristocrat Leisure contributed to relative performance. The underweight position in Whitehaven Coal also added value. Conversely, the overweight positions in Origin Energy, AGL Energy, NextDC, Carsales.com, Nexgen Energy, BHP and Paladin Energy detracted from relative performance. The underweight positions in Wesfarmers and Evolution Mining also detracted value.

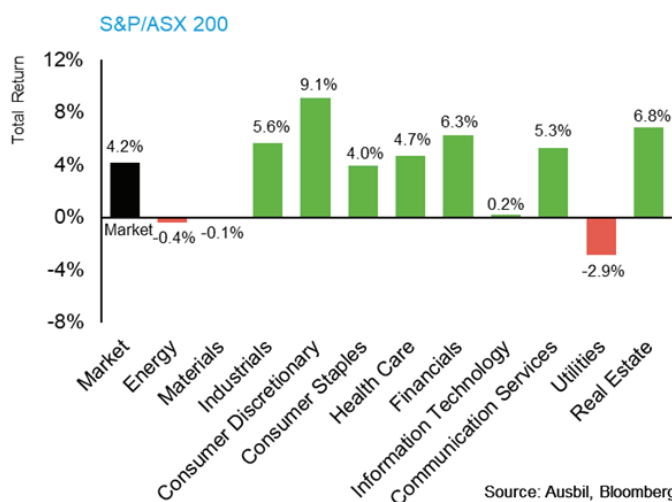
Market Review

July saw the S&P/ASX 200 Accumulation Index deliver a return of +4.2%, bringing the trailing market 1-year return to +13.5%. This was in part due to the monthly CPI read coming in below consensus at 3.8%, more supportive of an easing bias than the tightening bias media and pundits had been pedalling across July.

Globally, developed markets (MSCI World) outperformed emerging markets (MSCI EM). The resources economies of Canada and Australia delivered strong positive returns for the month, as did Europe.

At a sector level, most sectors benefited from a positive market, though Utilities, Energy and Materials all underperformed, as shown below.

Sector returns – July 2024



Fund Characteristics

Returns¹ as at 31 July 2024

Period	Fund Return ¹ %	Benchmark ² %	Out/Under-performance %
1 month	2.67	4.19	-1.53
3 months	5.68	6.21	-0.54
6 months	7.41	7.31	0.09
1 year	10.78	13.53	-2.75
2 years pa	7.45	12.59	-5.15
3 years pa	4.34	7.44	-3.11
5 years pa	6.25	7.52	-1.28
7 years pa	8.16	9.31	-1.15
10 years pa	7.74	8.03	-0.29
Since inception pa Date: July 2010	8.99	8.81	0.18

Market Exposure

	% of Fund
Long	104.96
Short	-6.17
Net	98.79

Top 10 Stock Holdings

Name	Fund %	Index ² %	Tilt %
BHP	10.22	8.93	1.28
Commonwealth Bank	8.97	9.58	-0.61
CSL	7.33	6.23	1.10
National Australia Bank	6.28	4.99	1.29
Goodman Group	4.52	2.53	1.99
Macquarie Group	3.67	3.11	0.56
Westpac Bank	3.54	4.31	-0.77
Telstra	3.40	1.90	1.51
Santos	2.60	1.08	1.52
James Hardie	2.54	0.99	1.56

Sector Tilts

Sector	Fund %	Index ² %	Tilt %
Energy	4.45	4.86	-0.41
Materials	22.29	19.74	2.55
Industrials	1.95	6.05	-4.10
Consumer Discretionary	4.77	7.41	-2.64
Consumer Staples	4.37	4.15	0.23
Health Care	11.02	10.15	0.87
Financials	28.96	33.08	-4.11
Information Technology	7.43	4.09	3.34
Communication Services	3.09	2.34	0.75
Utilities	3.97	1.44	2.53
Real Estate	6.49	6.70	-0.21
Cash	1.21	0.00	1.21
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

Australia's economic growth remains positive, though below trend. Ausbil expects economic growth to bottom in calendar 2024, after which we see it firming into calendar 2025. We are forecasting the RBA to leave rates on hold at 4.35% for the remainder of 2024, with ongoing forensic monitoring of the underlying dynamics on services inflation. Ausbil's retains an easing bias for 2025, which was underscored by the lower-than-expected read for monthly CPI of 3.8%.

At the start of August, the print of 114,000 for US payroll employment came in below consensus. This was a catalyst in driving a temporary sell-off in global equities, fuelled by unfounded speculation of an impending US recession. A rate hike in Japan triggered a reversal of the popular 'Yen carry trade' further adding to equity market volatility.

Ausbil believes fears of recession are unsubstantiated at this point. These numbers do not change our view of an easing bias in rates, nor do they change our general outlook on growth or portfolio positioning. The slowdown in employment growth with nominal wages within target range is a green light for the Fed easing cycle to start at the September meeting and move to lower real rates. The mitigation to the macro risks of a sharper slowdown is that central banks have amassed significant potential for rate cuts in their recent tightening cycle.

Ausbil is positive on earnings growth, and more positive overall than consensus. We are expecting FY25 earnings growth of +5.5%, broadening across sectors, and moving down the market cap spectrum.

Decarbonisation and the energy transition remain significant themes that will drive value across resources, energy, utilities and the mining services sector. We are also seeing structural earnings growth in technological transformation and the rise of artificial intelligence (AI). The enablers and businesses that increasingly operate in the digital environment, including communications companies, are set to benefit. We are also seeing opportunities in quality REITs and health care.

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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