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Ausbil Australian Emerging Leaders Fund

Monthly performance update

April 2023

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'Australia's resource based economy is well-placed to outperform other developed markets with below-trend growth, but no recession'

Performance Review

Fund performance for April 2023 was +3.07% (net of fees) versus the benchmark return of +3.28%. The benchmark is a composite, 70% of the S&P/ASX MidCap 50 Accumulation Index and 30% of the S&P/ASX Small Ordinaries Accumulation Index.

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

At a stock level, the overweight positions in Evolution Mining, AMP, NextDC, Boss Energy, AUB Group, Webjet and Lifestyle Communities contributed to relative performance. The nil positions in Syrah Resources, Bendigo & Adelaide Bank and Champion Iron also added value. Conversely, the overweight positions in Block, Challenger, Ampol, Bank of Queensland and Imdex detracted from relative performance. The underweight position in Vicinity Centres and the nil positions in Telix Pharmaceutical, Carsales, Virgin Money UK and Reliance Worldwide also detracted value.

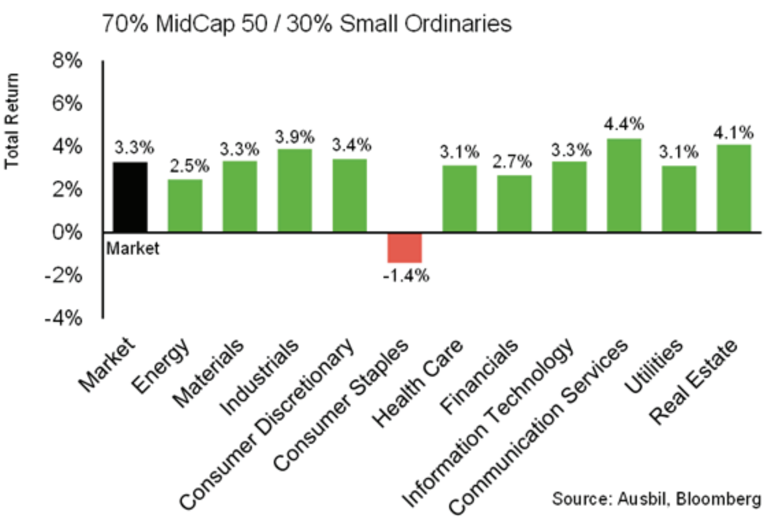
Market Review

April saw the Reserve Bank of Australia hold on rate rises which positive sentiment return, with the market generating +3.3% (Composite Benchmark comprising 70% S&P/ASX MidCap 50 and 30% S&P/ASX Small Ordinaries accumulation indices), bringing the trailing market 1-year return to -2.1%.

However, positive sentiment in April was quickly challenged on the second day of May with the Reserve Bank of Australia lifting rates again by 25 basis points, and indicating that very low unemployment and persistent services inflation meant they expected more rate rises to come. Many in the market now view the potential of a major policy mistake from hawkish rate rises as a very real risk, even though inflation continues to fall. Time will tell how this plays out, but further rate rises raise the risks.

The positive sentiment was felt across sectors with all generating positive returns except for the Consumer Staples sector, as shown in the chart.

Chart: Sector returns – April 2023



Source: Ausbil, Bloomberg

Fund Characteristics

Returns[1] as at 30 April 2023

Period	Fund Return[1] %	Bench-mark[2] %	Out/Under performance %
1 month	3.07	3.28	-0.21
3 months	-5.25	-2.15	-3.10
6 months	0.59	4.28	-3.70
1 year	-8.44	-2.13	-6.31
2 years pa	1.33	2.89	-1.55
3 years pa	16.85	15.04	1.81
5 years pa	5.38	7.54	-2.17
7 years pa	8.71	9.95	-1.24
10 years pa	8.84	9.89	-1.05
15 years pa	6.64	5.68	0.96
20 years pa	11.08	9.42	1.66
Since inception pa Date: April 2002	10.37	8.98	1.39

Top 10 Stock Holdings

Name	Fund %	Index[2] %	Tilt %
AMP	5.92	0.93	4.99
Lynas Rare Earths	5.09	1.57	3.52
Worley	4.56	1.51	3.05
NextDC	4.48	1.42	3.06
Charter Hall Group	4.40	1.42	2.99
WiseTech Global	4.37	3.22	1.15
AGL Energy	3.91	1.34	2.57
IDP Education	3.87	1.58	2.28
Evolution Mining	3.82	1.76	2.06
IGO	3.51	2.50	1.02

Sector Tilts

Sector	Fund %	Index[2] %	Tilt %
Energy	17.01	9.01	7.99
Materials	26.03	23.26	2.77
Industrials	12.43	12.83	-0.40
Consumer Discretionary	5.94	10.47	-4.53
Consumer Staples	0.00	3.48	-3.48
Health Care	0.00	4.18	-4.18
Financials	12.39	10.85	1.54
Information Technology	15.14	14.09	1.05
Communication Services	0.00	1.09	-1.09
Utilities	3.91	1.34	2.57
Real Estate	6.17	9.39	-3.22
Cash	0.99	0.00	0.99
Total	**100.00**	**100.00**	**0.00**

1. Fund returns are net of fees and gross of taxes.
2. The composite benchmark is 70% S&P/ASX Midcap 50 Accumulation Index and 30% S&P/ASX Small Ordinaries Accumulation Index.

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Outlook

Australia's resource based economy is well-placed to outperform other developed markets with below-trend growth, but no recession.

That said, we believe earnings growth will be hard to come by in 2023, however Ausbil expects key sectors to offer strong EPS growth opportunities above consensus, and some quality leaders across the market to demonstrate earnings growth with resilient demand across the economic cycle, and the capacity to pass on higher costs to end-consumers.

With this in mind, we see ongoing support for earnings growth in resources, diversified financials, general insurers and in energy given the shock we have experienced from the invasion of Ukraine. In resources, we are invested extensively across the decarbonisation thematic, in copper, nickel, lithium and rare earths. We are avoiding sectors that are cyclical, over-exposed to slowing economic growth, and whose earnings are adversely impacted by inflationary pressures. This includes construction, retailing, consumer discretionary and housing.

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