Contactus@
ausbil.com.au

ausbil

Ausbil Australian Emerging Leaders Fund

Monthly performance update

July 2023

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

'Earnings growth will be hard to come by in FY24 because of the pressures of inflation, interest rate rises and a slowing economy'

Performance Review

Fund performance for July 2023 was +3.92% (net of fees) versus the benchmark return of +4.16%. 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 positions in the Energy, Financials, Information Technology and Utilities sectors added to relative performance. The underweight position in the Health Care sector also added value. Conversely, the overweight position in the Materials sector detracted from performance. The underweight positions in the Industrials, Consumer Discretionary, Consumer Staples, Communication Services and Real Estate sectors also detracted value.

At a stock level, the overweight positions in Beach Energy, AGL Energy, Webjet, Evolution Mining, Worley and Sandfire Resources contributed to relative performance. The nil positions in Iluka Resources, Ansell, Steadfast Group and Core Lithium also added value. Conversely, the overweight positions in IGO, Aurizon Holdings, Boss Energy, AMP, Lynas Rare Earths, Allkem, AUB Group and NIB Holdings detracted from relative performance. The nil positions in Virgin Money UK and Lendlease also detracted value.

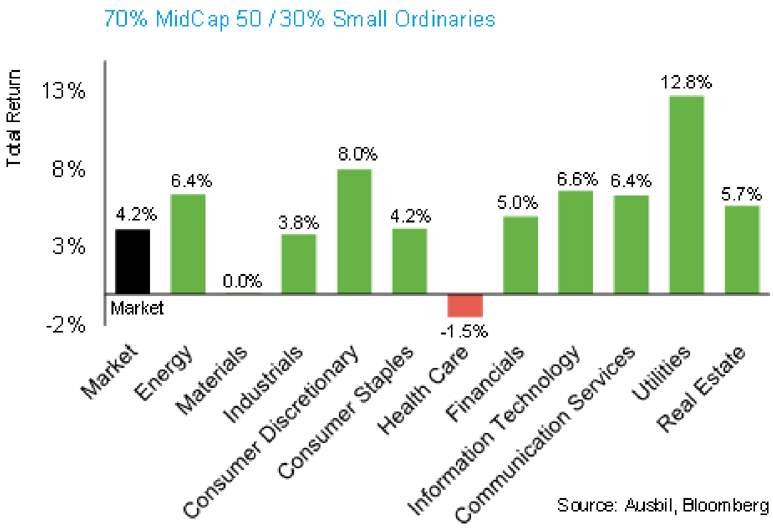
Market Review

With an RBA rate pause in July, markets rallied, delivering +4.2% for the month (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 +9.1%.

Despite a lot of negativity on inflation and rising rates, markets closed FY23 strongly, and have delivered a positive first month of FY24, largely because of expectations that the rate cycle is peaking.

At a sector level, all sectors delivered a good July return, except for Health Care, as shown in the chart.

Sector returns – July 2023



Source: Ausbil, Bloomberg

Fund Characteristics

Returns[1] as at 31 July 2023

Period	Fund Return[1] %	Bench-mark[2] %	Out/Under performance %
1 month	3.92	4.16	-0.25
3 months	6.62	3.91	2.71
6 months	1.02	1.68	-0.66
1 year	9.30	9.12	0.18
2 years pa	1.71	2.37	-0.66
3 years pa	14.35	11.82	2.53
5 years pa	6.77	7.58	-0.81
7 years pa	7.50	8.79	-1.29
10 years pa	9.97	10.73	-0.76
15 years pa	7.75	6.77	0.98
20 years pa	10.80	9.14	1.66
Since inception pa Date: April 2002	10.58	9.06	1.51

Top 10 Stock Holdings

Name	Fund %	Index[2] %	Tilt %
AGL Energy	5.54	1.86	3.67
NextDC	5.44	1.68	3.76
AMP	5.28	0.85	4.43
WiseTech Global	4.99	3.85	1.13
Lynas Rare Earths	4.60	1.60	2.99
IGO	4.33	2.37	1.95
Worley	3.89	1.65	2.24
Beach Energy	3.85	0.33	3.52
Evolution Mining	3.82	1.73	2.09
Aurizon	3.76	1.79	1.97

Sector Tilts

Sector	Fund %	Index[2] %	Tilt %
Energy	16.99	9.11	7.88
Materials	26.70	22.21	4.50
Industrials	11.11	12.82	-1.71
Consumer Discretionary	0.84	10.12	-9.27
Consumer Staples	0.00	3.08	-3.08
Health Care	0.00	4.00	-4.00
Financials	13.70	11.14	2.56
Information Technology	19.17	15.39	3.78
Communication Services	0.00	1.07	-1.07
Utilities	5.54	1.86	3.67
Real Estate	3.81	9.20	-5.39
Cash	2.13	0.00	2.13
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.

Subscribe to our monthly updates here

Outlook

Inflation continued to soften slowly, and the RBA held rates for a second month in a row, though the market remains on notice that data might still call for another rate rise.

The economy is slowing as expected. However, Ausbil believes that Australia will outperform peers in the context of the overall slowing in world economic growth because of the global demand for natural resources in which Australia is a global leader. Low unemployment, record levels of household savings, strong terms of trade, structural support for commodity prices, and net migration all support this view. There are signs of rising wages, but so far these are not seen as driving a wage-price spiral.

We have entered reporting season, so next month we will have an idea on now inflation and rates have impacted earnings, and whether there is any sign of strain in the economy, or any significant impacts from a pressured consumer.

We have been saying all year that earnings growth will be hard to come by in FY24 because of the pressures of inflation, interest rate rises and a slowing economy. The market is still grappling with the impact of rising rates and inflation. Volatility reflects uncertainty about rates and growth. Inflation is likely to fall over time at a measured pace, towards central bank target levels. Ausbil expects low earnings growth in FY24. Aggregate earnings camouflage both weak and strong sectors, which adds to a potentially alpha-rich environment.

We remain focused on the key thematics that are driving long-term earnings growth, particularly where imbalances see demand exceeding supply on a fundamental basis for some time. We like critical metals and commodities for the long rotation from fossil fuels to renewables in the great decarbonisation, and the electrification-of-things, with the steady switch from combustion and fossil fuel power to renewable electricity generation. Service companies associated with the cap-ex investment needed for this energy transition are also attractive.

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

**Contactus@
ausbil.com.au**

ausbil
Strength. Wisdom. Agility.

CELEBRATING 25 YEARS IN FUNDS MANAGEMENT