

Ausbil Australian Emerging Leaders Fund

Quarterly performance update

March 2018

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
Fax 61 2 9259 0222

'Recent developments in global trade have contributed to increased equity market volatility.'

Performance Review

Fund performance for the March quarter 2018 was -1.74% versus the benchmark return of -2.35%. The benchmark is represented by a composite of 70% S&P/ASX MidCap 50 Accumulation Index and 30% S&P/ASX Small Ordinaries Accumulation Index.

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

At a stock level, the overweight positions in Altium, Flight Centre, Evolution Mining, Seven Group, Bingo Industries and Lynas contributed to relative performance. The underweight positions in Cimic Group, Bendigo and Adelaide Bank and Bank of Queensland also added value. Conversely, the overweight position in Metals X, Mineral Resources, Galaxy Resources, Tabcorp and Fairfax Media detracted from relative performance. The underweight positions in ResMed and a2 Milk also detracted value.

Market Review

The Australian equity market closed lower in the March 2018 quarter by 3.8%. Performance of the domestic market was mixed versus its global peers. In the US, equity markets also closed lower (S&P 500: -0.8%, Dow Jones Industrial Average: -2.0%). However, Europe significantly underperformed as the UK FTSE and the German DAX closed the quarter lower by -7.2% and -6.4% respectively. Asia was mixed with Japan: -6.4% and Hong Kong: +0.9%. There was no major news of note during the period – outside of the establishment of a domestic Royal Commission into the Financial Services Industry, global trade war commentary and a slight easing in geopolitical tension. Domestically, mid-cap stocks (S&P/ASX MidCap 50 Accumulation Index: -2.2%) and small-cap stocks (S&P/ASX Small Ordinaries Accumulation Index: -2.8%) outperformed, while large-cap stocks (S&P/ASX 20 Accumulation Index: -4.2%) underperformed.

Outlook

Recent developments in global trade have contributed to increased equity market volatility and uncertainty which to date hasn't resulted in any downgrades to global growth prospects. We continue to monitor developments whilst building cash levels to take advantage of opportunities. In the domestic economy, housing and construction activity has shown signs of basing which is a positive for the building and construction sector. The resilience in commodity prices suggests that Resource companies should continue to improve their free cash flow generation with increasingly stronger balance sheets. As a result, the majority continue to deploy significant capital for growth initiatives, boding well for service company earnings as companies extend mine life estimates.

Fund Characteristics

Returns¹ as at 31 March 2018

| Period | Fund Return ¹ % | Benchmark ² % | Out/Under performance % |
|--|-------------------------------|-----------------------------|----------------------------|
| 1 month | -3.20 | -2.72 | -0.48 |
| 3 months | -1.74 | -2.35 | 0.61 |
| 6 months | 12.39 | 9.80 | 2.59 |
| FYTD | 15.67 | 10.70 | 4.97 |
| CYTD | -1.74 | -2.35 | 0.61 |
| 1 year | 20.02 | 13.89 | 6.13 |
| 3 years pa | 10.19 | 11.48 | -1.30 |
| 5 years pa | 11.98 | 11.58 | 0.40 |
| 7 years pa | 8.42 | 7.66 | 0.76 |
| 10 years pa | 6.79 | 4.62 | 2.17 |
| Since inception pa Date: April 2002 | 11.77 | 9.29 | 2.48 |

Top 10 Stock Holdings

| | Fund % | Index ² % | Tilt % |
|------------------|-----------|-------------------------|-----------|
| BlueScope Steel | 5.36 | 2.86 | 2.50 |
| Boral | 4.93 | 2.94 | 1.99 |
| Tabcorp Holdings | 4.93 | 2.98 | 1.95 |
| Alumina | 4.58 | 1.86 | 2.72 |
| Downer EDI | 3.99 | 1.32 | 2.68 |
| Cochlear | 3.58 | 3.51 | 0.07 |
| Iluka Resources | 3.49 | 1.49 | 2.00 |
| Evolution Mining | 3.32 | 1.37 | 1.95 |
| Flight Centre | 3.28 | 1.11 | 2.17 |
| OZ Minerals | 3.22 | 0.91 | 2.32 |

Sector Tilts

| | Fund % | Index ² % | Tilt % |
|----------------------------|---------------|-------------------------|-------------|
| Energy | 1.94 | 2.15 | -0.21 |
| Materials | 47.44 | 21.01 | 26.43 |
| Industrials | 12.39 | 13.94 | -1.55 |
| Consumer Discretionary | 14.16 | 16.76 | -2.60 |
| Consumer Staples | 1.93 | 7.25 | -5.32 |
| Health Care | 5.25 | 10.35 | -5.10 |
| Financials | 3.43 | 13.72 | -10.29 |
| Information Technology | 4.68 | 5.84 | -1.16 |
| Telecommunication Services | 1.15 | 1.69 | -0.54 |
| Utilities | 0.00 | 2.49 | -2.49 |
| Real Estate | 0.00 | 4.80 | -4.80 |
| Cash | 7.63 | 0.00 | 7.63 |
| 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.

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

Unless otherwise specified, any information contained in this publication is current as at the date of this report and is prepared by Ausbil Investment Management Limited (ABN 26 076 316 473 AFSL 229722) (Ausbil). Ausbil is the issuer of the Ausbil Australian Emerging Leaders Fund (ARSN 089 995 442) (Fund). This report contains general information only and the information provided is factual only and does not constitute financial product advice. It does not take account of your individual objectives, financial situation or needs. Before acting on it, you should seek independent financial and tax advice about its appropriateness to your objectives, financial situation and needs. Securities and sectors mentioned in this monthly report are presented to illustrate companies and sectors in which the Fund has invested and should not be considered a recommendation to purchase, sell or hold any particular security. Holdings are subject to change daily. The value of an investment and the income from it can fall as well as rise and you may not get back the amount originally invested. Past performance is not a reliable indicator of future performance. Unless otherwise stated, performance figures are calculated net of fees and assume distributions are reinvested. Due to rounding the figures in the holdings, breakdowns may not add up to 100%. No guarantee or warranty is made as to the accuracy, adequacy or reliability of any statements, estimates, opinions or other information contained herein (any of which may change without notice) and should not be relied upon as a representation express or implied as to any future or current matter. You should consider the Product Disclosure Statement which is available at www.ausbil.com.au before acquiring or investing in the fund.

