



# Ausbil Investment Management

## Emerging Leaders Update

John Grace – Co-Head of Equities  
23 January 2019

# DISCLAIMER

## Important information for presentation recipients

The information contained in this presentation has been prepared for general use only and does not take into account your personal investment objectives, financial situation or particular needs. Before you make any decision about whether to invest in a financial product, you should obtain and consider the Product Disclosure Statement of the financial product.

The information provided by Ausbil Investment Management Limited (ABN 26 076 316 473 AFSL 229722) has been done so in good faith and has been derived from sources believed to be accurate at the time of compilation. Changes in circumstances, including unlawful interference and unauthorised tampering, after the date of publication may impact on the accuracy of the information. Ausbil Investment Management Limited accepts no responsibility for any inaccuracy or for investment decisions or any other actions taken by any person on the basis of the information included. Past performance is not a reliable indicator of future performance.

Ausbil Investment Management Limited does not guarantee the performance of the Funds, the repayment of capital or any particular rate of return. The performance of any unit trust depends on the performance of its underlying investment which can fall as well as rise and can result in both capital losses and gains. Consequently, due to market influences, no assurance can be given that all stated objectives will be achieved.



# Ausbil investment team

## Integrated functions within portfolio management



**JOHN GRACE (17/33)**  
Co-Head of Equities

### PORTFOLIO CONSTRUCTION COMMITTEE

**PAUL XIRADIS (22/39)**  
CIO / Head of Equities

**GIAN PANDIT (3/28)**  
Deputy Head of Equities

#### RESEARCH

**NICK CONDOLEON (12/25)**  
Head of Research / Equities Analyst

**JAN VAN DER SCHALK (2/32)**  
Equities Analyst

**LUKE SMITH (4/21)**  
Equities Analyst

**ZELJKA DAMJANOVIC (8/18)**  
Equities Analyst

**JAMES STEWART (1/17)**  
Equities Analyst

**SHANELLE HOONG (12/12)**  
Equities Analyst

**ANDREW PEROS (1/20)**  
Equities Analyst

**JORDAN WOODS (5/5)**  
Equities Analyst

#### ECONOMICS

**JIM CHRONIS (5/27)**  
Chief Economist

#### QUANTITATIVE

**KHAY-TUCK CHOW (19/32)**  
Head of Quantitative

**STEPHEN YEUNG (2/2)**  
Quantitative Analyst

#### ESG

**MÅNS CARLSSON-SWEENEY (4/16)**  
Head of ESG Research

**NICHOLAS VARCOE (3/3)**  
ESG Analyst

#### MICROCAP

**MASON WILLOUGHBY-THOMAS (2/17)**  
Portfolio Manager

**ARDEN JENNINGS (2/7)**  
Co-Portfolio Manager

#### EQUITY INCOME

**MICHAEL PRICE (1/30)**  
Portfolio Manager

#### PORTFOLIO ANALYSIS

**SALMAN SIDDIQI (3/11)**  
Portfolio Analyst

#### DEALING

**MATT OKKERSE (13/20)**  
Senior Equities Dealer

**LEE DE MARIA (13/18)**  
Equities Dealer

#### GLOBAL SMALLCAPS

**SIMON WOOD (1/18)**  
Portfolio Manager

**TOBIAS BUCKS (1/14)**  
Portfolio Manager

#### GLOBAL INFRASTRUCTURE

**TIM HUMPHREYS (1/22)**  
Head of Global Listed Infrastructure

**JONATHAN REYES (1/17)**  
Co-Head Global Listed Infrastructure

**NATASHA THOMAS (1/17)**  
Portfolio Manager Energy & Communication

**PAUL JOHNSTON (1/13)**  
Portfolio Manager – Utilities



# Introductory comments

- Macroeconomic trends unwound over last half of 2018 accelerating in the final quarter
- Market reaction to this has been severe but largely as a result of sentiment and not (generally) earnings
- Perceptions of an earnings collapse drove many domestic stocks down 30-50%
- Looking forward a positive is that plenty of bad news is priced in
- The upcoming February reporting season will be very important



## Portfolio overview

- Over the last two years the Fund was positioned for synchronised global growth, hence overweight to Resources, cyclicals & Industrials, and underweight to bond proxies & defensive sectors (REITs, Utilities, Healthcare)
- Within the resources tilt there was a strong active position in the Electric Vehicle (EV) thematic which disappointed
- The Fund was also underweight the domestic consumer via the Retail, Banking and Diversified Financial services sectors



# Q&A

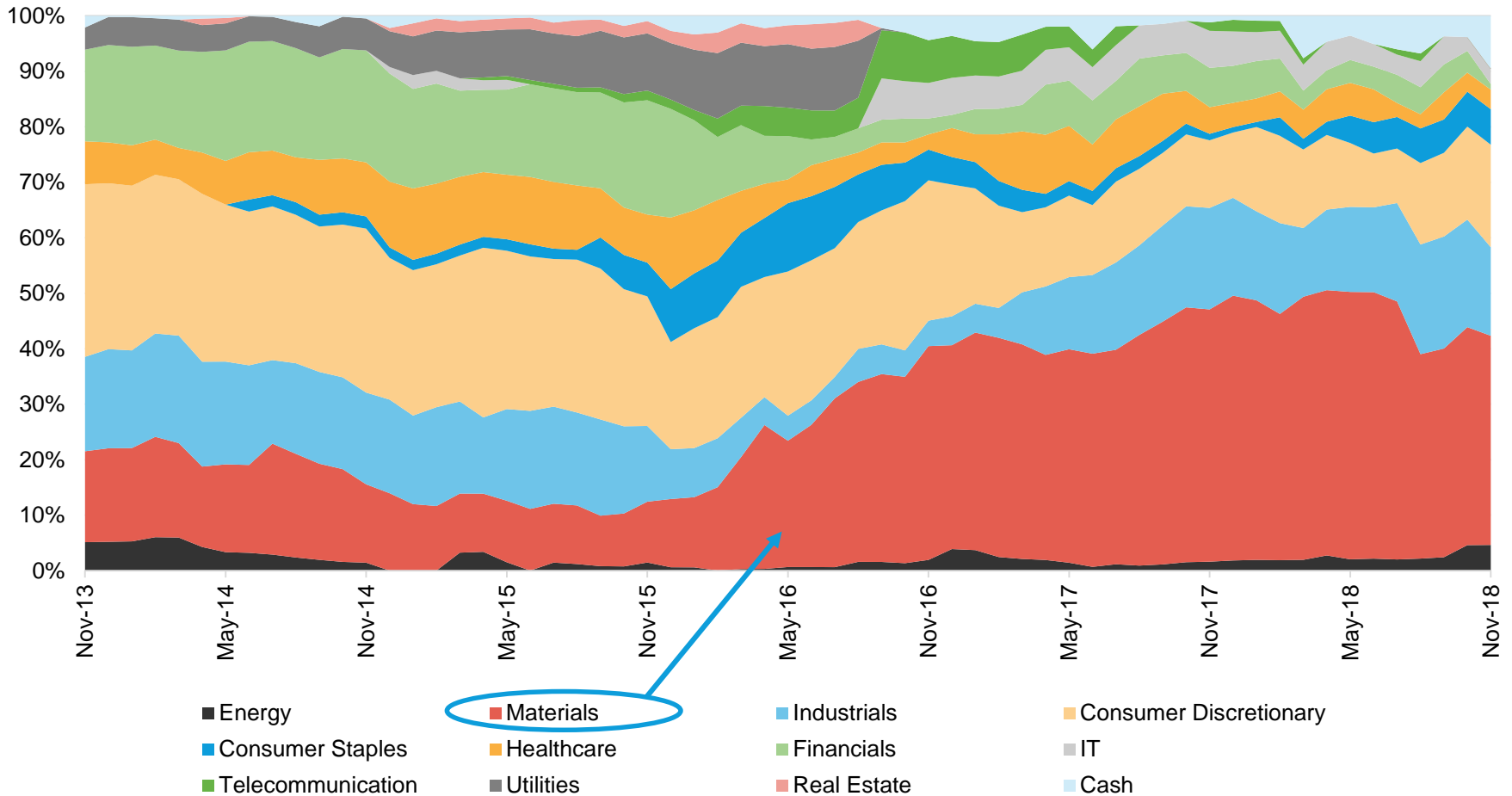
---



# Q1. On materials / resources overweight

# Emerging Leaders Fund

## Fund weight by sector from 2013 to 2018





# Emerging Leaders Fund

## Attribution CY 2018 vs CY 2017

2018 Attribution	Sector Attrib. bps	Stock Attrib. Bps
Energy	+10	+11
Materials	-23	-622
Industrials	+14	+49
Consumer Disc.	-18	-85
Consumer Staples	-47	-2
Health Care	-82	-184
Financials	+168	+116
Information Technology	-33	+2
Telecommunications	+34	+0
Utilities	+4	+5
Real Estate	-85	-82
Cash	+35	

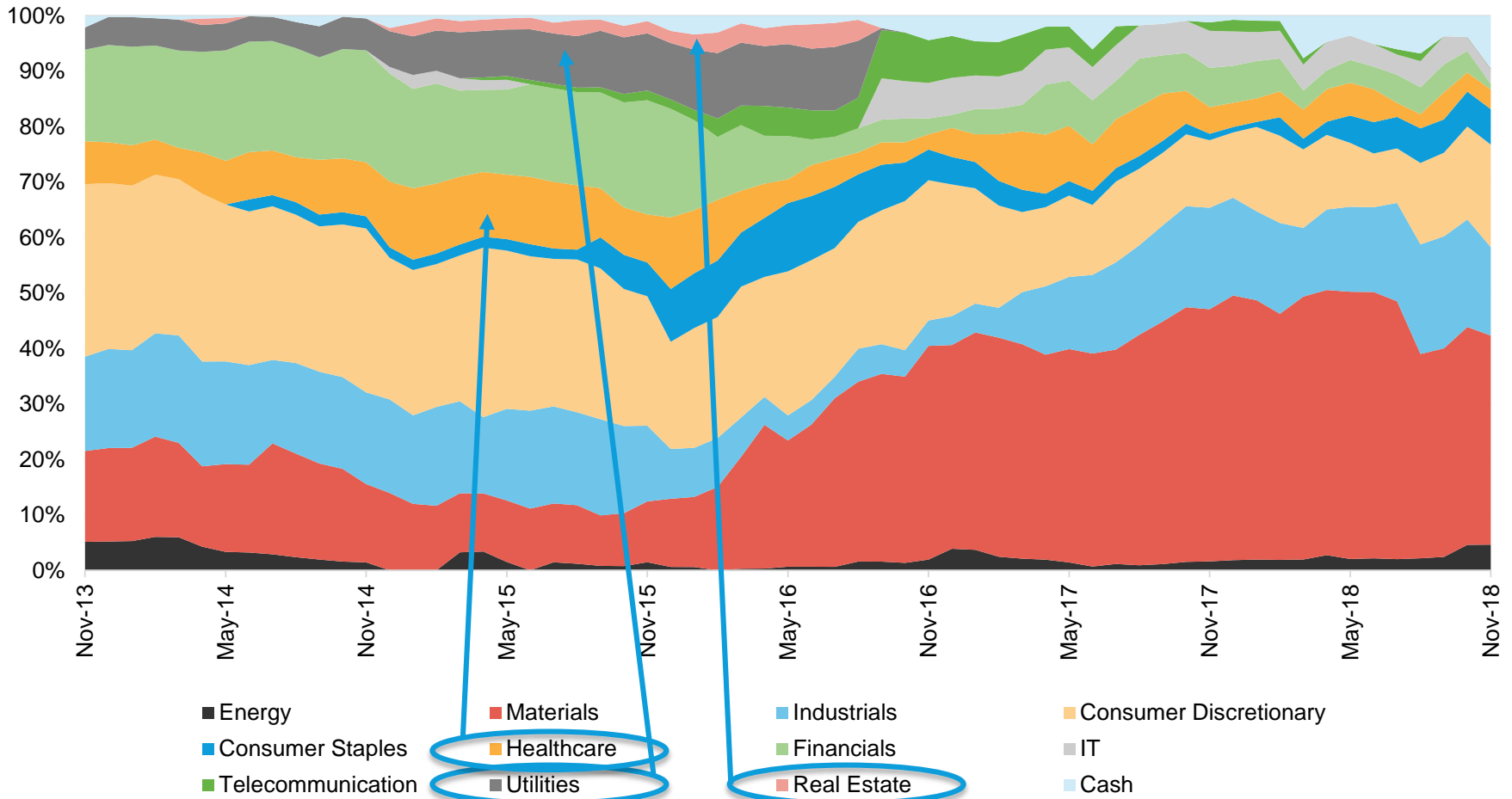
2017 Attribution	Sector Attrib bps	Stock Attrib bps
Energy	+1	-21
Materials	+294	+454
Industrials	-24	-69
Consumer Disc.	+26	+312
Consumer Staples	-3	-77
Health Care	-5	+50
Financials	+10	+9
Information Technology	-24	-5
Telecommunications	-54	-88
Utilities	-8	+1
Real Estate	+7	+18
Cash	-45	



## Q2. View on interest rates and exposure to the “bond proxies”

# Emerging Leaders Fund

## Fund weight by sector from 2013 to 2018



# Emerging Leaders Fund

## Attribution CY 2018 vs CY 2017

2018 Attribution	Sector Attr. bps	Stock Attr. Bps
Energy	+10	+11
Materials	-23	-622
Industrials	+14	+49
Consumer Disc.	-18	-85
Consumer Staples	-47	-2
Health Care	-82	-184
Financials	+168	+116
Information Technology	-33	+2
Telecommunications	+34	+0
Utilities	+4	+5
Real Estate	-85	-82
Cash	+35	

2017 Attribution	Sector Attr. bps	Stock Attr. bps
Energy	+1	-21
Materials	+294	+454
Industrials	-24	-69
Consumer Disc.	+26	+312
Consumer Staples	-3	-77
Health Care	-5	+50
Financials	+10	+9
Information Technology	-24	-5
Telecommunications	-54	-88
Utilities	-8	+1
Real Estate	+7	+18
Cash	-45	

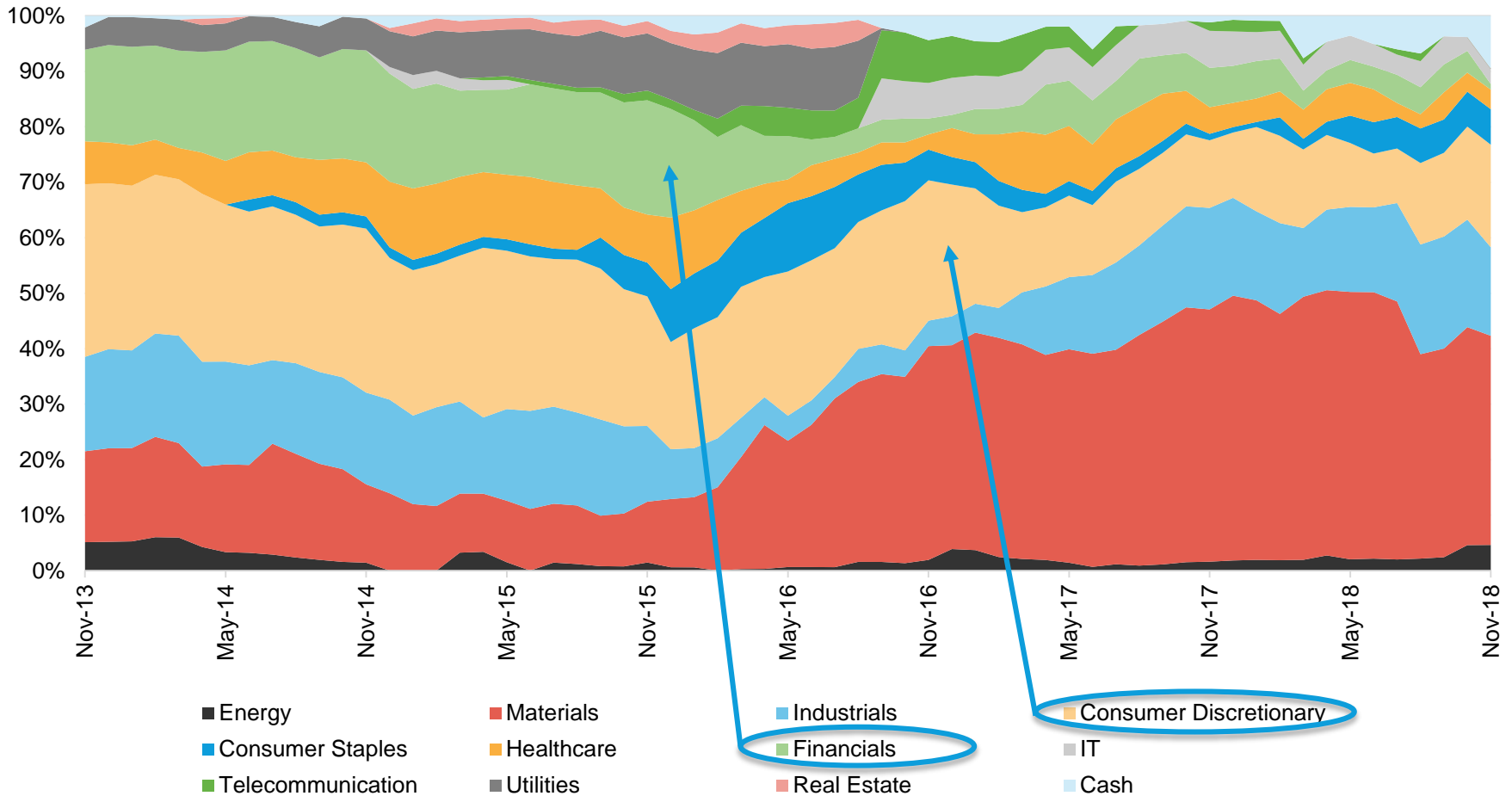
---



## Q3. On house prices and the consumer

# Emerging Leaders Fund

## Fund weight by sector from 2013 to 2018



# Emerging Leaders Fund

## Attribution CY 2018 vs CY 2017

2018 Attribution	Sector Attr. bps	Stock Attr. Bps
Energy	+10	+11
Materials	-23	-622
Industrials	+14	+49
Consumer Disc.	-18	-85
Consumer Staples	-47	-2
Health Care	-82	-184
Financials	+168	+116
Information Technology	-33	+2
Telecommunications	+34	+0
Utilities	+4	+5
Real Estate	-85	-82
Cash	+35	

2017 Attribution	Sector Attrib bps	Stock Attrib bps
Energy	+1	-21
Materials	+294	+454
Industrials	-24	-69
Consumer Disc.	+26	+312
Consumer Staples	-3	-77
Health Care	-5	+50
Financials	+10	+9
Information Technology	-24	-5
Telecommunications	-54	-88
Utilities	-8	+1
Real Estate	+7	+18
Cash	-45	

---



## Q4. Stock specific question on Lynas



# Emerging Leaders Fund

## Holdings as at 31 December 2018

Major Sector Positions	Portfolio %	Index^ %	Tilt %
Other Metals & Mining	20.6	6.6	+14.0
Commercial Services & Supplies	8.4	3.3	+5.1
Steel	6.5	2.5	+4.1
Hotels Restaurants & Leisure	12.4	8.5	+3.9
Chemicals	3.6	2.3	+1.3
Health Care Equip. & Services	3.4	6.2	-2.9
Software & Services	2.5	6.2	-3.7
Real Estate Investment Trusts	2.0	6.2	-4.2
Banks	0.0	4.2	-4.2
Diversified Financials	1.0	7.3	-6.2

^70% S&P/ASX Midcap 50 Accumulation Index and 30% S&P/ASX Small Ordinaries Accumulation Index

Largest Active Stock Holdings	Portfolio %	Index^ %	Tilt %
Downer EDI	4.8	1.5	+3.3
Tabcorp Holdings	6.0	3.1	+2.9
Beach Energy	3.2	0.4	+2.8
Domino's Pizza	3.7	0.9	+2.8
Alumina	4.5	1.9	+2.6
Cleanaway Waste Management	3.6	1.2	+2.4
Evolution Mining	4.3	2.0	+2.3
The a2 Milk Company	4.9	2.7	+2.2
Sims Metal Management	2.4	0.3	+2.2
Lynas Corporation	2.3	0.2	+2.1

---

## Q5. On the current market bounce

# Emerging Leaders Fund

## Current portfolio and performance this month

Major Sector Positions	Portfolio %	Index^ %	Tilt %
Other Metals & Mining	20.6	6.6	+14.0
Commercial Services & Supplies	8.4	3.3	+5.1
Steel	6.5	2.5	+4.1
Hotels Restaurants & Leisure	12.4	8.5	+3.9
Chemicals	3.6	2.3	+1.3
Health Care Equip. & Services	3.4	6.2	-2.9
Software & Services	2.5	6.2	-3.7
Real Estate Investment Trusts	2.0	6.2	-4.2
Banks	0.0	4.2	-4.2
Diversified Financials	1.0	7.3	-6.2

^70% S&P/ASX Midcap 50 Accumulation Index and 30% S&P/ASX Small Ordinaries Accumulation Index

\*Net return to January 21<sup>st</sup> 2019

Largest Active Stock Holdings	Portfolio %	Index^ %	Tilt %
Downer EDI	4.8	1.5	+3.3
Tabcorp Holdings	6.0	3.1	+2.9
Beach Energy	3.2	0.4	+2.8
Domino's Pizza	3.7	0.9	+2.8
Alumina	4.5	1.9	+2.6
Cleanaway Waste Management	3.6	1.2	+2.4
Evolution Mining	4.3	2.0	+2.3
The a2 Milk Company	4.9	2.7	+2.2
Sims Metal Management	2.4	0.3	+2.2
Lynas Corporation	2.3	0.2	+2.1

**MTD net return\* = +7.1%**  
vs. benchmark return +5.3%

---



## Q6. On small cap stocks in the portfolio

# Emerging Leaders Fund

## Attribution for year to 31 December 2018

Contributor	Sector Attr. bps	Stock Attr. Bps	Stock Contributors	Average Tilt	Attr. bps	Stock Detractors	Average Tilt	Attr. bps
Energy	+10	+11	Altium	OW	+140	MetalsX	OW	-114
Materials	-23	-622	Evolution Mining	OW	+87	Bionomics	OW	-83
Industrials	+14	+49	G8 Education	N	+64	ResMed	UW	-82
Consumer Disc.	-18	-85	IOOF Holdings	NIL	+46	CSR	OW	-82
Consumer Staples	-47	-2	TPG Telecom	N	+44	Domino's Pizza	OW	-81
Health Care	-82	-184	Alumina	OW	+37	Northern Star Resources	NIL	-77
Financials	+168	+116	Flight Centre	OW	+28	Westgold Resources	OW	-74
Information Technology	-33	+2	Downer EDI	OW	+28	First Cobalt	OW	-72
Telecommunications	+34	+0	Adelaide Brighton	NIL	+24	Galaxy Resources	OW	-70
Utilities	+4	+5	Cleanaway Waste	OW	+24	Sims Metal Management	OW	-60
Real Estate	-85	-82						
Cash	+35							

Legend: OW = overweight position; UW = underweight position; NIL = nil holding; N = neutral.

---



## Q7. On the Electric Vehicle (EV) tilt

# Emerging Leaders Fund

## Attribution for year to 31 December 2018

Contributor	Sector Attr. bps	Stock Attr. Bps	Stock Contributors	Average Tilt	Attr. bps	Stock Detractors	Average Tilt	Attr. bps
Energy	+10	+11	Altium	OW	+140	MetalsX	OW	-114
Materials	-23	-622	Evolution Mining	OW	+87	Bionomics	OW	-83
Industrials	+14	+49	G8 Education	N	+64	ResMed	UW	-82
Consumer Disc.	-18	-85	IOOF Holdings	NIL	+46	CSR	OW	-82
Consumer Staples	-47	-2	TPG Telecom	N	+44	Domino's Pizza	OW	-81
Health Care	-82	-184	Alumina	OW	+37	Northern Star Resources	NIL	-77
Financials	+168	+116	Flight Centre	OW	+28	Westgold Resources	OW	-74
Information Technology	-33	+2	Downer EDI	OW	+28	First Cobalt	OW	-72
Telecommunications	+34	+0	Adelaide Brighton	NIL	+24	Galaxy Resources	OW	-70
Utilities	+4	+5	Cleanaway Waste	OW	+24	Sims Metal Management	OW	-60
Real Estate	-85	-82						
Cash	+35							

Legend: OW = overweight position; UW = underweight position; NIL = nil holding; N = neutral.



## Q8. On the upcoming reporting season



# Market metrics vs. Emerging Leaders

Leading into the February reporting season

<b>FY19</b>	<b>Top 50</b>	<b>Mid Cap 50</b>	<b>Small Ords</b>	<b>Emerging Leaders</b>
PE	14.1	14.9	16.7	13.6
EPS Growth	6.3%	10.1%	15.5%	11.6%
Dividend Yield	5.4%	4.2%	3.6%	4.3%



**Thank you!**

Please send us any further questions.