

Ausbil Australian Active Equity Fund

Monthly performance update

January 2019

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'The Australian equity market had a positive month, returning +3.9% as the market recovered from the weakness in the previous quarter.'

Performance Review

Fund performance for the month of January 2019 was 5.01% (net of fees) versus the benchmark return of 3.87%, as measured by the S&P/ASX 300 Accumulation Index.

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

At a stock level, the overweight positions in Santos, BlueScope Steel, Aristocrat Leisure, Rio Tinto, Independence Group, The a2 Milk Company and QBE Insurance added to relative performance. The underweight positions in ResMed, Wesfarmers and Qantas also added value. Conversely, the overweight positions in Challenger, BHP Billiton, Galaxy Resources and Woolworths detracted from relative performance. The underweight positions in Telstra, Fortescue Metals Group, Woodside Petroleum, Newcrest Mining and Goodman Group also detracted.

Market Review

The Australian equity market (as measured by the S&P/ASX 300 Accumulation Index) had a positive month, returning +3.9% as the market recovered from the weakness in the previous quarter. Globally, the Emerging (MSCI EM: +8.8%) outperformed the Developed (MSCI World: +7.8%) equity markets. Within Developed markets, the US (S&P500: +8.0%) outperformed the European (EURO STOXX: +6.3%) and the UK (FTSE100: +3.6%) markets.

Domestically, the small-cap stocks (S&P/ASX Small Ordinaries Accumulation Index: +5.6%) outperformed the mid-cap (S&P/ASX MidCap 50 Accumulation Index: +4.5%) and large-cap segments (S&P/ASX 20 Accumulation Index: +2.5%).

Outlook

As we head into the domestic earnings reporting season, markets have remained watchful of governments, especially in the exercise of fiscal and monetary policy, to navigate the recent uncertainty and volatility in global economic outlook and trade.

In the US, the Federal Reserve issued a statement which indicated a dovish outlook on rate guidance and the balance sheet off the back of "muted" inflation, and a healthy supply of reserves. This positive sentiment is mirrored elsewhere with Trump's reopening of the government in the hope of successful negotiations within Congress. However, the potential negative effects of this shutdown remain vague, especially with US labour markets remaining tight. Domestically, unemployment (+5.1%) and core inflation (+1.8%) remain low. We continue to monitor further developments whilst maintaining healthy cash levels to take advantage of opportunities.

Fund Characteristics

Returns¹ as at 31 January 2019

Period	Fund Return ¹ %	Benchmark ² %	Out/Under performance %
1 month	5.01	3.87	1.14
3 months	-1.33	1.38	-2.71
6 months	-8.28	-4.68	-3.60
FYTD	-7.17	-3.44	-3.73
CYTD	5.01	3.87	1.14
1 year	-2.11	1.08	-3.19
3 years pa	9.64	10.04	-0.41
5 years pa	6.69	7.05	-0.36
7 years pa	9.56	9.26	0.30
10 years pa	9.95	9.87	0.08
15 years pa	9.76	8.51	1.25
20 years pa	9.76	7.93	1.83
Since inception pa Date: July 1997	9.73	7.93	1.80

Top 10 Stock Holdings

	Fund %	Index ² %	Tilt %
BHP	9.03	6.41	2.62
CSL	7.95	5.51	2.44
Commonwealth Bank	7.24	7.70	-0.46
Santos	5.79	0.71	5.08
Westpac Bank	4.82	5.27	-0.46
QBE Insurance	4.49	0.92	3.58
Rio Tinto	4.35	2.02	2.33
ANZ Bank	4.14	4.53	-0.40
Woolworths	4.04	2.41	1.63
Macquarie Group	3.76	2.31	1.45

Sector Tilts

Name	Fund %	Index ¹ %	Tilt %
Energy	6.99	5.69	1.30
Materials	25.55	18.44	7.11
Industrials	7.10	7.94	-0.83
Consumer Discretionary	4.29	6.87	-2.58
Consumer Staples	8.50	5.73	2.76
Health Care	10.45	8.80	1.65
Financials	29.19	30.98	-1.79
Information Technology	3.24	2.93	0.31
Communication Services	1.66	2.78	-1.12
Utilities	0.00	2.04	-2.04
Real Estate	2.34	7.81	-5.46
Cash	0.69	0.00	0.69
Total	100.00	100.00	0.00

1.Fund returns are net of fees but before taxes.

2.The benchmark is S&P/ASX 300 Accumulation Index.



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