

Ausbil Australian Active Equity Fund

Monthly performance update

July 2019

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'The Australian equity market had a positive month, returning +3.0%, building on a strong June quarter'.

Performance Review

Fund performance for July 2019 was +3.45% (gross of fees) versus the benchmark return of +2.97%, as measured by the S&P/ASX 300 Accumulation Index.

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

At a stock level, the overweight positions in Independence Group, JB Hi-Fi, Lendlease, National Australia Bank, QBE Insurance, ResMed, The a2 Milk Company and Treasury Wine Estates contributed to relative performance. The nil positions in Amcor and Woodside Petroleum also added value. Conversely, the overweight positions in Aristocrat Leisure, Goodman Group, Iluka Resources, Rio Tinto, Santos and Stockland detracted from relative performance. The underweight positions in Magellan Financial Group and Wesfarmers, and nil positions in ASX and Newcrest Mining also detracted value.

Market Review

The Australian equity market (as measured by the S&P/ASX 300 Accumulation Index) had a positive month, returning +3.0%, building on a strong June quarter. Globally, the Developed (MSCI World: +0.5%) outperformed the Emerging (MSCI EM: -1.1%) equity markets. Within Developed markets, the UK (FTSE 100: +2.2%) outperformed the European (EURO STOXX: +0.2%) and US (S&P 500: +1.4%) markets.

Domestically, small-cap (S&P/ASX Small Ordinaries Accumulation Index: +4.5%) and mid-cap (S&P/ASX MidCap 50 Accumulation Index: +4.9%) stocks outperformed the large-cap stocks (S&P/ASX 20 Accumulation Index: +1.8%).

Outlook

The Australian equity market (as measured by the S&P/ASX 300 Accumulation Index) continued its streak of positive performance (+3.0% for the month of July) to sail past the previous all-time high set in 2007, before the Financial Crisis. This has been predominantly driven by a low interest rate environment and potential further easing of monetary policy by central banks in a period of softer economic data and weaker earnings expectations ahead of the August reporting season.

Domestically, economic data released in July for the month of June has been generally soft with weaker business confidence (NAB Business Confidence Index: down from 7 to 2), credit growth (+0.1%) and building approvals (-1.2%), despite strong employment growth (+21.1k growth full time jobs). Nevertheless, the Australian equity market has remained defiant against a dovish monetary backdrop and with momentum in Materials, with iron ore and gold remaining strong. Valuations will likely be challenged across various sectors with this historic run, especially with the upcoming reporting season and global downside risks continuing to provide a cautionary backdrop.

Fund Characteristics

Returns¹ as at 31 July 2019

Period	Fund Return ¹ %	Bench- mark ² %	Out/Under performance %
1 month	3.37	2.97	0.40
3 months	7.85	8.58	-0.73
6 months	18.14	18.81	-0.66
FYTD	3.37	2.97	0.40
CYTD	24.06	23.40	0.66
1 year	8.36	13.25	-4.89
3 years pa	10.86	11.61	-0.75
5 years pa	8.09	8.57	-0.48
7 years pa	12.02	11.64	0.39
10 years pa	9.17	9.45	-0.29
15 years pa	10.03	9.05	0.97
20 years pa	10.15	8.54	1.61
Since inception pa Date: July 1997	10.33	8.59	1.75

Top 10 Stock Holdings

	Fund %	Index ² %	Tilt %
BHP	7.91	6.47	1.44
CSL	7.58	5.60	1.98
Commonwealth Bank	7.38	7.81	-0.43
National Australia Bank	6.63	4.19	2.43
QBE Insurance	5.15	0.92	4.23
Westpac Bank	4.93	5.30	-0.37
Santos	4.73	0.69	4.04
ANZ Bank	3.97	4.35	-0.38
Macquarie Group	3.96	2.20	1.76
Telstra	3.70	2.54	1.16

Sector Tilts

Name	Fund %	Index ² %	Tilt %
Energy	4.73	5.04	-0.32
Materials	18.57	18.58	-0.01
Industrials	8.04	8.19	-0.15
Consumer Discretionary	4.96	6.77	-1.81
Consumer Staples	7.03	5.81	1.22
Health Care	11.62	8.83	2.79
Financials	32.01	31.15	0.86
Information Technology	0.53	3.11	-2.58
Communication Services	3.70	2.93	0.77
Utilities	0.00	1.87	-1.87
Real Estate	7.25	7.72	-0.46
Cash	1.55	0.00	1.55
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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