

# Ausbil Australian Active Equity Fund

Monthly performance update

October 2019

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'The Annual General Meeting (AGM) season is underway, providing an opportunity for companies to update the market on business performance and earnings guidance.'

## Performance Review

Fund performance for October 2019 was +0.74% (net of fees) versus the benchmark return of -0.38%, as measured by the S&P/ASX 300 Accumulation Index.

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

At a stock level, the overweight positions in Lendlease, Santos, BlueScope Steel, CSL, Iluka Resource, JB Hi-Fi, Aristocrat Leisure and Macquarie Group contributed to relative performance. The nil holdings in Newcrest Mining and WiseTech also added value in October. Conversely, the overweight positions in Treasury Wine, AfterPay Touch, National Australia Bank, Lynas, BHP, Rio Tinto and Galaxy Resources detracted from relative performance. The nil positions in Xero and Sydney Airport also detracted value.

## Market Review

The Australian equity market (as measured by the S&P/ASX 300 Accumulation Index) remained relatively flat, returning -0.4% in October. Globally, Emerging markets (MSCI EM: +4.2%) outperformed Developed (MSCI World: +2.6%) equity markets. Within Developed markets, the US (S&P500: +2.2%) led the European (EURO STOXX: +1.3%) and UK (FTSE100: -1.9%) markets.

Domestically, large-cap stocks (S&P/ASX 20 Accumulation Index: -0.8%) outperformed small-cap (S&P/ASX Small Ordinaries Accumulation Index: -1.8%) and mid-cap stocks (S&P/ASX MidCap 50 Accumulation Index: -1.8%).

Health Care (+7.3%) was the strongest sector across the ASX 300, followed by the Industrials (+2.9%), Real Estate (+1.8%), Utilities (+1.2%), Consumer Discretionary (+0.5%) and Energy (+0.3%). Sectors which lagged the market included Information Technology (-3.2%), Financials (-2.9%), Consumer Staples (-2.2%), Materials (-1.8%) and Communication Services (-1.4%).

## Outlook

The slight pullback in the rotation towards value stocks experienced in October was largely due to earnings expectations for the Banks, with the majority of the large banks reporting in early November. Weak consensus earnings forecasts, increased capital scrutiny, ongoing remediation costs and a low interest rate environment continue to be major challenges for banks. Resource companies also underperformed with iron ore prices tapering off, with supply normalising since the Vale mining disaster. Despite weaker Bank and Resources sector performance, repositioning of portfolios will be evident if the rotation into value continues to run its course.

The Annual General Meeting (AGM) season is underway, providing an opportunity for companies to update the market on business performance and earnings guidance. Corporate governance, executive remuneration and changes in company management are under scrutiny.

## Fund Characteristics

Returns<sup>1</sup> as at 31 October 2019

Period	Fund Return <sup>1</sup> %	Benchmark <sup>2</sup> %	Out/Under performance %
1 month	0.74	-0.38	1.12
3 months	2.16	-0.78	2.94
6 months	10.18	7.73	2.44
FYTD	5.60	2.16	3.44
CYTD	26.73	22.43	4.30
1 year	19.08	19.50	-0.42
3 years pa	13.22	12.53	0.68
5 years pa	8.76	8.55	0.21
7 years pa	11.36	10.38	0.99
10 years pa	8.30	8.23	0.07
15 years pa	9.47	8.41	1.06
20 years pa	10.31	8.68	1.63
Since inception pa Date: July 1997	10.32	8.45	1.87

## Top 10 Stock Holdings

Name	Fund %	Index <sup>2</sup> %	Tilt %
CSL	8.12	6.33	1.79
National Australia Bank	7.11	4.51	2.61
BHP	6.93	5.78	1.14
Commonwealth Bank	6.62	7.57	-0.95
QBE Insurance Group	5.24	0.94	4.30
Macquarie Group	5.09	2.32	2.77
Santos	4.97	0.78	4.19
Lendlease	4.93	0.60	4.33
Westpac Bank	4.88	5.30	-0.41
Aristocrat Leisure	4.00	1.10	2.90

## Sector Tilts

Sector	Fund %	Index <sup>2</sup> %	Tilt %
Energy	4.97	4.99	-0.02
Materials	16.35	17.14	-0.79
Industrials	6.87	8.30	-1.44
Consumer Discretionary	5.85	7.07	-1.21
Consumer Staples	5.14	5.84	-0.70
Health Care	12.11	9.82	2.29
Financials	32.16	31.12	1.05
Information Technology	1.34	3.17	-1.83
Communication Services	3.30	2.66	0.64
Utilities	0.00	1.88	-1.88
Real Estate	9.47	8.01	1.46
Cash	2.44	0.00	2.44
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>

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

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



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