

Ausbil Australian Active Equity Fund

Quarterly performance update

September 2019

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Performance Review

Fund performance for the quarter ending September 2019, was +4.82% (net of fees) versus the benchmark return of +2.55%, as measured by the S&P/ASX 300 Accumulation Index.

Over the quarter, at a sector level, the Fund's overweight positions in the Consumer Staples, Financials and Health Care 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 Service 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 Lendlease, Independence Group, JB Hi-Fi, Treasury Wine Estates, Santos, QBE Insurance, National Australia Bank and Aurizon Holdings contributed to relative performance. The nil positions in Woodside Petroleum and Amcor also added value. Conversely, the overweight positions in Iluka Resources, BHP, Rio Tinto, Goodman Group, Brambles, Aristocrat Leisure and Telstra detracted from relative performance. The nil positions in Wesfarmers, Coles and James Hardie also detracted value.

Market Review

The Australian equity market (as measured by the S&P/ASX 300 Accumulation Index) had another positive quarter, returning +2.6%. Globally, Developed markets (MSCI World: +0.7%) outperformed Emerging (MSCI EM: -4.1%) equity markets. Within Developed markets, the European market (EURO STOXX: +2.5%) outperformed the UK (FTSE100: +1.0%) and US (S&P500: +1.7%) markets.

Domestically, mid-cap stocks (S&P/ASX MidCap 50 Accumulation Index: +3.3%) and small-cap stocks (S&P/ASX Small Ordinaries Accumulation Index: +3.1%) outperformed large-cap stocks (S&P/ASX 20 Accumulation Index: +1.0%).

Outlook

The Australian equity market (as measured by the S&P/ASX 300 Accumulation Index) rebounded from a weaker August to return +1.9% in September and +2.6% for the quarter. The aggressive rotation from momentum and growth stocks to cyclical and value stocks was evident in September, with the Communication Services (-2.9%), REITs (-2.3%) and Health Care (-2.2%) sectors underperforming, and the Banks (+5.0%), Energy (+4.5%), Consumer Discretionary (+3.3%) and Materials (+3.0%) sectors outperforming. Global equity markets continue to be influenced by a low interest rate environment and ongoing downside risks. The US Federal Reserve reduced its interest target range by 25bps to 1.75-2%, with Chairman Jerome Powell stipulating that the US was not heading into recession, nor intending to adopt negative interest rates. The RBA decided to keep interest rates unchanged in September, though proceeded to reduce rates by 25bps to a record low of 0.75% in early October, with the RBA "prepared to ease monetary policy further if needed."

Fund Characteristics

Returns¹ as at 30 September 2019

Period	Fund Return ¹ %	Benchmark ² %	Out/Under performance %
1 month	2.73	1.91	0.82
3 months	4.82	2.55	2.27
6 months	11.66	10.80	0.86
FYTD	4.82	2.55	2.27
CYTD	25.80	22.90	2.90
1 year	9.20	12.57	-3.37
3 years pa	12.27	11.85	0.41
5 years pa	9.38	9.55	-0.17
7 years pa	11.67	10.89	0.78
10 years pa	7.96	8.05	-0.09
15 years pa	9.66	8.67	0.99
20 years pa	10.25	8.73	1.52
Since inception pa Date: July 1997	10.32	8.50	1.82

Top 10 Stock Holdings

	Fund %	Index ² %	Tilt %
BHP	7.71	5.89	1.82
National Australia Bank	7.32	4.67	2.66
CSL	7.28	5.76	1.52
Commonwealth Bank	6.81	7.75	-0.94
QBE Insurance Group	5.20	0.93	4.26
Westpac Bank	5.14	5.55	-0.40
Macquarie Group	4.99	2.26	2.73
Santos	4.74	0.74	4.00
Lendlease Group	4.55	0.56	3.99
Rio Tinto	3.77	1.87	1.89

Sector Tilts

Name	Fund %	Index ² %	Tilt %
Energy	4.74	4.95	-0.21
Materials	18.57	17.39	1.19
Industrials	7.08	8.06	-0.98
Consumer Discretionary	4.96	7.01	-2.06
Consumer Staples	5.89	5.94	-0.06
Health Care	11.16	9.12	2.04
Financials	32.84	31.92	0.92
Information Technology	1.46	3.23	-1.77
Communication Services	3.32	2.67	0.65
Utilities	0.00	1.85	-1.85
Real Estate	8.95	7.84	1.10
Cash	1.03	0.00	1.03
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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