

Ausbil Australian Emerging Leaders Fund

Monthly performance update

August 2019

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'The Australian equity market had its first month of negative performance this year, following a disappointing reporting season and uncertainty lingering with the protracted US-China trade war.'

Performance Review

Fund performance for August 2019 was -4.93% (net of fees) versus the benchmark return of -2.79%. The benchmark is represented by a composite, 70% of the S&P/ASX MidCap 50 Accumulation Index and 30% of the S&P/ASX Small Ordinaries Accumulation Index.

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

At a stock level, the overweight positions in JB Hi-Fi, Afterpay Touch, ResMed, Charter Hall Group, Beach Energy and Downer EDI contributed to relative performance. The underweight position in Magellan and the nil positions in Orora and Cimic Group also added value. Conversely, the overweight positions in Cleanaway Waste Management, Boral, Lynas, Mineral Resources, Appen, The a2 Milk Company, Nextdc, Iluka Resources and Worley Parsons detracted from relative performance.

Market Review

The Australian equity market (as measured by the S&P/ASX 300 Accumulation Index) had its first negative month this year, returning -2.3%. Globally, the Developed (MSCI World: -2.0%) outperformed the Emerging (MSCI EM: -4.8%) equity markets. Within Developed markets, the UK (FTSE 100: -4.1%) underperformed the European (EURO STOXX: -1.3%) and US (S&P 500: -1.6%) markets.

Domestically, mid-cap stocks (S&P/ASX MidCap 50 Accumulation Index: -2.3%) and large-cap stocks (S&P/ASX 20 Accumulation Index: -2.9%) outperformed small-cap stocks (S&P/ASX Small Ordinaries Accumulation Index: -3.9%).

Outlook

The Australian equity market (as measured by the S&P/ASX 300 Accumulation Index) had its first month of negative performance (-2.3% in August) this year, following a disappointing reporting season and uncertainty lingering with the protracted US-China trade war.

Just as the equity market surpassed its pre-GFC highs at the end of July, investors were rattled once again with Trump proposing to add a new 10% tariff on further Chinese imports (worth \$300bn) at the start of August. China responded three weeks later with a retaliatory tariff on US goods (worth \$75bn). Tensions remain elevated going into September with both the US and China beginning to impose additional tariffs.

Following the reporting season, we turn our focus to the Annual General Meeting (AGM) season where companies update the market on business performance and earnings guidance. Corporate governance, executive remuneration and changes in company management are some of the topical issues for discussion.

Fund Characteristics

Returns¹ as at 31 August 2019

Period	Fund Return ¹ %	Benchmark ² %	Out/Under performance %
1 month	-4.93	-2.79	-2.14
3 months	1.89	3.91	-2.02
6 months	3.91	6.53	-2.62
FYTD	0.25	1.83	-1.58
CYTD	17.63	17.88	-0.24
1 year	-5.56	1.57	-7.13
3 years pa	5.71	9.52	-3.81
5 years pa	7.24	10.91	-3.66
7 years pa	11.38	12.25	-0.87
10 years pa	8.03	8.11	-0.08
15 years pa	9.29	8.16	1.13
Since inception pa Date: April 2002	10.75	9.17	1.58

Top 10 Stock Holdings

	Fund %	Index ² %	Tilt %
Cleanaway Waste Management	4.35	1.28	3.08
Lynas Corporation	4.30	0.26	4.04
BlueScope Steel	4.30	2.00	2.29
Northern Star Resources	4.18	2.34	1.85
ResMed	4.02	2.50	1.53
Nine Entertainment	3.68	0.96	2.72
Afterpay	3.29	1.69	1.60
JB Hi-Fi	3.20	1.13	2.07
Evolution Mining	3.18	2.40	0.78
Charter Hall	3.04	1.80	1.24

Sector Tilts

	Fund %	Index ² %	Tilt %
Energy	4.01	4.61	-0.60
Materials	25.20	20.58	4.63
Industrials	17.56	13.46	4.10
Consumer Discretionary	11.67	14.22	-2.55
Consumer Staples	2.95	6.90	-3.96
Health Care	7.54	5.94	1.60
Financials	6.14	10.74	-4.60
Information Technology	13.30	13.06	0.24
Communication Services	2.62	1.43	1.19
Utilities	2.20	2.31	-0.11
Real Estate	3.04	6.74	-3.70
Cash	3.76	0.00	3.76
Total	100.00	100.00	0.00

1. Fund returns are net of fees and gross of taxes.

2. The composite benchmark is 70% S&P/ASX Midcap 50 Accumulation Index and 30% S&P/ASX Small Ordinaries Accumulation Index.



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