

# Ausbil Australian Emerging Leaders Fund

Quarterly performance update

December 2018

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'The Australian equity market delivered weaker performance in the last quarter of 2018'

## Performance Review

Fund performance for the December 2018 quarter was -18.61% (net of fees) versus the benchmark return of -13.29%. The benchmark is represented by a composite of 70% S&P/ASX MidCap 50 Accumulation Index and 30% S&P/ASX Small Ordinaries Accumulation Index.

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

At a stock level, the overweight positions in Evolution Mining, G8 Education, The a2 Milk Company, Mineral Resources and Lynas Corporation contributed to relative performance. The underweight positions in IOOF, Clydesdale Bank, Adelaide Brighton, Carsales and TPG also added value. Conversely, the overweight positions in Beach Energy, Nine Entertainment, Bingo Industries and Seven Group detracted from relative performance. The underweight position in Northern Star also detracted value.

## Market Review

The Australian equity market (represented by the S&P/ASX 300 Accumulation Index) delivered weaker performance in the last quarter of 2018 to return -8.4% on the back of rising global uncertainty and re-evaluation of global growth prospects. However, Australian equities outperformed most global equity peers during the quarter (MSCI World: -13.3%, MSCI Emerging: -7.4%, US: -13.5%, Europe: -12.9%, UK: -9.6%). For calendar year 2018, Australian equities (-3.1%) outperformed their global counterparts (MSCI World: -8.2%, MSCI Emerging: -14.2%, US: -4.4%, Europe: -12.0%, UK: -8.7%).

Domestically, large-cap stocks (S&P/ASX 20 Accumulation Index: -6.2%) outperformed, while mid-cap stocks (S&P/ASX MidCap 50 Accumulation Index: -13.1%) and small-cap stocks (S&P/ASX Small Ordinaries Accumulation Index: -13.7%) underperformed.

## Outlook

We start 2019 with two major company reporting periods – the US 4Q18 earnings in January, followed by the Australian 1H19 earnings in February which will give early indications of the health of corporate earnings. Given the recent weakness highlighted by some global companies, expectations of earnings growth for the Australian equity market have shifted to the following year (FY20: 6.2%) at the expense of the current year (FY19: 7.5%) but still remain modest.

Domestically, we expect moderation in credit growth due to the imposition of regulation, stringent lending criteria and easing in credit demand. This is leading to anaemic wage growth and softening property prices which have also impacted consumer spending. As a result, domestically oriented businesses in the Financial, Consumer Discretionary and Real Estate Development sectors continue to face earnings headwinds.

## Fund Characteristics

Returns<sup>1</sup> as at 31 December 2018

Period	Fund Return <sup>1</sup> %	Benchmark <sup>2</sup> %	Out/Under performance %
1 month	-4.45	-2.44	-2.01
3 months	-18.61	-13.29	-5.32
6 months	-18.90	-10.84	-8.06
FYTD	-18.90	-10.84	-8.06
CYTD	-16.54	-7.73	-8.80
1 year	-16.54	-7.73	-8.80
3 years pa	4.34	9.29	-4.95
5 years pa	5.21	9.34	-4.13
7 years pa	8.90	9.85	-0.95
10 years pa	9.14	9.19	-0.05
15 years pa	9.65	8.00	1.64
Since inception pa Date: April 2002	10.12	8.48	1.64

## Top 10 Stock Holdings

	Fund %	Index <sup>2</sup> %	Tilt %
Tabcorp Holdings	5.98	3.09	2.89
The a2 Milk Company	4.87	2.68	2.19
Downer EDI	4.82	1.47	3.35
Alumina	4.48	1.92	2.56
Evolution Mining	4.34	2.00	2.34
BlueScope Steel	4.08	2.16	1.92
Domino's Pizza	3.68	0.91	2.78
Incitec Pivot	3.58	1.97	1.61
Cleanaway Waste Management	3.58	1.20	2.38
ResMed	3.37	2.89	0.47

## Sector Tilts

	Fund %	Index <sup>2</sup> %	Tilt %
Energy	4.32	3.89	0.43
Materials	39.76	23.04	16.71
Industrials	14.55	13.43	1.12
Consumer Discretionary	18.16	14.61	3.55
Consumer Staples	6.57	6.90	-0.33
Health Care	4.83	6.86	-2.03
Financials	1.05	11.90	-10.85
Information Technology	2.51	8.78	-6.26
Communication Services	0.00	1.70	-1.70
Utilities	0.00	2.43	-2.43
Real Estate	2.05	6.47	-4.42
Cash	6.22	0.00	6.22
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>

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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