

Ausbil Australian Emerging Leaders 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 +5.45% (net of fees) versus the benchmark return of 4.76%. 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 benefited from overweight positions in the Energy, Materials, Information Technology and Communication Services sectors. Conversely, overweight positions in the Industrials and Utilities sectors detracted value. The underweight positions in the Consumer Discretionary, Consumer Staples, Health Care, Financials and Real Estate sectors also detracted value.

At a stock level, the overweight positions in Appen, Independence Group, JB Hi-Fi, Northern Star Resources, ResMed Inc, The a2 Milk Company and WiseTech Global contributed to relative performance. The nil positions in AusNet Services, Cimic Group and Crown Resorts also added value. Conversely, the overweight positions in Bendigo and Adelaide Bank, Clydesdale Bank, Iluka Resources, Lynas Corporation and Webjet detracted from relative performance. The nil position in Magellan Financial Group 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 %	Benchmark ² %	Out/Under performance %
1 month	5.45	4.76	0.69
3 months	7.83	6.04	1.79
6 months	15.87	15.69	0.18
FYTD	5.45	4.76	0.69
CYTD	23.74	21.26	2.48
1 year	1.17	7.42	-6.25
3 years pa	6.55	10.37	-3.82
5 years pa	8.54	11.83	-3.28
7 years pa	12.75	12.92	-0.16
10 years pa	9.30	9.12	0.19
15 years pa	9.92	8.55	1.37
Since inception pa Date: April 2002	11.13	9.40	1.73

Top 10 Stock Holdings

	Fund %	Index ² %	Tilt %
a2 Milk Company	5.35	3.71	1.64
Cleanaway Waste Management	4.64	1.45	3.19
Northern Star Resources	4.49	2.48	2.01
Lynas Corporation	4.36	0.27	4.09
BlueScope Steel	4.19	2.04	2.15
ResMed Inc	4.17	2.24	1.93
Seek	3.53	2.19	1.34
Nine Entertainment	3.48	0.95	2.52
Evolution Mining	3.28	2.26	1.02
JB Hi-Fi	3.11	1.01	2.11

Sector Tilts

	Fund %	Index ² %	Tilt %
Energy	4.26	4.81	-0.55
Materials	30.92	22.69	8.23
Industrials	16.34	13.19	3.15
Consumer Discretionary	11.73	13.60	-1.86
Consumer Staples	5.35	7.54	-2.19
Health Care	5.42	5.50	-0.08
Financials	3.79	11.32	-7.53
Information Technology	12.28	11.59	0.69
Communication Services	2.26	1.46	0.80
Utilities	2.35	2.23	0.12
Real Estate	2.95	6.07	-3.12
Cash	2.35	0.00	2.35
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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