

# Ausbil Australian Emerging Leaders Fund

Quarterly performance update

March 2019

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## Performance Review

Fund performance for the March 2019 quarter was +13.80% (net of fees) versus the benchmark return of 10.67%. 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 overweight positions in the Energy, Industrials and Consumer sectors. The underweight positions in the Health Care, Financials and Real Estate sectors also added value. Conversely, the overweight position in the Materials sector also detracted value. The underweight positions in the Consumer Staples, Information Technology, Communication Services and Utilities sectors also detracted value.

At a stock level, the overweight positions in Beach Energy, Cleanaway, Lynas Corp, Afterpay Touch, Altium, Webjet, The a2 Milk Company, BlueScope and Charter Hall contributed to relative performance. The underweight position in Bendigo and Adelaide Bank also added value. Conversely, the overweight positions in Galaxy Resources, Whitehaven Coal, Blackmores and Flight Centre detracted from relative performance. The underweight position in Magellan Financial Group also detracted value.

## Market Review

In the first quarter of 2019, the Australian equity market (represented by the S&P/ASX 300 Accumulation Index) delivered its best quarterly performance since September 2009, to return +10.9%. Globally, Australian equities outperformed the UK (FTSE100: +9.5%) and Emerging markets (MSCI Emerging: +10.0%), but underperformed the US (S&P500: +13.6%) and European markets (EURO STOXX: +12.2%).

Domestically, small-cap stocks (S&P/ASX Small Ordinaries Accumulation Index: +12.6%) outperformed the large-cap (S&P/ASX 200 Accumulation Index: +10.9%) and mid-cap (S&P/ASX MidCap 50 Accumulation Index: +9.8%) stocks.

## Outlook

Challenging conditions continue to temper optimism, and global downside risks remain. Lower interest rate expectations contrast strong quarterly performance within commodity and equity markets.

Equity and commodity markets have been much more optimistic over the quarter. The Australian equity market (represented by the S&P/ASX 300 Accumulation Index) delivered its best quarterly performance since September 2009. Meanwhile, commodity prices have been strongly supported by supply-side constraints, and Chinese infrastructure stimulus and reforms. Lower energy exploration capital expenditure, and the curbing of oil production from OPEC members, have contributed to rising energy prices. Hits to supply on the back of Cyclone Veronica, and the Vale mining disaster, have not only increased iron ore prices (+19.9% over the quarter) but have amplified expectations for prices to further elevate. This will be a boost to government coffers, and reflected in the latest federal budget that is looking to lift the economy through infrastructure spending and consumer spending via tax cuts.

## Fund Characteristics

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

Period	Fund Return <sup>1</sup> %	Benchmark <sup>2</sup> %	Out/Under performance %
1 month	0.52	0.02	0.50
3 months	13.80	10.67	3.13
6 months	-7.38	-4.04	-3.34
FYTD	-7.71	-1.33	-6.38
CYTD	13.80	10.67	3.13
1 year	-3.34	4.57	-7.91
3 years pa	9.13	12.11	-2.99
5 years pa	6.59	10.89	-4.30
7 years pa	9.21	9.65	-0.44
10 years pa	11.40	11.01	0.39
15 years pa	9.95	8.43	1.52
Since inception pa Date: April 2002	10.81	9.00	1.81

## Top 10 Stock Holdings

	Fund %	Index <sup>2</sup> %	Tilt %
Tabcorp	5.75	3.08	2.67
The a2 Milk Company	4.79	3.28	1.51
Cleanaway Waste Management	4.39	1.48	2.91
BlueScope Steel	4.36	2.55	1.81
Alumina	4.22	1.87	2.35
Evolution Mining	3.64	1.84	1.80
OZ Minerals	3.53	1.10	2.44
Downer EDI	3.52	1.55	1.96
Beach Energy	3.36	0.57	2.79
Lynas Corporation	3.29	0.22	3.07

## Sector Tilts

	Fund %	Index <sup>2</sup> %	Tilt %
Energy	8.04	4.64	3.40
Materials	30.36	22.47	7.89
Industrials	14.97	13.89	1.07
Consumer Discretionary	14.14	14.54	-0.39
Consumer Staples	4.79	7.01	-2.22
Health Care	5.00	5.96	-0.96
Financials	2.64	11.28	-8.64
Information Technology	9.45	9.66	-0.21
Communication Services	3.05	1.70	1.35
Utilities	2.47	2.42	0.06
Real Estate	2.71	6.44	-3.73
Cash	2.38	0.00	2.38
<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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