

Ausbil Australian Emerging Leaders Fund

Monthly performance update

November 2019

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'During November, the mid and small-cap equity market increased +3.4% (as measured by the blended 70% S&P/ASX Midcap 50 Index and 30% S&P/ASX Small Ordinaries Index)'

Performance Review

Fund performance for November 2019 was +3.42% (net of fees) versus the benchmark return of +3.33%. 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 underweight positions in the Consumer Discretionary, Financials, Information Technology, Utilities and Real Estate sectors added value. Conversely, the overweight positions in the Energy, Materials, Industrials, Health Care and Communication Services sectors detracted from relative performance. The underweight position in Consumer Staples also detracted value.

At a stock level, the overweight positions in Virgin Money, Cleanaway Waste Management, BlueScope Steel, Webjet, Appen, Worley and Altium contributed to relative performance. The nil positions in the Bank of Queensland, Charter Hall Group and REA Group also added value. Conversely, the overweight positions in Lynas, Nine Entertainment, Incitec Pivot, Seven West Media and Service Stream detracted from relative performance. The underweight positions in Xero, Coca-Cola, and ALS also detracted value.

Market Review

During November, the mid and small-cap equity market increased +3.4% (as measured by the blended 70% S&P/ASX Midcap 50 Index and 30% S&P/ASX Small Ordinaries Index). Consumer Staples (+13.7%) was the strongest performer within the blended benchmark, followed by Information Technology (+10.5%) and Energy (+4.6%). Industrials (+3.4%), Health Care (+3.4%) and Financials (+3.3%) performed in line with the market. Sectors which lagged the market included the Materials (-0.2%), Real Estate (-0.1%), Communication Services (+0.9%), Consumer Discretionary (+1.1%) and Utilities (2.3 %) sectors.

Domestically, the mid-cap market (S&P/ASX MidCap 50 Accumulation Index: +4.1%) outperformed the large-cap (S&P/ASX 20 Accumulation Index: +2.7%) and small cap (S&P/ASX Small Ordinaries Accumulation Index: +1.6%) markets.

Outlook

Despite the overall market strength in November, the Banking sector remained an anchor in equity markets. Consensus earnings continue to see downgrades on account of capital challenges and remediation costs amidst a low interest rate environment. Outside of Banks, investors will likely have to pay a premium for higher yields given the price-to-earnings expansion due to low earnings growth and interest rates. This is especially true for sectors which outperformed in November, namely the Information Technology and Health Care sectors.

As we head into the festive season, there will be a focus on the Retail sector and consumer spending. The Black Friday sales in late November kicked off a strong start for retailers, with a reported increase of over 30% from last year's Black Friday sales. Retailers will be looking for sales momentum leading into Christmas, despite the possibility of consumers pushing forward their Christmas shopping, and Black Friday occurring a week closer to Christmas compared to previous years.

Fund Characteristics

Returns¹ as at 30 November 2019

Period	Fund Return ¹ %	Bench- mark ² %	Out/Under performance %
1 month	3.42	3.33	0.08
3 months	2.59	4.40	-1.80
6 months	4.53	8.47	-3.94
FYTD	2.84	6.31	-3.46
CYTD	20.68	23.06	-2.38
1 year	15.32	20.06	-4.74
3 years pa	9.74	12.78	-3.04
5 years pa	8.90	12.90	-4.00
7 years pa	11.05	11.98	-0.93
10 years pa	7.69	8.17	-0.48
15 years pa	8.40	7.48	0.93
Since inception pa Date: April 2002	10.75	9.31	1.44

Top 10 Stock Holdings

Name	Fund %	Index ² %	Tilt %
BlueScope Steel	6.80	2.22	4.57
Cleanaway Waste Management	4.60	1.25	3.35
Seek	4.44	2.38	2.06
Downer EDI	4.24	1.49	2.76
Lynas Corporation	3.99	0.22	3.77
Worley	3.94	1.40	2.54
Beach Energy	3.61	1.13	2.48
The a2 Milk Company	3.55	3.14	0.41
Challenger	3.45	1.22	2.23
Healius	3.15	0.23	2.92

Sector Tilts

Sector	Fund %	Index ² %	Tilt %
Energy	7.55	4.64	2.92
Materials	25.38	19.97	5.41
Industrials	22.96	13.97	8.99
Consumer Discretionary	11.23	14.10	-2.87
Consumer Staples	3.55	7.09	-3.54
Health Care	6.57	6.14	0.43
Financials	6.16	11.18	-5.02
Information Technology	11.06	13.08	-2.02
Communication Services	2.81	1.46	1.35
Utilities	0.00	2.04	-2.04
Real Estate	0.00	6.33	-6.33
Cash	2.73	0.00	2.73
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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