

Ausbil 130/30 Focus 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 -8.25% (net of fees) versus the benchmark return of -8.24%, as measured by the S&P/ASX 200 Accumulation Index.

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

The Fund's largest short positions were in selected stocks within the Real Estate, Financials, Consumer Staples and Communication Services sectors.

At a stock level, the Fund benefited from overweight positions in Newcrest Mining, Goodman Group, Woolworths, Dexus and Insurance Australia Group. The underweight positions in South32, Origin Energy and Carsales also added value. Conversely, the overweight positions in BlueScope Steel, Lendlease, Seven Group, Woodside Petroleum and Oil Search detracted from relative performance. The underweight positions in GPT Group and Evolution Mining also detracted value.

Market Review

The Australian equity market (represented by the S&P/ASX 200 Accumulation Index) delivered weaker performance in the last quarter of 2018 to return -8.2% 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, earnings headwinds.

Fund Characteristics

Returns¹ as at 31 December 2018

Period	Fund Return ¹ %	Benchmark ²	Out/Under performance %
1 month	0.94	-0.12	1.06
3 months	-8.25	-8.24	-0.01
6 months	-8.65	-6.83	-1.82
FYTD	-8.65	-6.83	-1.82
CYTD	-4.72	-2.84	-1.88
1 year	-4.72	-2.84	-1.88
3 years pa	8.30	6.69	1.61
5 years pa	6.13	5.63	0.50
7 years pa	11.00	9.61	1.39
Since inception pa Date: July 2010	8.74	7.53	1.21

Market Exposure

	% of Fund
Long	98.61
Short	-8.16
Net	90.45

Top 10 Stock Holdings

	Fund %	Index %	Tilt %
Commonwealth Bank	9.40	8.46	0.94
BHP	8.11	6.69	1.42
CSL	6.98	5.56	1.41
Woolworths	4.53	2.57	1.96
Westpac Bank	4.19	5.71	-1.52
ANZ Bank	3.76	4.70	-0.94
Newcrest Mining	3.13	1.11	2.03
Woodside Petroleum	3.13	1.95	1.18
National Australia Bank	3.05	4.36	-1.31
Goodman Group	3.04	1.13	1.91

Sector Tilts

	Fund %	Index %	Tilt %
Energy	6.78	5.27	1.51
Materials	18.52	18.19	0.33
Industrials	5.37	7.96	-2.59
Consumer Discretionary	1.60	4.25	-2.64
Consumer Staples	6.86	8.18	-1.32
Healthcare	11.72	8.75	2.97
Financials	27.02	32.63	-5.61
IT	0.60	2.69	-2.08
Communication Services	1.75	2.70	-0.95
Utilities	3.04	2.02	1.02
Real Estate	7.18	7.36	-0.18
Cash	9.55	0.00	9.55
Total	100.00	100.00	0.00

1. Fund returns are net of fees but before taxes.

2. The benchmark S&P/ASX 200 Accumulation Index.

ASIC Benchmark 2. - Periodic Reporting

This benchmark is aimed at ensuring that investors receive timely, basic fund investment performance information on a periodic basis to make informed investment decisions. Please refer to the below information relating to this benchmark.

The Fund's current net asset value and redemption price are available at www.ausbil.com.au/unit-prices. The Ausbil 130/30 Focus Fund – wholesale class' net performance returns are available at www.ausbil.com.au/performance-tables. There has been no changes to the key service providers, related party status of the Fund, the Fund's risk profile, the Fund's strategy and the investment team.

Ausbil as the Responsible Entity of Ausbil 130/30 Focus Fund has appointed J.P. Morgan Securities Australia Limited (ABN 61 003 245 234) and Citigroup Global Markets Australia Pty Limited (ABN 64 003 114 832) as securities lenders pursuant to an industry standard Australian Master Securities Lending Agreement (AMSLA) (Agreement). Please refer to the Update of Information available at <http://www.ausbil.com.au/products/ausbil-130-30-focus-fund> (Important Notice to Investors) for more information on the appointment of additional securities lenders.

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