

Ausbil Australian Active Equity Fund

Quarterly performance update

March 2019

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Performance Review

Fund performance for the March 2019 quarter was +12.66% (net of fees) versus the benchmark return of 10.92%, as measured by the S&P/ASX 300 Accumulation Index.

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

At a stock level, the overweight positions in Santos, QBE Insurance, BlueScope Steel, Rio Tinto, Independence Group, The a2 Milk Company, ResMed, Macquarie Group and Seven Group added to relative performance. The nil holding in AMP also added value. Conversely, the overweight positions in Challenger, Treasury Wine Estates, Galaxy Resources, Evolution Mining, CSL and Woolworths detracted from relative performance. The underweight positions in Fortescue Metals Group, Telstra, Goodman Group and Magellan 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

Returns¹ as at 31 March 2019

Period	Fund Return ¹ %	Benchmark ² %	Out/Under performance %
1 month	0.80	0.73	0.06
3 months	12.66	10.92	1.74
6 months	-2.20	1.59	-3.79
FYTD	-0.40	3.12	-3.52
CYTD	12.66	10.92	1.74
1 year	8.64	11.74	-3.10
3 years pa	10.97	11.39	-0.42
5 years pa	6.69	7.39	-0.70
7 years pa	10.22	9.79	0.43
10 years pa	10.20	10.25	-0.06
15 years pa	9.80	8.60	1.20
20 years pa	9.87	8.11	1.76
Since inception pa Date: July 1997	10.01	8.19	1.82

Top 10 Stock Holdings

	Fund %	Index ² %	Tilt %
BHP	8.99	6.72	2.27
CSL	7.32	5.23	2.08
Commonwealth Bank	6.97	7.38	-0.40
QBE Insurance	5.39	1.00	4.39
Santos	5.31	0.71	4.59
Rio Tinto	4.71	2.16	2.55
Westpac Bank	4.28	5.28	-1.00
Woolworths	3.95	2.37	1.58
Macquarie Group	3.94	2.43	1.51
ANZ Bank	3.88	4.47	-0.59

Sector Tilts

Name	Fund %	Index ² %	Tilt %
Energy	5.31	5.47	-0.17
Materials	24.54	18.93	5.61
Industrials	8.29	8.11	0.18
Consumer Discretionary	4.53	6.89	-2.36
Consumer Staples	7.83	5.49	2.34
Health Care	11.23	8.41	2.82
Financials	28.14	30.93	-2.78
Information Technology	1.74	3.08	-1.34
Communication Services	2.88	2.82	0.06
Utilities	0.00	2.00	-2.00
Real Estate	4.70	7.87	-3.16
Cash	0.79	0.00	0.79
Total	100.00	100.00	0.00

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

2.The benchmark is S&P/ASX 300 Accumulation Index.



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