

Ausbil Australian Emerging Leaders Fund

Quarterly performance update

June 2019

Ausbil Investment Management Limited
ABN 26 076 316 473
AFSL 229722
Level 27
225 George Street
Sydney NSW 2000
GPO Box 2525
Sydney NSW 2001
Phone 61 2 9259 0200
Fax 61 2 9259 0222

'The Australian equity market continued its strong performance in the June quarter of 2019'

Performance Review

Fund performance for June quarter 2019 was +3.11% (net of fees) versus the benchmark return of +4.60%. 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.

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

At a stock level, the overweight positions in Afterpay Touch, Appen, Evolution Mining, Lynas Corporation, ResMed and Service Stream contributed to relative performance. The underweight positions in Challenger, Link Administration, Reliance Worldwide and Unibail-Rodamco-Westfield also added value. Conversely, the overweight positions in Beach Energy, BlueScope Steel, Downer EDI, Galaxy Resources, OZ Minerals and TPG Telecom detracted from relative performance. The underweight positions in Magellan Financial Group, REA Group and Xero also detracted value.

Market Review

The Australian equity market (represented by the S&P/ASX 300 Accumulation Index), continued its strong performance in the June quarter of 2019 to return +8.0%. Globally, Australian equities outperformed developed markets: UK (FTSE 100: +3.3%), US (S&P 500: +4.3%), Europe (EURO STOXX: +4.8%) and emerging markets (MSCI Emerging: +0.7%).

Domestically, large-cap stocks (S&P/ASX 20 Accumulation Index: +9.2%) outperformed the mid-cap (S&P/ASX MidCap 50 Accumulation Index: +4.9%) and small-cap stocks (S&P/ASX Small Ordinaries Accumulation Index: +3.7%).

Outlook

Global uncertainties have been tempered slightly following the G20 Osaka Summit and delays in the potential US-China trade deal, though risks of unexpected shocks remain. Despite the ongoing macroeconomic risks, the current economic environment is supportive of further equity growth in the form of expansionary government policies and muted inflationary pressures. Interest rate expectations have been at an all-time low, reflected by decreasing 10-year government bond yields over the quarter (Australia: 1.8% to 1.3%, US: 2.4% to 2%, and Germany: -0.1% to -0.3%). In both the Eurozone and the US, the market has priced in rate cuts this year. The RBA has already cut interest rates from 1.5% by 25bps in June, and a further 25bps in July to a record low of 1% which will "support employment growth" and "provide greater confidence" that inflation will meet the targeted range over time. Despite lagging its global counterparts for the month of June, Australian equities have led in performance for both the quarter and calendar year. Domestic business confidence has rebounded well due to the aforementioned easing of political tensions but also off the back of an unexpected victory by the Coalition.

Fund Characteristics

Returns¹ as at 30 June 2019

Period	Fund Return ¹ %	Benchmark ² %	Out/Under performance %
1 month	1.64	2.04	-0.40
3 months	3.11	4.60	-1.48
6 months	17.34	15.76	1.59
FYTD	-4.83	3.21	-8.04
CYTD	17.34	15.76	1.59
1 year	-4.83	3.21	-8.04
3 years pa	8.48	11.63	-3.15
5 years pa	8.31	11.81	-3.50
7 years pa	11.96	12.26	-0.30
10 years pa	9.85	9.61	0.25
15 years pa	9.78	8.49	1.29
Since inception pa Date: April 2002	10.84	9.15	1.69

Top 10 Stock Holdings

	Fund %	Index ² %	Tilt %
a2 Milk Company	4.66	3.15	1.52
Cleanaway Waste Management	4.61	1.46	3.15
Evolution Mining	4.36	2.06	2.30
Lynas Corporation	4.22	0.28	3.94
Bendigo and Adelaide Bank	3.99	1.75	2.25
ResMed Inc	3.89	2.12	1.77
BlueScope Steel	3.72	1.97	1.75
Seek	3.69	2.32	1.37
Tabcorp Holdings	3.45	2.80	0.65
Nine Entertainment	3.00	0.93	2.07

Sector Tilts

	Fund %	Index ² %	Tilt %
Energy	4.91	4.81	0.10
Materials	29.16	22.58	6.58
Industrials	16.69	13.72	2.97
Consumer Discretionary	11.63	13.73	-2.10
Consumer Staples	4.66	6.97	-2.30
Health Care	5.18	5.42	-0.24
Financials	3.99	11.25	-7.25
Information Technology	12.21	11.44	0.77
Communication Services	1.74	1.56	0.18
Utilities	2.48	2.42	0.06
Real Estate	3.49	6.10	-2.61
Cash	3.84	0.00	3.84
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.



Ausbil Investment
Management Limited
Level 27
225 George Street
Sydney NSW 2000
Australia
Toll Free 1800 287 245

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