

# Ausbil Australian Emerging Leaders Fund

Quarterly performance update

September 2020

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‘Moving beyond FY 2020 reporting season, investors are now looking critically towards catalysts for upward earnings revisions across the market’

## Performance Review

Fund performance for the quarter ending September 2020 was +6.70% (net of fees), versus the benchmark return of +5.38%. 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 overweight position in the Information Technology sector added to relative performance. The underweight positions in Energy, Industrials, Health Care, Financials and Utilities sectors also added to relative performance. Conversely, the overweight positions in the Materials and Communication Services sectors detracted from relative performance. The underweight positions in the Consumer Staples, Consumer Discretionary and Real Estate sectors also detracted value.

At a stock level, the overweight positions in Super Retail Group, Megaport, Lynas, NextDC, Charter Hall Group, Webjet and Boral contributed to relative performance. The nil positions in Qube and Bendigo and Adelaide Bank also added value. Conversely, the overweight positions in TPG Telecom, Bank of Queensland, Alumina, City Chic Collective, Appen, Incitec Pivot and Virgin Money detracted from relative performance. Not holding ALS, WiseTech Global and Xero also detracted value.

## Market Review

Over the September quarter, the world's major equity markets largely delivered positive returns except for the UK, Hong Kong, Singapore and Australia. Global developed market equities returned 7.0% (MSCI World Index) while global emerging market equities returned 9.6% (MSCI Emerging Markets Index). US equities were a highlight for the quarter, delivering a return of +8.9% (S&P 500). Australia's S&P/ASX 200 Accumulation Index returned a loss of -0.4%, underperforming both developed and emerging markets.

Australia, in contrast to effervescent but volatile global equity markets this quarter, saw the three main indices slip into low negative returns, with the S&P/ASX 300 returning -0.1%, the S&P/ASX 200 returning -0.4%, and the S&P/ASX 100 returning -0.8%. Micro-cap stocks, in stark contrast to large caps, returned +21.3% (S&P/ASX Emerging Companies). The S&P/ASX MidCap 50 returned +5.2% for the quarter, boosted by emerging technology, gold miners and e-commerce enabled stocks, and small-cap stocks (S&P/ASX Small Ordinaries Index) returned +5.7%.

## Outlook

Moving beyond FY 2020 reporting season, investors are now looking critically towards catalysts for upward earnings revisions across the market with the hope that steady improvement in the economy will aid a return to earnings growth. In March 2020, the Australian government deferred the Federal Budget for 2020/21 to 6 October given the extraordinary circumstances of the unfolding of the pandemic. This has allowed the government to focus primarily on stimulus, and given them time to assess in more detail the budgetary impacts on Australia's economy. On Tuesday, 6 October, the government announced additional stimulus initiatives which are expected to provide further support for economic recovery in Australia. There is hope around a vaccine for COVID-19 in the Oxford University / AstraZeneca trial, and others. World governments have contracted for bulk purchases of a vaccine once one is successfully cleared, including the Australian government. September saw some concerning resurgence in the US in the rate of new cases from recent lows, which has taken some of the enthusiasm out of the vaccine trade at this point in time.

## Fund Characteristics

Returns<sup>1</sup> as at 30 September 2020

Period	Fund Return <sup>1</sup> %	Benchmark <sup>2</sup> %	Out/Under performance %
1 month	-3.17	-2.97	-0.20
3 months	6.70	5.33	1.37
6 months	35.24	35.22	0.02
FYTD	6.70	5.33	1.37
CYTD	-3.95	-1.13	-2.82
1 year	-0.71	0.67	-1.38
3 years pa	3.78	7.67	-3.89
5 years pa	7.92	11.47	-3.55
7 years pa	6.99	9.83	-2.84
10 years pa	7.09	7.59	-0.50
15 years pa	6.62	5.86	0.76
Since inception pa Date: April 2002	10.06	8.73	1.33

## Top 10 Stock Holdings

Name	Fund %	Index <sup>2</sup> %	Tilt %
Afterpay	6.44	5.28	1.16
Evolution Mining	4.98	2.82	2.16
NextDC	4.54	1.61	2.93
Northern Star Resources	4.51	2.90	1.61
Lynas	4.25	0.29	3.96
Charter Hall Group	4.06	1.66	2.40
Corporate Travel Management	3.40	0.27	3.14
Domain Holdings Australia	3.35	0.13	3.23
ResMed	3.16	2.30	0.86
Boral	3.08	1.35	1.73

## Sector Tilts

Sector	Fund %	Index <sup>2</sup> %	Tilt %
Energy	2.58	2.80	-0.22
Materials	31.06	21.72	9.34
Industrials	9.87	12.20	-2.33
Consumer Discretionary	16.43	13.82	2.62
Consumer Staples	2.51	3.44	-0.93
Health Care	4.70	7.00	-2.30
Financials	4.22	9.78	-5.56
Information Technology	19.15	19.92	-0.77
Communication Services	4.63	2.01	2.62
Utilities	0.00	2.01	-2.01
Real Estate	4.06	5.30	-1.23
Cash	0.79	0.00	0.79
<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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#### **A short notice on the COVID-19 public health event, and how it can impact investments**

Given the currently evolving issues around the Coronavirus (or Covid-19) globally, which has officially been designated a pandemic by the World Health Organisation, we wish to notify that, as with many firms, business may be disrupted. A public health crisis, pandemic, epidemic or outbreak of a contagious disease, such as the recent outbreak of Coronavirus (or Covid-19) in Australia, Italy, China, South Korea, the United States and other countries, could have an adverse impact on global, national and local economies, which in turn could negatively impact investment returns in any of Ausbil Investment Management Limited's registered managed investment schemes (the Funds). Disruptions to commercial activity relating to the imposition of quarantines or travel restrictions (or more generally, an inability on behalf of authorities to contain this pandemic) may adversely impact any investment, including by delaying or causing supply chain disruptions or by causing staffing shortages. The outbreak of Coronavirus has contributed to, and may continue to contribute to, volatility in financial markets. The impact of a public health crisis such as the Coronavirus (or any future pandemic, epidemic or outbreak of a contagious disease) is difficult to predict, which presents material uncertainty and risk with respect to any investment or fund performance.