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Ausbil Australian Emerging Leaders Fund

Quarterly performance update

December 2020

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'The markets closed the year positively, but with a somewhat sombre mood with respect to the localised virus spikes and border closures'

Performance Review

Fund performance for the quarter ending December 2020 was +16.85% (net of fees) versus the benchmark return of +15.99%. 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 Fund's overweight position in the Materials sector added to relative performance. The underweight positions in the Consumer Staples, Health Care and Utilities sectors also added value. Conversely, the overweight positions in the Energy and Information Technology sectors detracted from performance. The underweight exposures to Communication Services, Industrials, Consumer Discretionary, Financials and Real Estate also detracted value.

At a stock level, the overweight positions in Lynas, Galaxy Resources, Nuix, Bank of Queensland, Afterpay and BlueScope Steel contributed to relative performance. The underweight position in Magellan Financial, and nil positions in Ansell, Carsales.com and Altium also added value. Conversely, the overweight positions in Megaport, Elders, NextDC, Corporate Travel Management, Super Retail Group and Zip Co detracted from relative performance. The underweight positions in Mesoblast and Challenger, and nil positions in Xero and Bendigo and Adelaide Bank also detracted value.

Market Review

The Australian mid-cap equity market return for the month of December of +3.2% (as measured by the Blended Benchmark of 70% S&P/ASX MidCap 50 and 30% S&P/ASX Small Ordinaries) was positive, through underperformed both Emerging Market (MSCI EM: +7.4%) and Developed Market equities (MSCI World: +4.2%). On a quarterly basis, Australian mid-cap equities (Blended Benchmark: +15.99%) significantly outperformed both Developed Market (MSCI World: +14.0%) and local broad market (S&P/ASX 300 Accumulation Index: +13.8%) equities, but underperformed Emerging Market equities (MSCI EM: +19.7%).

Domestically, running along the market-cap spectrum, Australia's key indices performed strongly across the quarter, with large-cap equities (S&P/ASX 20: +15.2%, S&P/ASX 100: +13.8%, S&P/ASX 200: +13.7%, S&P/ASX 300: +13.8%), mid-cap equities (S&P/ASX MidCap 50: +16.9%), and small cap equities (Emerging Companies: +17.4% and Small Ordinaries: +13.8%) all performing solidly.

Outlook

Ausbil's view of a robust u-shaped economic recovery remains, with the rebound that started in the second half of 2020 to strengthen into 2021, with a consequent recovery in company earnings. The unfolding economic recovery will benefit both growth and cyclical businesses, supported by ongoing accommodative monetary and fiscal policies. We are also seeing the potential for both 'rebound' and 'organic' growth to drive a return to full earnings capacity across industries as they emerge from lockdowns, as the consumer returns to a more balanced pattern of spending, and as the world trends towards a more normalised global trade environment.

However, key risks remain around the pandemic itself, as we are yet to see the efficacy of new vaccines deployed amongst the actual population. Moreover, new virus strains and localised infection spikes in Australia, and globally brought December back to reality from the heady returns of November. The markets closed the year positively, but with a somewhat sombre mood with respect to the localised spikes and border closures in Australia, problems across Europe that saw lockdowns extended into the new year, and worsening infection burdens in the US, and many developing economies where the virus is far from controlled. While these developments do not change Ausbil's macro outlook for recovery, they remain keenly in focus, and we are managing our portfolios accordingly.

Fund Characteristics

Returns[1] as at 31 December 2020

Period	Fund Return[1] %	Bench-mark[2] %	Out/Under performance %
1 month	3.84	3.19	0.65
3 months	16.85	15.99	0.86
6 months	24.68	22.17	2.51
FYTD	24.68	22.17	2.51
CYTD	12.22	14.67	-2.45
1 year	12.22	14.67	-2.45
3 years pa	4.52	8.79	-4.27
5 years pa	9.22	12.75	-3.53
10 years pa	7.66	8.27	-0.61
15 years pa	7.39	6.65	0.74
Since inception pa Date: April 2002	10.84	9.48	1.36

Top 10 Stock Holdings

Name	Fund %	Index[2] %	Tilt %
Lynas	5.49	0.45	5.04
Charter Hall Group	4.25	1.86	2.39
NextDC	4.00	1.52	2.48
BlueScope Steel	3.93	2.39	1.54
Boral	3.74	1.38	2.35
Domain Holdings	3.73	0.13	3.59
WiseTech Global	3.62	1.30	2.33
Seek	3.60	2.73	0.86
Bank of Queensland	3.44	0.95	2.49
Worley	3.31	0.99	2.31

Sector Tilts

Sector	Fund %	Index[2] %	Tilt %
Energy	5.80	5.41	0.39
Materials	36.67	23.01	13.66
Industrials	8.87	13.81	-4.94
Consumer Discretionary	12.12	14.45	-2.33
Consumer Staples	3.15	3.79	-0.64
Health Care	3.68	6.81	-3.13
Financials	6.70	10.88	-4.19
Information Technology	16.11	10.98	5.13
Communication Services	2.16	1.87	0.29
Utilities	0.00	1.87	-1.87
Real Estate	4.25	7.11	-2.87
Cash	0.48	0.00	0.48
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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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.