

# Airlie Australian Share Fund

A concentrated, active portfolio of Australian equities.

Accessing the Airlie investment team and Magellan fund capacity.



Fund Update: 31 March 2020

ARSN: 623 378 487

## FUND FACTS

**Investment Objective:** To provide long-term capital growth and regular income through investment in Australian equities.

APIR	MGE9705AU
Inception Date	1 June 2018
Benchmark	S&P/ASX 200 Accum. Index
Minimum Initial Investment	AUD\$10,000
Portfolio Size	AUD \$20.6 million
Distribution Frequency	Bi-annual
Buy/Sell Spread	0.14%/0.14%
Management Fee	<ul style="list-style-type: none"> <li>0.78% p.a. (inclusive of net effect of GST)</li> <li>No performance fee</li> </ul>
Investment Strategy	<ul style="list-style-type: none"> <li>Long only, bottom up specialised and focused Australian equities fund</li> <li>Concentrated portfolio of 15-35 stocks (target 25)</li> <li>Active, high conviction approach - Airlie's 'best ideas'</li> </ul>

## PERFORMANCE\*

	Fund (%)	Index (%)	Excess (%)
<b>1 Month</b>	-19.1	-20.7	1.6
<b>3 Months</b>	-21.2	-23.1	1.9
<b>6 Months</b>	-19.8	-22.6	2.8
<b>1 Year</b>	-9.3	-14.4	5.1
<b>Since Inception (% p.a.)</b>	-4.5	-4.8	0.3

## TOP 10 POSITIONS (BY WEIGHT)

Company	Sector**
CSL Ltd	Health Care
BHP Billiton Ltd	Materials
Commonwealth Bank of Australia	Financials
Wesfarmers Ltd	Consumer Discretionary
Mineral Resources Ltd	Materials
Westpac Bank	Financials
Suncorp Group Ltd	Financials
Viva Energy REIT	Real Estate
Medibank Pvt Ltd	Financials
Aurizon Holdings Ltd	Industrials

## WHY CHOOSE THE AIRLIE AUSTRALIAN SHARE FUND?

- Access to an experienced, proven investment team specialising in Australian Equities, with a long track record of prudent common-sense investing
- A conservative and robust investment process that focuses the team's energies on their best ideas
- The strategy is now available to retail investors for the first time through the partnership with Magellan

## PORTFOLIO MANAGERS



### Matt Williams

Over 25 years investment experience. Formerly Head of Equities and portfolio manager at Perpetual Investments.



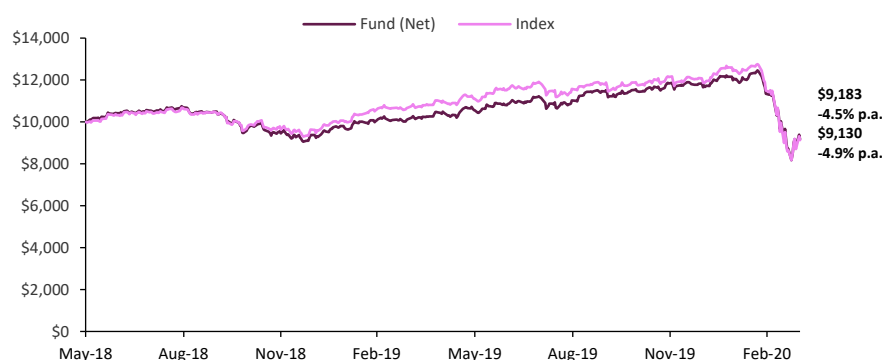
### Emma Fisher

Over 8 years investment experience. Formerly an investment analyst within the Australian equities team at Fidelity International and prior to that Nomura Securities.

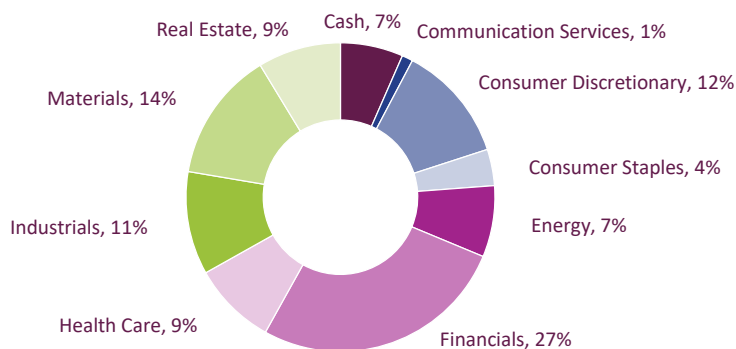
Visit [www.airlieaustraliansharefund.com.au](http://www.airlieaustraliansharefund.com.au) for more information on:

- Fund performance
- Unit prices
- Investment Insights

## PERFORMANCE CHART GROWTH OF AUD \$10,000\*



## PORTFOLIO POSITIONING\*\*



\* Calculations are based on exit price with distributions reinvested, after ongoing fees and expenses but excluding individual tax, member fees and entry fees (if applicable). Returns denoted in AUD.  
 \*\* Based on GICS Sector classification, may not sum to 100% due to rounding.

## MARKET COMMENTARY

The total return of the Australian share market over the quarter was -23%. The March quarter 2020 will be remembered for the use of the word 'unprecedented'. The novel coronavirus resulted in a sudden near shutdown of economies around the world and prompted massive monetary and fiscal responses. Meanwhile the recent 'flattening of the curve' in Australia and the restarting of economic activity in China and South Korea give reasons to be optimistic.

The key investment question then becomes: How long does this situation last? The Airlie investment team went back over our portfolio investments to do in-depth balance sheet, liquidity, and solvency reviews against the following time frames: Scenario 1 of under three months; Scenario 2 of between three and six months; and Scenario 3 of longer than six months.

Given our investment process begins with financial strength, we feel most portfolio companies are well placed to deal with scenarios 1, 2 and possibly even 3. Liquidity, debt tenor and structure are vastly superior to the period preceding the global financial crisis – companies learnt their lesson from that liquidity crisis. At this stage, therefore, it appears that solvency becomes the issue the longer the policies enacted to deal with the crisis last. Most holdings should over the next six months still achieve revenue equivalent to about 70% of prior periods. Many portfolio holdings (ASX, Aurizon, Coles, Mineral Resources and TPG Telecom) will hold or grow revenues, while a small number of others (Aristocrat, Nick Scali, Premier Investments and Qantas) will experience severe drops.

This leads to the question of capital raisings and we've seen a flurry since the end of the quarter. So far only one portfolio company has raised capital; namely, Reece, a wholesale plumbing supplier that has been deemed an essential service. Despite strong operating conditions (through to the end of March) and well-structured debt, Reece's conservative management team decided to pre-empt the possibility of worse times ahead (particularly in the US). We expect this theme to continue. Accordingly, the investment team is assessing which portfolio companies are most likely to raise capital and which companies not held that might raise capital an interesting price.

Overall, as we assess companies, we consider there to be some attractive opportunities.

## FUND COMMENTARY

The fund outperformed over the period. The best-performing stocks over the quarter included CSL, Metcash (since sold), GPT, TPG Telecom and ASX. It seems well in the distant past, but the February profit-reporting season was decidedly lacklustre. Profit growth was anaemic, particularly for companies exposed solely to the domestic economy, and outlook comments were soft.

The worst performers in the fund were Origin Energy, Macquarie Group and Commonwealth Bank of Australia. Financials overall were hit particularly hard as the crisis developed, as investors realised lower revenue, higher bad debts, and possibly lower capital levels would weigh heavily. The fund remains well underweight bank stocks.