

Quarterly Stocks in Focus

SEPTEMBER 2018

Airlie Australian Share Fund

ARSN: 623 378 487

OVERVIEW

The Airlie Australian Share Fund provides an opportunity to access an experienced investment team with a proven track record of prudent, common sense investing.

The Fund typically holds between 15-35 quality Australian equities – Airlie's best ideas. The maximum cash holding is 10% with an aim to be fully invested. The partnership between Airlie and Magellan offers Airlie's experience in Australian equities with Magellan's operational and distribution expertise.



**Airlie's
Best Ideas**



**Concentrated
Portfolio**



**Magellan
Partnership**

INVESTMENT OBJECTIVE

The Fund's primary objective is to provide long-term capital growth and regular income through investment in Australian equities.

INVESTMENT APPROACH

The Fund offers investors the opportunity to invest in a specialised and focused Australian equities fund. Airlie's broad investment philosophy is to build portfolios using a bottom up investment approach with a belief that active management can produce significant wealth accumulation relative to passive management.

PORTFOLIO CONSTRUCTION

Airlie assesses companies in its investment universe on four key criteria:

- 1 Financial strength** - Firstly the universe is filtered by assessing the financial strength of companies.
- 2 Business quality** - The second step is to assess the quality of a company's business.
- 3 Quality of management** - The next stage is more qualitative, where the quality of management is assessed.
- 4 Valuation** - The last stage of the portfolio-construction process is to assess the fair value of the stocks that meet a strict criteria of financial strength, quality of business and quality of management.

About Airlie Funds Management

Airlie Funds Management ('Airlie') is a specialist Australian equities fund manager that brings together some of Australia's most experienced industry participants.

Airlie has an active, value-based investment style that aims to deliver attractive long-term capital growth and regular income to its investors. Founded by John Sevier and David Cooper in 2012 and headquartered in Sydney, Airlie manages a range of Australian equities strategies, primarily for institutional and high net wealth clients. Airlie is a wholly-owned subsidiary of Magellan Asset Management.

Bingo Industries provides waste-management and recycling solutions primarily to business. Bingo's operations include skip-bin collection and the largest network of resource recovery and recycling facilities in NSW and Victoria. Bingo has about 30% market share of Sydney's waste collection and earned A\$209 million in revenue in fiscal 2017.



Caltex is a transport fuel supplier, convenience retailer and an integrated oil refining and marketing company. The company sells petrol and convenience store goods through a national network of Caltex-branded petrol stations and had revenue of A\$21 billion in fiscal 2017.

Clydesdale Bank is a commercial bank based in Scotland. It was spun out of National Australia Bank in 2016 and has retail and commercial banking businesses, the latter targeting the small to medium-sized enterprises. Clydesdale earned revenue of A\$1.8 billion in fiscal 2017.



James Hardie is a manufacturer of fibre-cement siding products. About 65% of its A\$2.6 billion in revenue comes from its North American business, which sells fibre-cement products for the exterior and interior of buildings in the US and Canada. The company also has a presence in Australia, New Zealand and the Philippines. Last year, James Hardie purchased the fibre gypsum manufacturer Fermacell, which gives it a large presence in Europe.

Mineral Resources engages in mining and processing of minerals. It has a crushing business, an iron ore business in the Pilbara, and is developing two lithium assets at Mount Marion and Wodgina. Mineral Resources had revenue of A\$1.6 billion in fiscal 2018.





Origin Energy is an integrated energy company that mainly focusses on power generation and energy retailing. Origin is the second-largest electricity retailer in Australia, earning revenue of \$14.7 billion in fiscal 2017. The company has investments in wind, geothermal, solar and hydro generation and a 37.5% stake in the \$25 billion Australian Pacific LNG project, which converts coal seam gas to liquefied natural gas for export to Asia.

Qantas Airways is Australia's premier airline and controls an 80% share of the domestic market by revenue. Qantas's Frequent Flyer program, which has 11.5 million members, encourages loyalty, especially on the more competitive international routes. Qantas's low-cost carrier Jetstar is the de facto third operator domestically and has a strong Asian outbound business.



BRANDS



Reece is Australia's largest supplier of bathroom and plumbing equipment and earned A\$2.4 billion in revenue in fiscal 2017. More than 500 outlets combined with a market-leading website results in a strong one-stop offering for plumbers.

BRANDS



Suncorp is a financial services company with three primary businesses: general insurance, banking and life insurance. Nearly 60% of its A\$1.2 billion net income in fiscal 2017 was generated by its general insurance business, which sells motor, home and contents, business and travel insurance under brands such as AAMI, GIO, Suncorp and Shannons.



BRANDS



Wesfarmers is a conglomerate that generated A\$68.4 billion in sales in fiscal 2017 across the retail, industrial, chemical and energy sectors. After the Coles supermarket business is sold via an IPO on the ASX, about 75% of Wesfarmers earnings will be generated by two of Australia's best-performing retail businesses, Bunnings and Kmart.

BRANDS



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Airlie Australian Share Fund issued by Magellan Asset Management Limited.



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