

# Ausbil Australian Active Equity

Quarterly Investment Option Update

30 June 2022

## Aim and Strategy

The strategy predominantly invests in a portfolio of listed large cap Australian equities that are primarily chosen from the S&P/ASX 200 Accumulation Index and aims to achieve excess returns before fees over the S&P/ASX 200 Accumulation Index over rolling 3-year periods. The resulting portfolio will typically hold positions in 30-40 stocks.

## Investment Option Performance

To view the latest investment performances for each product please visit [amp.com.au/performance](https://amp.com.au/performance)

## Investment Option Overview

<b>Investment Category</b>	Australian Shares
<b>Suggested Investment timeframe</b>	5+ years
<b>Relative risk rating</b>	7 / Very high
<b>Investment style</b>	Core
<b>Manager style</b>	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Australian Shares	100.00	99.16
Cash	0.00	0.84

Sector Allocation	%
Energy	8.09
Materials	24.93
Industrials	3.94
Consumer Discretionary	3.80
Consumer Staples	3.85
Healthcare	13.28
Financials	30.53
IT	6.46
Telecommunication	2.05
Utilities	0.00
Real Estate	2.21
Cash	0.84

Top Holdings	%
BHP	10.35
CSL	9.30
Commonwealth Bank	8.02
National Australia Bank	6.73
Macquarie Group	4.60
Santos	4.16
QBE Insurance	4.03
ANZ Bank	3.28
Lynas Rare Earths	3.22
Qantas	2.98

## Portfolio Summary

- Portfolio overperformed versus the benchmark, as measured by the S&P/ASX 300 Accumulation Index for the quarter ending June 2022.
- The top-ten underweight exposures were in Banks, Chemicals, Construction Materials, Containers & Packaging, Food & Drug Retailing, Gold, Infrastructure Trusts, Real Estate Investment Trusts, Retailing and Utilities.

## Investment Option Commentary

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

At a stock level, the overweight positions in QBE Insurance, Worley, CSL, Ramsay Health Care, Santos and Computershare contributed to relative performance. The nil positions in Westpac Bank, Northern Star Resources, Evolution Mining and Wesfarmers also added value over the quarter. Conversely, the overweight positions in OZ Minerals, IGO, Block, BlueScope Steel, Lynas Rare Earths, Seek and 29Metals detracted from relative performance. The underweight position in Transurban Group and the nil positions in Amcor and Brambles also detracted value.

## Market Commentary

June 30 closed the Australian financial year with a one-month return of -9.0% (S&P/ASX 300 Accumulation Index), -12.2% for the quarter, and bringing the total market return for the financial year to -6.8%. Markets have swung with inflation, beginning the financial year with a strong outlook for growth and cyclical stocks, but ending the year following a relatively hard rotation out of growth, particularly Information Technology. The rise in inflation across the financial year saw sectors like Materials and Energy rise as beneficiaries in inflationary environments. In terms of sector performance this fiscal year, Utilities (+35.9%), Energy (+29.7%), Industrials (+1.7%) and Materials (-2.1%) all significantly outperformed the market (S&P/ASX 300: -6.8%). Information Technology (-36.4%), Consumer Discretionary (-22.5%), Real Estate (-11.7%) and Health Care (-9.6%) were the worst performers in the market rotation. The quarter has been eventful, with the Australian election delivering a win for the Labor party led by Prime Minister Albanese; the continuation of hostilities in the Ukraine; and a number of record inflation reads that saw Australia and the US commence hard monetary tightening. The financial year has ended with significant questions over the path for interest rate tightening, and the impact this will have on growth, with persistently high inflation reads keeping the markets on edge.

## Outlook

The Australian tax year has closed. With one month to go until reporting season, there is much anticipation around earnings growth and how companies are managing rising costs, inflation, interest rates, an energy shock and a new government. Ausbil do not expect to see major impacts from these in this round of reporting, with EPS growth expected by Ausbil to exceed +25% for FY22. Ausbil believes the conditions for ongoing positive earnings growth are also in place for FY23, though at a slower pace than this financial year, and potentially across a more defensive sector allocation. The key issue Ausbil is monitoring is the path for growth. There has been a lot of commentary recently on the potential for a recession, and while Ausbil remain of the view that a recession is unlikely, and that monetary policy makers will err on the side of caution if signs point to contraction, this outcome does remain an elevated risk. Ausbil's current outlook for growth remains positive, although there is potential for growth to fall below trend for some time with the renewed supply shock from the invasion of Ukraine.

## Availability

Product name	APIR
SignatureSuper*	AMP1304AU
SignatureSuper Allocated Pension*	AMP1311AU
Flexible Lifetime – Investments (Series 2)**	AMP2045AU

\*Closed to new investors

\*\* Closed to all investors

## Contact Details

Web: [www.amp.com.au](http://www.amp.com.au)

Email: [askamp@amp.com.au](mailto:askamp@amp.com.au)

Phone: 131 267



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