

Ausbil Australian Active Equity

Quarterly Investment Option Update

30 September 2019

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

Investment Option Overview

Investment Category	Australian Shares
Suggested Investment timeframe	7 years
Relative risk rating	6 / High
Investment style	Core
Manager style	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Australian Shares	100.00	98.07
Cash	0.00	1.03

Sector Allocation	%
Energy	4.74
Materials	18.57
Industrials	7.08
Consumer Discretionary	4.96
Consumer Staples	5.89
Healthcare	11.16
Financials	32.84
IT	1.46
Telecommunication	3.32
Utilities	0.00
Real Estate	8.95
Cash	1.03

Top Holdings	%
BHP	7.71
National Australia Bank	7.32
CSL	7.28
Commonwealth Bank	6.81
QBE Insurance Group	5.20
Westpac Bank	5.14
Macquarie Group	4.99
Santos	4.74
Lendlease Group	4.55
Rio Tinto	3.77

Portfolio Summary

- The Australian equity market (as measured by the S&P/ASX 300 Accumulation Index) rebounded from a weaker August to return +1.9% in September and +2.6% for the quarter.
- The aggressive rotation from momentum and growth stocks to cyclical and value stocks was evident in September, with the Communication Services (-2.9%), REITs (-2.3%) and Health Care (-2.2%) sectors underperforming, and the Banks (+5.0%), Energy (+4.5%), Consumer Discretionary (+3.3%) and Materials (+3.0%) sectors outperforming.

Investment Option Commentary

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

At a stock level, the overweight positions in Lendlease, Independence Group, JB Hi-Fi, Treasury Wine Estates, Santos, QBE Insurance, National Australia Bank and Aurizon Holdings contributed to relative performance. The nil positions in Woodside Petroleum and Amcor also added value. Conversely, the overweight positions in Iluka Resources, BHP, Rio Tinto, Goodman Group, Brambles, Aristocrat Leisure and Telstra detracted from relative performance. The nil positions in Wesfarmers, Coles and James Hardie also detracted value.

Market Commentary

The Australian equity market (as measured by the S&P/ASX 200 Accumulation Index) had another positive quarter, returning +2.4%. Globally, Developed markets (MSCI World: +0.7%) outperformed Emerging (MSCI EM: -4.1%) equity markets. Within Developed markets, the European market (EURO STOXX: +2.5%) outperformed the UK (FTSE100: +1.0%) and US (S&P500: +1.7%) markets.

Domestically, mid-cap stocks (S&P/ASX MidCap 50 Accumulation Index: +3.3%) and small-cap stocks (S&P/ASX Small Ordinaries Accumulation Index: +3.1%) outperformed large-cap stocks (S&P/ASX 20 Accumulation Index: +1.0%).

In commodities, Energy weakened (Brent Oil: -7.1%, WTI Oil: -7.5%, Metallurgical Coal: -8.5% and Thermal Coal: -9.2%). Metals were mixed (Nickel: +36.5%, Cobalt: +24.0%, Lead: 10.9%, Aluminium: -4.4%, Copper: -4.8%, Zinc: -5.3% and Iron Ore: -20.5%). Precious metals performed strongly (Gold: +4.5%, Silver +11.0%, and Platinum: +5.8%).

Outlook

Global equity markets continue to be influenced by a low interest rate environment and ongoing downside risks. The US Federal Reserve reduced its interest target range by 25bps to 1.75-2%, with Chairman Jerome Powell stipulating that the US was not heading into recession, nor intending to adopt negative interest rates. The RBA decided to keep interest rates unchanged in September, though proceeded to reduce rates by 25bps to a record low of 0.75% in early October, with the RBA "prepared to ease monetary policy further if needed."

The Australian economy is in a record 28th year of uninterrupted growth, with monetary and fiscal policy stimulus recently injected. GDP slows to 2.1% this year before recovering to 2.7% in 2020 and 2.9% in 2021. The Reserve Bank has factored into its outlook the household income tax cuts and successive reductions in the cash rate to 0.75%. At this stage, further interest rate cuts are likely, and the implementation of "quantitative easing" as a policy tool cannot be ruled out. Forward policy guidance repeated that an extended period of low interest rates will be required, and that the Bank stands ready to ease further in meeting their goals of full employment and achieving their inflation target. The Australian dollar is anchored, for now, at around 67 cents, with a downside break likely should rate cuts continue.

Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP1290AU
AMP Flexible Super - Retirement account	AMP1332AU
AMP Flexible Super - Super account	AMP1461AU
CustomSuper	AMP1290AU
Flexible Lifetime - Allocated Pension	AMP1297AU
Flexible Lifetime Investment (Series 2)	AMP2045AU
SignatureSuper	AMP1304AU
SignatureSuper Allocated Pension	AMP1311AU

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