

Ausbil Australian Active Equity

Quarterly Investment Option Update

31 December 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	97.47
Cash	0.00	2.53

Sector Allocation	%
Energy	5.95
Materials	19.03
Industrials	5.29
Consumer Discretionary	5.72
Consumer Staples	4.47
Healthcare	11.45
Financials	31.10
IT	2.98
Telecommunication	3.37
Utilities	0.00
Real Estate	8.11
Cash	2.53

Top Holdings	%
BHP	8.31
CSL	7.94
Commonwealth Bank	6.99
National Australia Bank	6.27
QBE Insurance	5.40
Macquarie Group	5.13
Santos	5.03
Westpac Bank	5.00
Lendlease	4.78
Aristocrat Leisure	4.21

Portfolio Summary

During the quarter, the portfolio reduced positions in the Industrials, Health Care, Consumer Staples and Real Estate sectors. The proceeds were used to increase positions in the Information Technology, Energy, Banking and Consumer Discretionary sectors.

Investment Option Commentary

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

At a stock level, the overweight positions in BlueScope Steel, CSL, Santos, Aristocrat Leisure, JB Hi-Fi, Iluka Resources, Macquarie Group and Lendlease contributed to relative performance. The nil position in Newcrest Mining, and the underweight exposure to ANZ Bank also added value over the quarter. Conversely, the overweight positions in National Australia Bank, Treasury Wine Estates, Fortescue Metals, Afterpay Touch, Lynas and Aurizon detracted from relative performance. The nil positions in Sydney Airport, Xero, Caltex and Virgin Money UK also detracted value.

Market Commentary

The Australian equity market (as measured by the S&P/ASX 300 Accumulation Index) finished 2019 with another positive quarter returning +0.7%. Globally, the Emerging (MSCI EM: +11.9%) outperformed the Developed (MSCI World: +8.7%) equity markets. Within Developed markets, the US (S&P500: +9.1%) outperformed the European (EURO STOXX: +5.4%) and UK (FTSE100: +2.7%) markets.

Domestically, mid-cap stocks (S&P/ASX MidCap 50 Accumulation Index: +2.3%) outperformed small cap stocks (S&P/ASX Small Ordinaries Accumulation Index: +0.8%) and large-cap stocks (S&P/ASX 20 Accumulation Index: -0.2%).

Health Care (+13.6%) was the strongest sector across the ASX, followed by Energy (+6.1%) and Materials (+4.5%). Sectors which lagged the market include Financials (-6.3%), Consumer Staples (-2.5%) and Real Estate (-0.5%).

In commodities, Oil strengthened (Brent Oil: +8.3%, WTI Oil: +10.7%) and Coal weakened (Metallurgical Coal: -1.7%, Thermal Coal: -4.3%). Metals were mixed (Copper: +8.0%, Aluminium: +4.7%, Manganese: -6.4%, Lead: -10.0%, Nickel: -19.0%) with Iron Ore unchanged and Steel strengthening (+10.8%).

Outlook

December 2019 was a critical turning point for investor sentiment, with the positive resolution of two major impediments weighing on uncertainty, and dragging on global growth. Downside risks to the global economy have receded with the phased agreements on trade and an expected orderly outcome on Brexit. However, some geopolitical risks still remain, including regressive tax policies proposed by leading candidates for the 2020 US election. The Australian economy's downside risks from the consumer and housing sectors have been reduced with the lowering of the cash rate, income tax cuts, ongoing spending on infrastructure, signs of stabilisation in some established housing markets, and through an improving outlook for the resources sector.

The Australian economy's long-run record of uninterrupted growth continues with the support of stimulus measures. GDP growth, after having slowed in 2019, is seen rebounding to a trend pace in 2020, and in 2021. Household consumption is gradually recovering with further income tax cuts likely on the horizon. The housing slowdown has troughed with prices lifting, and volumes lagging. Business and fiscal infrastructure spend is ongoing. The unemployment rate is forecast to trend lower, along with modest wage increases, and core inflation remains below the 2% target.

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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