

# Ausbil 130/30 Focus

Quarterly Investment Option Update

31 March 2020

## Aim and Strategy

The underlying fund is a concentrated equity fund which primarily invests in listed or expect to be listed Australian securities that are generally chosen from the S&P/ASX 200 Index and aims to outperform the S&P/ASX 200 Accumulation Index over the long-term.

Ausbil's investment approach is based on the philosophy that the key drivers of stock prices are earnings and earnings revisions. Ausbil uses 'top-down' macroeconomic analysis to target those sectors it believes will be subject to the strongest or poorest earnings and earnings revisions over the next 12 months.

The resulting portfolio will typically hold long positions in approximately 25-50 shares and will typically short around 0-25 shares. Net equity exposure will vary between 80% to 100%.

## Investment Option Performance

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

## 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>	Specialist – Long/Short
<b>Manager style</b>	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Australian Shares	100	94.04
Cash	0	5.96

Sector Allocation	%
Energy	3.35
Materials	19.94
Industrials	3.68
Consumer Discretionary	4.52
Consumer Staples	9.01
Healthcare	14.63
Financials	27.57
IT	0.61
Telecommunication	2.43
Utilities	2.79
Real Estate	5.51
Cash	5.96

Top Holdings	%
CSL	11.89
Commonwealth Bank	9.01
BHP	7.36
ANZ Bank	4.57
Goodman Group	3.92
Macquarie Group	3.48
Rio Tinto	3.45
National Australia Bank	3.40
Woolworths	3.23
Wesfarmers	2.84

## Portfolio Summary

- Fund performance for the quarter ending March 2020 was -17.91% (gross of fees), versus the benchmark return of -23.10%, as measured by the S&P/ASX 200 Accumulation Index.
- During the quarter, the Fund reduced positions in the Energy, Industrials, Real Estate, Utilities and Communication Services sectors. The proceeds were used to increase positions in the Health Care, Consumer Staples, Diversified Financials, Banking and Materials sectors.

## Investment Option Commentary

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

The Fund's largest short positions were in selected stocks within the Consumer Discretionary, Industrials and Information Technology sectors.

At a stock level, the Fund benefited from overweight positions in CSL, GrainCorp, Goodman Group and APA Group. Not holding Oil Search also added value. Conversely, the overweight positions in Santos, Charter Hall, Origin Energy, Macquarie and James Hardie detracted from relative performance. The underweight exposure to Newcrest Mining also detracted value.

## Market Commentary

Over the quarter, Health Care was the only sector with positive performance returning +1.5%. Other sectors that outperformed the ASX, on a relative basis, included Consumer Staples (-4.1%), Utilities (-9.6%), Communication Services (-16.9%) and Materials (-22.1%). Sectors which lagged the market include Information Technology (-24.0%), Financials (-28.0%), Industrials (-28.2%), Consumer Discretionary (-30.0%), Real Estate (-34.7%) and Energy (-48.2%).

In commodities, Oil prices plummeted (Brent Oil: -67.5%, WTI Oil: -66.5%) and Coal was mixed (Metallurgical Coal: -3.8%, Thermal Coal: +2.5%). Base metals weakened (Manganese: -2.6%, Cobalt: -8.5%, Aluminium -16.2%, Nickel: -18.0%, Copper: -19.7%), with Iron Ore (-7.7%) and Steel (-4.6%) also weaker. Within precious metals, Gold (+3.9%) performed strongly whilst Silver (-21.7%) and Platinum (-25.2%) weakened considerably during the period.

## Outlook

The coronavirus outbreak continues to remain a global health and economic challenge that has seen extreme levels of volatility and a consequent decline within equity markets. March 2020 was the worst month of performance for the S&P/ASX 200 Index since October 1987, and the worst quarter ever recorded for the Index. The Australian dollar dropped into the 55 US cents range at one stage, oil prices slid to around US\$20 a barrel, credit spreads widened significantly, and US 10-year bond yields plummeted from 1.15% to 0.67%.

Confidence within the economy and equity markets has been rocked, with many investors questioning the duration and impact of the pandemic, and the potential timeframe for when equity markets can recover. That being said, the situation continues to evolve, with governments and central banks acting swiftly to limit both the spread of the virus, and the economic impacts brought about by containment measures.

We expect an ongoing recapitalisation process amongst those companies that are struggling with a lack of cash flow and have debt levels considered too high in this environment. At the same time, equity markets remain forward looking, and investors will do well to see opportunities within certain pockets of the market that may have been oversold, thereby presenting attractive value. We believe that focussing on the strength of company balance sheets and cash flows will remain key in a time of sustained uncertainty and volatility.

## Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP1814AU
AMP Flexible Super - Retirement account	AMP1782AU
AMP Flexible Super - Super account	AMP1790AU
CustomSuper	AMP1814AU
Flexible Lifetime - Allocated Pension	AMP1808AU
SignatureSuper	AMP1802AU
SignatureSuper Allocated Pension	AMP1796AU

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