

Ausbil 130/30 Focus

Quarterly Investment Option Update

30 June 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

Investment Option Overview

Investment Category	Australian Shares
Suggested Investment timeframe	5 years
Relative risk rating	7 / Very High
Investment style	Specialist – Long/Short
Manager style	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Australian Shares	100	95.27
Cash	0	4.73

Sector Allocation	%
Energy	1.80
Materials	18.30
Industrials	4.68
Consumer Discretionary	5.56
Consumer Staples	5.23
Healthcare	17.17
Financials	27.13
IT	3.48
Telecommunication	2.95
Utilities	2.83
Real Estate	6.15
Cash	4.73

Top Holdings	%
CSL	10.00
BHP	7.59
Commonwealth Bank	7.47
National Australia Bank	4.68
Wesfarmers	4.14
Woolworths	3.90
Macquarie Group	3.66
ANZ Bank	3.52
Goodman Group	3.43
Rio Tinto	3.28

Portfolio Summary

- The Investment Option performance for the quarter ending June 2020 was +14.79% (gross of fees), versus the benchmark return of +16.48%, as measured by the S&P/ASX 200 Accumulation Index.
- During the quarter, the Fund Manager reduced positions in the Consumer Staples, Materials, Consumer Discretionary, Energy and Industrials sectors. The proceeds were used to increase positions in the Health Care, Communication Services, Information Technology, Insurance, Banking and Utilities sectors.

Investment Option Commentary

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

The Investment Option's largest short positions were in selected stocks within the Financials, Industrials and Information Technology sectors.

At a stock level, the Investment Option benefited from overweight positions in Saracen Mineral Holdings, Santos, Macquarie Group, Charter Hall, Fortescue Metals, Origin Energy, Goodman Group and Fisher & Paykel Healthcare. Conversely, the overweight positions in CSL, Lendlease, Ramsay Health Care, Nufarm, QBE Insurance and Medibank detracted from relative performance. The underweight exposure to Afterpay also detracted value.

Market Commentary

The Australian equity market (as measured by the S&P/ASX 200 Accumulation Index) rebounded in the June quarter, returning +16.5%. The mid-cap stocks (S&P/ASX MidCap 50 Accumulation Index: +30.3%) and small-cap stocks (S&P/ASX Small Ordinaries Accumulation Index: +23.9%) strongly outperformed large-cap stocks (S&P/ASX 20 Accumulation Index: +12.3%).

In the June quarter, all sectors provided positive performance, rebounding from a challenging March quarter. Information Technology (+45.8%) led the market, followed by Consumer Discretionary (+28.3%), Energy (+28.3%), Materials (+26.6%) and Real Estate (+20.4%). Sectors which underperformed the market included Industrials (+15.0%), Communication Services (+14.5%) and Financials (+13.1%), with defensive sectors such as Utilities (+7.3%), Consumer Staples (+6.9%) and Health Care (+2.9%) trailing.

In commodities, Oil rebounded considerably (Brent Oil: +90.5%, WTI Oil: +91.7%) and Coal was weaker (Metallurgical Coal: -9.5%, Thermal Coal: -27.7%). Base metals strengthened (Copper: +21.6%, Tin: +14.7%, Nickel: +11.6%, Zinc: +7.5%, Lead: +1.7%, Manganese: +1.4%), with Iron Ore (+21.0%) and Steel (+10.0%) also stronger. Precious metals also performed strongly during the period (Gold: +12.9%, Silver: +30.3%, Platinum: +14.7%).

Outlook

In June, the equity markets added to significantly strong performances in prior months with the Australian economy displaying glimpses of increased activity. Despite a recent surge in coronavirus cases, and mounting fears of a 'second wave' of infections, the S&P/ASX 200 has remained buoyant, with June printing the second best quarter ever recorded, posting a gain of 16.5%. Other markets have also anticipated an earlier than expected economic recovery with the Australian dollar resilient at 69 US cents, having dipped below 60 cents in late March. Bond yields have also stabilised, with the Australian 10-year at 0.87% as at the end of June. Nevertheless, the Fund Manager believe uncertainties associated with Covid-19, the US presidential election and geopolitical tensions may present further volatility within equity markets.

As we move closer to the August reporting season, they expect ongoing adjustments to consensus earnings forecasts in the blackout period during which companies traditionally provide fewer updates and announcements. We continue to monitor and position portfolios to ensure appropriate exposure towards companies with a strong earnings outlook ahead of the upcoming reporting season.

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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