

Ausbil 130/30 Focus

Quarterly Investment Option Update

30 September 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:
www.amp.com.au/performance

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	99.69
Cash	0	0.31
Sector Allocation		%
Energy	1.85	
Materials	19.64	
Industrials	8.72	
Consumer Discretionary	7.80	
Consumer Staples	4.17	
Healthcare	13.50	
Financials	24.32	
IT	3.04	
Telecommunication	1.90	
Utilities	0.82	
Real Estate	7.40	
Cash	6.86	
Top Holdings		%
CSL	9.58	
BHP	7.53	
Commonwealth Bank	7.04	
National Australia Bank	5.15	
Macquarie Group	3.76	
Wesfarmers	3.61	
Woolworths	3.34	
Goodman Group	3.11	
ANZ Bank	3.07	
Transurban Group	3.06	

Portfolio Summary

- Portfolio performance for the quarter ending September 2020 was -0.33% (gross of fees) versus the benchmark return of -0.44%, as measured by the S&P/ASX 200 Accumulation Index.
- Over September, portfolio weights increased in Utilities with the addition of Spark Infrastructure, in Commercial & Professional Services with the addition of Downer, in Construction Materials with Boral, and in Real Estate with Dexus.

Investment Option Commentary

At a sector level, the Portfolio benefited from an overweight position in the Materials and Real Estate sectors. The underweight positions in the Industrials and Financials sectors also added value. Conversely, the overweight position in the Health Care sector detracted from relative performance. The underweight positions in the Communication Services, Energy, Consumer Discretionary, Consumer Staples, Information Technology and Utilities sectors also detracted value.

The Portfolio's largest short positions were in selected stocks within the Materials, Financials and Consumer Discretionary sectors.

At a stock level, the Portfolio benefited from overweight positions in Pointsbet, Charter Hall Group, Goodman Group, James Hardie and Qantas. The underweight exposures to AGL, IOOF Holdings, Sydney Airport and Woodside Petroleum, and the nil position in Insurance Australia Group added to performance. Conversely, the overweight positions in Medibank, Viva Energy, Telstra, Santos and Amcor detracted from relative value. The underweight exposures to Treasury Wine Estates, Afterpay, Netwealth, WiseTech Global and Stockland also detracted value.

Market Commentary

Despite a negative month on markets, the September quarter has been strong for equities, including a robust US quarterly reporting season that saw S&P 500 companies exceed earnings expectations by an average of 22%, and an Australian full year reporting season that delivered falls in earnings that were not as bad as feared, and the opportunity for many companies to reinforce their balance sheets through capital raisings.

This quarter, global markets continued their post-March rally. The global economy continues to show signs of recovery, though in September equity markets across the world took a breather in the wake of further conflict between the US and China, some resurgence in COVID-19 cases in the US amongst other countries, and some uncertainty as the US enters the late phases of the 2020 general election.

Outlook

Moving beyond FY 2020 reporting season, investors are now looking critically towards catalysts for upward earnings revisions across the market, such as the upcoming AGM season, with the hope that steady improvement in the economy will aid a return to earnings growth.

In March 2020, the Australian government deferred the Federal Budget for 2020/21 to 6 October given the extraordinary circumstances of the unfolding of the pandemic. This has allowed the government to focus primarily on stimulus, and given them time to assess in more detail the budgetary impacts on Australia's economy. On Tuesday, 6 October, the government announced additional stimulus initiatives which are expected to provide further support for economic recovery in Australia.

Aubil's house view remains for a U-shaped recovery, starting in the second half of 2020, and strengthening into 2021. On earnings, they expect FY 2022 to be the first full year of normalised earnings, with FY 2021 straddling the economic recovery. If a vaccine becomes available in the meantime, they expect this recovery outlook to accelerate.

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

Contact Details

Web: www.amp.com.au
Email: askamp@amp.com.au
Phone: 131 267



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