

# Ausbil 130/30 Focus

Quarterly Investment Option Update

31 March 2021

## 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/performance](http://amp.com.au/performance)

## 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	95.40
Cash	0	4.60

Sector Allocation	%
Energy	3.30
Materials	20.87
Industrials	6.83
Consumer Discretionary	9.79
Consumer Staples	5.08
Healthcare	11.36
Financials	30.10
IT	1.90
Telecommunication	1.78
Utilities	-0.11
Real Estate	4.52
Cash	4.60

Top Holdings	%
BHP	9.04%
Commonwealth Bank	8.41%
CSL	8.21%
National Australia Bank	6.51%
ANZ Bank	5.71%
Macquarie Group	4.82%
Wesfarmers	4.06%
Westpac Bank	3.68%
Rio Tinto	3.67%
Woolworths	3.41%

## Portfolio Summary

- Portfolio outperformed the benchmark, as measured by the S&P/ASX 200 Accumulation Index for the quarter ending March 2021
- The top-ten overweight exposures were in the following sectors: Banks, Energy, Pharmaceuticals & Biotechnology, Other Metals & Mining, Agriculture, Construction Materials, Hotels Restaurants & Leisure, Telecommunication Services, Media and Retailing.

## Investment Option Commentary

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

The largest short positions were in selected stocks within the Energy, Financials and Consumer Discretionary sectors.

At a stock level, the overweight positions in ANZ Bank, Lynas, Santos, GrainCorp, National Australia Bank, Tabcorp and OZ Minerals contributed to relative performance. The underweight position in Afterpay, and the nil positions in Coles Group and The a2 Milk Company also added to performance. Conversely, the overweight positions in Northern Star Resources, CSL, Charter Hall Group, United Malt Group, Medibank and Stockland detracted from relative value. The underweight positions in Telstra, Westpac Bank, James Hardie and South32 also detracted value.

## Market Commentary

The market delivered a strong positive quarter, up 4.3% as measured by the S&P/ASX 200 Accumulation Index. The March quarter confirmed that economic growth is on track, with a consequent recovery in earnings from improved trading conditions and emergence from intense lockdowns, though the experience of sporadic localised lockdowns is likely to be the norm for some time yet.

Returns for the quarter suggest that a steady rotation towards cyclicals from growth continues, with rising bond yields adding complexity in a macro environment dominated by government and central bank stimulus, and driving some reduction in equity duration across portfolios. These changes are incremental and not revolutionary, and as outlined in Ausbil's economic review and outlook, the fund believes that economic growth can run for some years before it becomes a real risk for sustained inflation.

As in February, cyclicals closed the March quarter strongly (Financials: +12.2%, Consumer Discretionary: +8.8%, Energy: +3.8% and Materials: +3.0%), outperforming both non-cyclicals (including Health Care: -2.3%, Utilities: -1.8%, Real Estate: -0.4% and Consumer Staples: +0.4%) and growth (Information Technology: -11.3%).

## Outlook

Ausbil's macro outlook, set early in the pandemic, has largely played out as the market rebounded, followed by a resurging economy. The current economic growth path is expected to run through the balance of 2021 and 2022, and possibly beyond, and is expected to be accompanied by solid years of earnings growth.

Markets are still, on average, tentative around the impact of firming bond yields and the potential for unanticipated inflation. Ausbil has evaluated the potential for inflation in some detail, across each market sector. A number of sectors offer hedging benefits under inflation, including energy and resources, and to some extent, banks, sectors where Ausbil has allocated appropriate exposures for the underlying fundamental opportunities available. At this stage in the recovery, the house view remains that while there might be some unanticipated higher reads on inflation, it is not in the fund's view that inflation will become a problem in the short to medium term such that it warrants central banks to move. Central banks continue to repeat their emphatic assertion that official interest rates will remain on hold through 2023 and 2024, which underscores the fund's view.

Ausbil's portfolios have been positioned for a clear path to recovery, but with some volatility and uncertainty along the way. The fund believes the next two years will see strong earnings growth in which investors are compelled to participate. The risk in this environment is in withdrawing while the market has so much to offer, thus the fund

remains confidently invested for the unfolding multi-year recovery. While the fund sees 2021 as promising a good year in equities, this is still a time to invest in only the best quality companies, which exhibit superior underlying earnings growth and strength, in order to achieve longer-term outperformance.

## Availability

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

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