

# Ausbil Australian Active Equity

Quarterly Investment Option Update

31 March 2021

## 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

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## Investment Option Overview

<b>Investment Category</b>	Australian Shares
<b>Suggested Investment timeframe</b>	5+ years
<b>Relative risk rating</b>	6 / High
<b>Investment style</b>	Core
<b>Manager style</b>	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Australian Shares	100	99.38
Cash	0	0.62

Sector Allocation	%
Energy	4.08
Materials	26.74
Industrials	9.70
Consumer Discretionary	4.40
Consumer Staples	2.34
Healthcare	10.73
Financials	32.45
IT	4.35
Telecommunication	0.00
Utilities	0.00
Real Estate	4.58
Cash	0.62

Top Holdings	%
BHP	9.68
Commonwealth Bank	8.07
CSL	7.24
National Australia Bank	7.21
Westpac Bank	5.49
ANZ Bank	5.02
Santos	4.08
Macquarie Group	3.88
Qantas	3.55
Rio Tinto	3.45

## Portfolio Summary

- Portfolio outperformed versus the benchmark, as measured by the S&P/ASX 300 Accumulation Index for the quarter ending March 2021.
- The top-ten underweight exposures were in: Containers & Packaging, Food Beverage & Tobacco, Capital Goods, Diversified Financials, Food & Drug Retailing, Utilities, Gold, Telecommunication Services, Real Estate Investment Trusts and Retailing.

## Investment Option Commentary

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

At a stock level, the overweight positions in Lynas, OZ Minerals, National Australia Bank, Santos, BHP, ANZ Bank and Aristocrat Leisure contributed to relative performance. The nil positions in Fortescue Metals, Coles Group and The a2 Milk Company also added value. Conversely, the overweight positions in Afterpay, Nuix, NextDC, Charter Hall Group, Lendlease, CSL, Northern Star Resources, IGO and Goodman Group detracted from relative performance. The nil position in Telstra also detracted value.

## Market Commentary

The market delivered a strong quarter, up 4.2% as measured by the S&P/ASX 300 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: +12.1%, Consumer Discretionary: +8.9%, Energy: +3.3% and Materials: +2.7%), outperforming both non-cyclicals (including Health Care: -2.1%, Utilities: -1.8%, Real Estate: -0.4% and Consumer Staples: +0.1%) and growth (Information Technology: -10.3%).

## 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. 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.

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.

## Availability

Product Name	APIR Code
AMP Flexible Super - Super	AMP1461AU
AMP Flexible Super - Retirement	AMP1332AU
CustomSuper	AMP1290AU
Flexible Lifetime - Super	AMP1290AU
Flexible Lifetime - Allocated Pension	AMP1297AU
Flexible Lifetime - Investments (Series 2)	AMP2045AU**
SignatureSuper	AMP1304AU
SignatureSuper - Allocated Pension	AMP1311AU

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