

Ausbil 130/30 Focus

Quarterly Investment Option Update

30 June 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

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	93.79
Cash	0	6.21

Sector Allocation	%
Energy	1.89
Materials	22.40
Industrials	5.96
Consumer Discretionary	8.91
Consumer Staples	4.00
Healthcare	10.54
Financials	28.23
IT	4.63
Telecommunication	2.96
Utilities	-0.30
Real Estate	4.56
Cash	6.21

Top Holdings	%
BHP	8.79
Commonwealth Bank	8.74
CSL	8.05
National Australia Bank	5.80
Macquarie Group	4.08
ANZ Bank	3.91
Goodman Group	3.72
Westpac Bank	3.55
Wesfarmers	3.29
Telstra	2.96

Portfolio Summary

- Portfolio outperformed the benchmark, as measured by the S&P/ASX 200 Accumulation Index for the quarter ending June 2021.
- The top-ten overweight exposures were in the following sectors: Hotels Restaurants & Leisure, Diversified Metals & Mining, Pharmaceuticals & Biotechnology, Food Beverage & Tobacco. Construction Materials, Online Services, Steel, Infrastructure Trusts, Transportation and Telecommunication Services.

Investment Option Commentary

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

The largest short positions were in selected stocks within the Real Estate, Industrials and Consumer Discretionary sectors.

At a stock level, the overweight positions in ResMed, Goodman Group, Evolution Mining, Aristocrat Leisure, Boral and BlueScope Steel contributed to relative performance. The nil position in APA Group also added value. Conversely, the overweight positions in Qantas, Northern Star Resources, Incitec Pivot, Santos, National Australia Bank and Macquarie Group detracted from relative performance. The nil position in Mineral Resources also detracted value.

Market Commentary

The market delivered another strong quarter, up 8.3% as measured by the S&P/ASX 200 Accumulation Index, and +12.9% for calendar year to date 2021, and +27.8% for the year to 30 June 2021.

The 2021 financial year has been impressive in the performance produced by the markets, across sectors and commodities, and in the radical shift from derating earnings following FY20 reporting season, and a -1.7% EPS growth outlook, to +15.9% EPS growth just after HY21 reporting season (S&P/ASX 200). The outlook for earnings in FY21, 22 and 23 remains strong.

With the July announcement of a takeover offer for Sydney Airport by a consortium of super funds, capital markets remain buoyant with transactions (Boral and Seven Holdings), spin-offs (Woolworths and Endeavour), and divestments (Telstra and towers). Despite ongoing inflationary fears, the expectations for company profits remain buoyant and the prospect of rampant inflation remains muted.

Outlook

As 30 June closes the Australian financial year, a look back at performance across markets and commodities illustrates the power of the rebound, even as the virus remains an overhanging risk. Markets are riding the strong multi-year outlook for earnings driven by the economic growth cycle. Massive stimulus and monetary support since the pandemic has seen the Australian economy rebound from the two-quarter technical recession (with pandemic contraction of -2.4% in 2020) towards a consensus growth outlook for 2021 of 4.9%, and an Ausbil forecast of 5.1%. The consensus earnings outlook is only now starting to catch-up, with the EPS growth for 2021 now forecast at +24.6%, and +15.9% in 2022.

The view of the investment manager is that the market is under-estimating the rebound in earnings that will occur in the prevailing economic conditions, with low rates, and world economic growth a strong tailwind. Inflation is seen as transitory, consistent with the emphatic guidance of the key central banks around the world. Rather than worry about inflation, investors should instead be looking to capture this multi-year earnings growth.

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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