

Ausbil Australian Active Equity

Quarterly Investment Option Update

30 September 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.

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 positions in 30-40 stocks.

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	Core
Manager style	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Australian Shares	100.00	99.54
Cash	0.00	0.46

Sector Allocation	%
Energy	3.43
Materials	22.45
Industrials	9.43
Consumer Discretionary	6.37
Consumer Staples	3.58
Healthcare	11.99
Financials	32.90
IT	5.91
Telecommunication	0.00
Utilities	0.00
Real Estate	3.49
Cash	0.46

Top Holdings	%
Commonwealth Bank	8.83
CSL	7.50
BHP	7.25
National Australia Bank	6.05
Westpac Bank	4.89
Macquarie Group	4.23
ANZ Bank	4.11
Aristocrat Leisure	4.04
Santos	3.43
QBE Insurance	3.26

Portfolio Summary

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

Investment Option Commentary

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

At a stock level, the overweight positions in Galaxy Resources, Qantas, Lynas Rare Earths, IGO, Webjet, Sydney Airport, Aristocrat Leisure and QBE Insurance contributed to relative performance. The nil positions in Fortescue Metals and Wesfarmers also added value. Conversely, the overweight positions in BHP, Rio Tinto, BlueScope Steel and Orocobre detracted from relative performance. The underweight position in Xero and nil positions in WiseTech Global, South32, Domino's Pizza, James Hardie and Telstra also detracted value.

Market Commentary

This month the market gave back a little of the impressive returns earned this year, dropping 1.9% on a year's return of +30.9% to end September 2021 (S&P/ASX 300). The quarter was relatively flat, returning +1.8% in the context of a kaleidoscope of problems from hard lockdowns across Australia, economic and geopolitical issues with China, a cancelled A\$90 billion submarine contract with France, advances in the dates when central banks will start to taper their QE programs, and importantly for Australia, a temporary collapse in the iron ore price. Regardless, on the back of a strong reporting season with record resources profits and dividends, and record buybacks from banks, the markets refused to capitulate, looking through the noise at the potential earnings bonanza that lies beyond lockdowns, as states and the nation reopen on achieving mass-vaccination targets, and company management team unleash their post-lockdown spending plans.

To this end, as at October 5 the Department of Health is reporting that 58% of Australians are fully vaccinated, with a massive 81% already having received the first vaccination shot. When the opportunity presented itself, Australians embraced these vaccination opportunities with both arms – pardon the pun – with a unified hope that we can all resume some level of normality in life, work and recreation.

Outlook

Ausbil's outlook for equities remains positive, driven by the ongoing economic recovery and an eventual return to trend growth. Following reporting season, while companies were hesitant to guide on FY22 given lockdowns, a lead indicator for sustainable earnings growth was the bullish investment plans from management for beyond COVID as the economy normalises. Given the rapid progress on vaccines, Ausbil believe earnings growth is likely to surprise again in FY22 as the economy reopens following lockdowns.

Ausbil's view is that FY23 earnings expectations will also be positive, with growth driven by a very strong post-Delta variant bounce-back, which will be evident in the final months of this calendar year, and will have duration into FY23. Ausbil remain invested to capture these opportunities as vaccination targets are achieved and the economy can recommence its path towards normalcy releasing pent-up consumer demand

Availability

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

**Closed to new and existing investors

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