

Ausbil 130/30 Focus

Quarterly Investment Option Update

31 December 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

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	90.90
Cash	0	9.10

Sector Allocation	%
Energy	3.04
Materials	22.96
Industrials	1.39
Consumer Discretionary	9.15
Consumer Staples	2.67
Healthcare	11.28
Financials	29.12
IT	2.63
Telecommunication	3.60
Utilities	1.45
Real Estate	3.60
Cash	9.10

Top Holdings	%
CSL	8.64
Commonwealth Bank	7.82
BHP	7.80
National Australia Bank	5.72
Macquarie Group	5.55
Goodman Group	4.29
Wesfarmers	4.06
ANZ Bank	3.50
Telstra	3.36
Aristocrat Leisure	2.66

Portfolio Summary

- Portfolio outperformed the benchmark, as measured by the S&P/ASX 200 Accumulation Index for the quarter ending December 2021.
- The top-ten overweight exposures were in the following sectors: Real Estate Investment Trusts, Diversified Financials, Pharmaceuticals & Biotechnology, Diversified Metals & Mining, Other Metals & Mining, Diversified Consumer Services, Construction Materials, Hotels Restaurants & Leisure, Health Care Equipment & Services and Containers & Packaging.

Investment Option Commentary

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

The largest short positions were in selected stocks within the Financials, Consumer Discretionary, Communication Services and Information Technology.

At a stock level, the overweight positions in Lynas Rare Earths, Goodman Group, IGO, Macquarie Group, BHP and Siteminder contributed to relative performance. The underweight exposure to Westpac Bank and the nil position in Afterpay also contributed value. Conversely, the overweight positions in PointsBet, Santos and Aristocrat Leisure detracted from relative value. The underweight positions in Transurban Group, Evolution Mining and Treasury Wine Estates also detracted value.

Market Commentary

December ended the year with a monthly return of +2.8%, capping the annual return for calendar year 2021 at an impressive 17.2% (S&P/ASX 200 Accumulation Index). The past three years have been good for equities despite almost two years of global pandemic, generating compound annual returns of 13.6%.

In the lead-up to Christmas, a major concern in the post-lockdown phase of COVID was a return to lockdowns with the appearance of Delta and Omicron. Fortunately, the run-up to Christmas, New Year and the January holiday window remained open, in terms of sentiment this saw markets close the year strongly and the resumption of relatively more normal activity.

This quarter, Materials (+12.7%) performed on the back of strong Base Metals and Battery Materials prices, and a resurging Iron Ore price. Other sectors also delivered strong performance with Utilities (+11.4%), Real Estate (+9.3%) and Communication Services (+4.9%) each delivering good results. In stark contrast, Energy (-8.8%) fell on unfounded concerns around inflation and the sustainability of growth, Information Technology (-6.1%) fell on premature fears of a rate-driven rotation, and Financials (-2.2%) were also lower.

Outlook

After two years of COVID madness, the rapid outbreak with Omicron, considered to be less virulent in symptoms though more infectious, it feels like a turning point in this one-in-one-hundred-years pandemic event. Immunologists are discussing the place of Omicron in the eventual path to herd immunity and the virus eventually mutating into just another flu. Despite spikes in infections, governments are beyond hesitant to return to lockdowns. Rather, there has been a wholehearted push for the public to normalise, shop, dine, entertain and mingle, provided precautions are taken.

Unless something material changes in terms of clinical findings on Omicron, the fund manager continues to look through this noise at the path of the economy post-lockdown. There is an expectation of two exceptional quarters for growth, followed by above-trend growth throughout 2022 and leading into 2023. However, risks remain but continues monitoring them closely as always to ensure the right portfolio settings.

Looking ahead, the fund manager expects cyclical leadership will change, but as a grouping will continue to perform, with strong earnings outlooks for FY22, particularly from late calendar 2021. Quality growth and structural leaders are also offering a strong earnings rebound into FY22 and FY23.

Availability

Product name	APIR
SignatureSuper*	AMP1802AU
SignatureSuper Allocated Pension*	AMP1796AU

*Closed to new investors.

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