

Ausbil 130/30 Focus

Quarterly Investment Option Update

30 September 2018

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

Asset Allocation	Benchmark (%)	Actual (%)
Australian Shares	N/A	93.51
Cash	N/A	6.49

Sector Allocation	%
Energy	7.61
Materials	19.80
Industrials	5.79
Consumer Discretionary	4.23
Consumer Staples	7.93
Healthcare	7.84
Financials	28.19
IT	3.91
Telecommunication	2.42
Utilities	0.00
Real Estate	5.79
Cash	6.49

Investment Option Overview

Investment category	Australian Shares
Suggested investment timeframe	5 years
Relative risk rating	7 / Very High
Investment style	Specialist – Long/Short

Portfolio Summary

- The Australian equity market had a positive quarter, returning 1.5%, driven primarily by the Telecommunication Services, Health Care and Industrials sectors.
- The financial sector is similarly facing earnings headwinds, amid moves by the banks to increase their provisioning for potential litigation and customer redress costs associated with the ongoing Royal Commission of inquiry into the sector.

Investment Option Commentary

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

The Fund's largest short positions were from selected stocks within the Consumer Discretionary, Materials and Information Technology sectors. At a stock level, the Fund benefited from overweight positions in Santos, QBE Insurance, Seven Group, Computershare and Dexus Property Group. The underweight positions in Scentre Group, Newcrest Mining and Medibank also added value. Conversely, the overweight positions in Nufarm, Evolution Mining, Aristocrat Leisure and James Hardie detracted from relative performance. The underweight positions in Brambles, Origin Energy, Telstra, WiseTech and South32 also detracted value.

Market Commentary

The Australian equity market had a positive quarter, returning 1.5%, driven primarily by the Telecommunication Services, Health Care and Industrials sectors. Globally, there was significant divergence between Developed (MSCI World: +5.1%) and Emerging (-0.9%) equity markets. Within Developed markets, the US (S&P500: +7.7%) outperformed, while the UK (FTSE100: -0.7%) and Europe (EURO STOXX: +0.6%) lagged.

Domestically, mid-cap stocks (S&P/ASX MidCap 50 Accumulation Index: +3.6%) outperformed, large-cap stocks (S&P/ASX 20 Accumulation Index: +1.5%) performed in line, and small-cap stocks (S&P/ASX Small Ordinaries Accumulation Index: +1.1%) lagged. Energy was mixed (LNG: +10.9%, Brent Oil: +5.5%, Metallurgical Coal: 0.0%, WTI Oil: -1.2%, Thermal Coal: -2.1%). Metals were mixed (Iron Ore: +7.3%, Aluminium: -4.9%, Copper: -5.5%, Zinc: -8.5%, Nickel: -15.6%, Cobalt: -20.2%). Precious metals were weaker (Platinum: -4.4%, Gold: -4.8%, Silver: -9.1%).

Communication Services (+16.8%) outperformed, led by Telecommunication Services (+25.2%). Information Technology (+13.0%) was lifted by Software & Services (+13.0%). Health Care (+4.5%) benefited from Pharmaceuticals, Biotechnology & Life Sciences (+6.1%). Industrials (+4.2%) and Energy (+4.1%) outperformed, Real Estate (+1.5%) matched the Index and Consumer Discretionary (+1.2%) also gained ground. The underperforming sectors were Financials (-0.2%), where weakness in the Banking sector (-0.5%) offset gains in the Insurance sector (0.7%), Consumer Staples (-1.0%), Materials (-1.2%), reflecting weakness in Containers & Packaging (-5.0%) and Utilities (-4.1%).

Outlook

Prospects for resources sector stocks remain significantly dependent on economic conditions in China, where industrial production growth remains intact, but forward-looking surveys of manufacturing prospects continue to soften, moving progressively closer to the cut-off point between expansion and contraction. Mining services companies nevertheless remain buoyed by the strength of demand in areas such as vehicle fleet maintenance and equipment hire. Beyond the mining sector, wage growth in Australia remains anaemic at best. The consequent stagnation in wage earners' spending power continues to weigh on the profitability of companies exposed to the domestic consumer sector. The financial sector is similarly facing earnings headwinds, amid moves by the banks to increase their provisioning for potential litigation and customer redress costs associated with the ongoing Royal Commission of inquiry into the sector.

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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