

Ausbil Australian Active Equity

Quarterly Investment Option Update

30 September 2018

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

To view the latest investment performances for each product please visit amp.com.au

Sector Allocation

	%
Energy	6.82
Materials	28.19
Industrials	5.11
Consumer Discretionary	5.11
Consumer Staples	6.82
Healthcare	8.53
Financials	30.99
IT	5.03
Telecommunication	0.00
Utilities	0.00
Real Estate	2.91
Cash	0.40

Investment Option Overview

Investment category	Australian Shares
Suggested investment timeframe	7 years
Relative risk rating	6 / High
Investment style	Core

Asset Allocation	Benchmark (%)	Actual (%)
Australian Shares	N/A	99.60
Cash	N/A	0.40

Top Holdings

	%
BHP	8.89
CSL	6.84
Santos	5.83
Westpac Bank	5.65
QBE Insurance	4.52
Commonwealth Bank	4.52
ANZ Bank	4.32
BlueScope Steel	4.00
Rio Tinto	3.88
Macquarie Group	3.55

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's overweight positions in the Energy, Materials, Consumer Discretionary and Information Technology sectors contributed to relative performance. The underweight positions in the Utilities, Consumer Staples and Real Estate sectors also added value. Conversely, the underweight positions in the Industrials, Health Care, Financials and Telecommunication Services sectors detracted value.

At a stock level, the overweight positions in Santos, QBE Insurance, Downer EDI, Seven Group, Computershare and Fairfax Media added to relative performance. The underweight positions in Scentre Group, Newcrest Mining, Transurban Group and AGL Energy also added value. Conversely, the overweight positions in Evolution Mining, Aristocrat Leisure, Independence Group and Galaxy Resources detracted from relative performance. The underweight positions in Telstra and Woodside Petroleum 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, boosted by Telecommunication Services (+25.2%). Information Technology (+13.0%) was boosted 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 banks offset gains in the insurance sector, Consumer Staples (-1.0%), Materials (-1.2%), reflecting weakness in Containers & Packaging (-5.0%) and Utilities (-4.1%), reflecting weakness in Independent Power and Renewable Electricity Producers (-10.6%) and Multi-Utilities (-10.7%).

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	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

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