

Ausbil 130/30 Focus

Quarterly Investment Option Update

31 December 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	90.45
Cash	N/A	9.55

Sector Allocation	%
Energy	6.78
Materials	18.52
Industrials	5.37
Consumer Discretionary	1.60
Consumer Staples	6.86
Healthcare	11.72
Financials	27.02
IT	0.60
Telecommunication	1.75
Utilities	3.04
Real Estate	7.18
Cash	9.55

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 (represented by the S&P/ASX 200 Accumulation Index) delivered weaker performance in the last quarter of 2018 to return -8.2% on the back of rising global uncertainty and re-evaluation of global growth prospects.
- However, Australian equities outperformed most global equity peers during the quarter (MSCI World: -13.3%, MSCI Emerging: -7.4%, US: -13.5%, Europe: -12.9%, UK: -9.6%). For calendar year 2018, Australian equities (-3.1%) outperformed their global counterparts (MSCI World: -8.2%, MSCI Emerging: -14.2%, US: -4.4%, Europe: -12.0%, UK: -8.7%).

Investment Option Commentary

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

The Fund's largest short positions were in selected stocks within the Real Estate, Financials, Consumer Staples and Communication Services sectors.

At a stock level, the Fund benefited from overweight positions in Newcrest Mining, Goodman Group, Woolworths, Dexs and Insurance Australia Group. The underweight positions in South32, Origin Energy and Carsales also added value. Conversely, the overweight positions in BlueScope Steel, Lendlease, Seven Group, Woodside Petroleum and Oil Search detracted from relative performance. The underweight positions in GPT Group and Evolution Mining also detracted value.

Market Commentary

Domestically, large-cap stocks (S&P/ASX 20 Accumulation Index: -6.2%) outperformed, while mid-cap stocks (S&P/ASX Mid-Cap 50 Accumulation Index: -13.1%) and small-cap stocks (S&P/ASX Small Ordinaries Accumulation Index: -13.7%) underperformed.

Over the quarter, Energy was lower (WTI Oil: -38.0%, Brent Oil: -35.9%, Thermal Coal: -11.5% and Metallurgical Coal: -8.3%). Metals generally weakened (Manganese: -24.4%, Nickel: -15.2%, Aluminium: -9.0%, Copper: -5.0%, Zinc: -5.3%, Cobalt: -11.1%, Lithium: -6.0%) with the exception of Iron Ore (+5.1%). Precious metals generally strengthened (Gold: 7.5%, Silver 5.7%, Platinum -2.5%).

Most sectors of the Australian equity market delivered weak performance over the quarter. Bond proxy sectors outperformed relative to other sectors led by Transportation (1.4%), Utilities (-3.4%) and Real Estate (-5.8%). Offshore earners in the Health Care (-8.5%), Consumer Staples (-4.1%), Information Technology (-14.2%) and Consumer Discretionary (-13.8%) sectors also underperformed despite the lower Australian dollar. Materials (-5.1%) was cushioned by the Metals & Mining (-2.7%) sector. Financials (-7.7%) underperformed due to relative weakness in Diversified Financials (-14.4%) compared to Banks (-6.0%). Energy (-21.6%) underperformed reflecting lower oil and gas prices.

Outlook

The market starts 2019 with two major company reporting periods – the US 4Q18 earnings in January, followed by the Australian 1H19 earnings in February which will give early indications of the health of corporate earnings. Given the recent weakness highlighted by some global companies, expectations of earnings growth for the Australian equity market have shifted to the following year (FY20: 6.2%) at the expense of the current year (FY19: 7.5%) but still remain modest.

Domestically, Ausbil expect moderation in credit growth due to the imposition of regulation, stringent lending criteria and easing in credit demand. This is leading to anaemic wage growth and softening property prices which have also impacted consumer spending. As a result, domestically oriented businesses in the Financial, Consumer Discretionary and Real Estate Development sectors continue to face earnings headwinds. However, domestic infrastructure spending provides earnings growth for companies in the Industrials sector.

Uncertainty also continues for companies exposed to global trade as ongoing geopolitical concerns between the United States and China impacted sentiment and confidence and the fund manager is starting to see a number of lead indicators suggesting a growth slowdown. Ausbil expect an agreement to alleviate short term concerns, however, ongoing delays may continue to negatively affect profitability.

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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