

Ausbil 130/30 Focus

Quarterly Investment Option Update

31 March 2019

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	92.95%
Cash	N/A	7.05%

Sector Allocation	%
Energy	5.48
Materials	21.19
Industrials	7.33
Consumer Discretionary	1.33
Consumer Staples	6.77
Healthcare	9.63
Financials	24.31
IT	0.50
Telecommunication	2.63
Utilities	4.07
Real Estate	9.70
Cash	7.05

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 300 Accumulation Index) delivered its best quarterly performance since September 2009, to return +10.9%.
- Challenging conditions continue to temper optimism, and global downside risks remain.

Investment Option Commentary

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

At a stock level, the Fund benefited from overweight positions in Goodman Group, Santos, BlueScope Steel, Charter Hall Group, QBE Insurance, Newcrest Mining and Rio Tinto. The underweight positions in Costa Group, Bendigo and Adelaide Bank and AMP also added value. Conversely, the overweight positions in CSL, Treasury Wine Estates, Computershare, Woolworths, Nufarm and Ramsay Health Care detracted from relative performance. The underweight positions in Magellan Financial Group, WiseTech Global, Fortescue Metals and Mirvac also detracted value.

Market Commentary

In the first quarter of 2019, the Australian equity market (represented by the S&P/ASX 200 Accumulation Index) delivered its best quarterly performance since September 2009, to return +10.9%. Globally, Australian equities outperformed the UK (FTSE100: +9.5%) and Emerging markets (MSCI Emerging: +10.0%), but underperformed the US (S&P500: +13.6%) and European markets (EURO STOXX: +12.2%).

Domestically, small-cap stocks (S&P/ASX Small Ordinaries Accumulation Index: +12.6%) outperformed the large-cap (S&P/ASX 200 Accumulation Index: +10.9%) and mid-cap (S&P/ASX MidCap 50 Accumulation Index: +9.8%) stocks.

Over the quarter, Energy was varied with a large increase in oil prices (WTI Oil: +32.7%, Brent Oil: +30.1%), and mixed coal prices (Metallurgical Coal: +4.7%, Thermal Coal: -10.8%). Metals were mixed (Nickel: +21.1%, Zinc: +20.3%, Iron Ore: +19.9%, Copper: +8.3%, Aluminium: +2.0%, Lithium: -4.6%, Cobalt: -45.5%). Precious metals generally strengthened (Gold: +1.0%, Silver: -1.7%, Platinum: +7.5%).

Every sector of the Australian equity market (+10.9%) delivered strong performance over the quarter. Outperformers relative to the market included Information Technology (+20.0%), Materials (+18.0%), Communication Services (+16.6%), Energy (+15.2%), Real Estate (+14.0%), Consumer Discretionary (+12.8%) and Utilities (+11.6%). Health Care (+6.7%), Financials (+5.9%) and Consumer Staples (+5.0%) lagged the market.

Outlook

Trade uncertainty between the US and China remains, though President Trump has said that a resolution is close. Brexit deadlocks continue with the rejection of alternate proposals, despite the looming late-May European Parliament elections. Domestically, house prices and credit continued to slow over the quarter as consumers deleveraged on account of weaker household disposable income and tighter lending standards.

Lower interest rate expectations have also been evident with the decline of 10-Year bond yields over the quarter (Australia: from 2.3% to 1.8%, US: from 2.7% to 2.4%). Despite calls by US economic advisor Kudlow for interest rates to be “immediately” cut, the Federal Reserve have kept rates on hold. Likewise, the RBA left interest rates unchanged (1.5%), although rate cuts in the latter half of the year are expected. Strong employment data in the Australian economy, despite weak business confidence and tight credit conditions, has permitted the RBA to retain its neutral stance.

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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