

# Ausbil 130/30 Focus

Quarterly Investment Option Update

30 June 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](http://amp.com.au)

## Investment Option Overview

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

Asset Allocation	Benchmark (%)	Actual (%)
Australian Shares	N/A	92.66
Cash	N/A	7.34

Sector Allocation	%
Energy	5.44
Materials	19.50
Industrials	7.87
Consumer Discretionary	1.87
Consumer Staples	6.70
Healthcare	8.94
Financials	28.96
IT	0.91
Telecommunication	2.63
Utilities	2.14
Real Estate	7.71
Cash	7.34

## Portfolio Summary

- The Australian equity market (represented by the S&P/ASX 300 Accumulation Index), continued its strong performance in the June quarter of 2019 to return +8.0%.
- Most sectors of the Australian equity market (+8.0%) delivered strong performance over the quarter. Outperformers relative to the market included Communication Services (+12.2%), Health Care (+11.5%), Financials (+10.8%) and Materials (+7.3%).

## Investment Option Commentary

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

The Fund's largest short positions were in selected stocks within the Industrials, Consumer Staples and Materials sectors.

At a stock level, the Fund benefited from overweight positions in Service Stream, Aristocrat Leisure, Newcrest Mining, APA Group and Goodman Group. The underweight positions in South32, Scentre Group, Hub24, Suncorp Group and Oil Search also added value. Conversely, the overweight positions in Synlait Milk, Nufarm, Graincorp, GPT Group, QBE Insurance and Macquarie Group detracted from relative performance.

## Market Commentary

The Australian equity market (represented by the S&P/ASX 300 Accumulation Index), continued its strong performance in the June quarter of 2019 to return +8.0%. Globally, Australian equities outperformed developed markets: UK (FTSE 100: +3.3%), US (S&P 500: +4.3%), Europe (EURO STOXX: +4.8%) and emerging markets (MSCI Emerging: +0.7%).

Domestically, large-cap stocks (S&P/ASX 20 Accumulation Index: +9.2%) outperformed the mid-cap (S&P/ASX MidCap 50 Accumulation Index: +4.9%) and small-cap stocks (S&P/ASX Small Ordinaries Accumulation Index: +3.7%).

Over the quarter, Energy was varied with weaker oil prices (WTI Oil: -1.4% and Brent Oil: -4.1%) and mixed coal prices (Metallurgical Coal: +4.9% and Thermal Coal: -19.6%). Base metals weakened (Zinc: -12.4%, Tin: -12.3%, Copper: -5.9%, Lead: -4.3%, Lithium: -2.9% and Nickel: -1.4%). Bulk metals were mixed (Iron Ore: +39.3% and Alumina: -14.4%). Precious metals generally strengthened (Gold: +9.2%, Silver: +2.0% and Platinum: -0.6%).

Most sectors of the Australian equity market (+8.0%) delivered strong performance over the quarter. Outperformers relative to the market included Communication Services (+12.2%), Health Care (+11.5%), Financials (+10.8%) and Materials (+7.3%). Consumer Discretionary (+6.0%), Information Technology (+5.1%), Real Estate (+4.1%), Utilities (+1.9%) and Energy (-0.2%) lagged the market.

## Outlook

Global uncertainties have been tempered slightly following the G20 Osaka Summit and delays in the potential US-China trade deal, though risks of unexpected shocks remain. Despite the ongoing macroeconomic risks, the current economic environment is supportive of further equity growth in the form of expansionary government policies and muted inflationary pressures. Interest rate expectations have been at an all-time low, reflected by decreasing 10-year government bond yields over the quarter (Australia: 1.8% to 1.3%, US: 2.4% to 2%, and Germany: -0.1% to -0.3%). In both the Eurozone and the US, the market has priced in rate cuts this year. The RBA has already cut interest rates from 1.5% by 25bps in June, and a further 25bps in July to a record low of 1% which will "support employment growth" and "provide greater confidence" that inflation will meet the targeted range over time.

Despite lagging its global counterparts for the month of June, Australian equities have led in performance for both the quarter and calendar year. Domestic business confidence has rebounded well due to the aforementioned easing of political tensions but also off the back of an unexpected victory by the Coalition. The Morrison government has cut income taxes and sought to boost infrastructure spending to lift business activity and household consumption. The funding of these initiatives has been supported by elevated iron ore prices (+39.3% over the quarter), driven by Brazilian supply constraints and strong Chinese steel demand.

Overall, global downside risks continue to provide a cautionary backdrop to strong equity market performance and expansionary government measures.

## 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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