

# Ausbil Australian Active Equity

Quarterly Investment Option Update

30 June 2019

## 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](http://amp.com.au)

## Investment Option Overview

<b>Investment category</b>	Australian Shares
<b>Suggested investment timeframe</b>	7 years
<b>Relative risk rating</b>	6 / High
<b>Investment style</b>	Core
<b>Manager style</b>	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Australian Shares	N/A	98.50
Cash	N/A	1.50

## Sector Allocation

	%
Energy	4.73
Materials	21.19
Industrials	7.53
Consumer Discretionary	5.13
Consumer Staples	6.21
Healthcare	11.87
Financials	31.72
IT	0.55
Telecommunication	3.58
Utilities	0.00
Real Estate	5.98
Cash	1.50

## Top Holdings

	%
BHP	8.93
CSL	7.62
Commonwealth Bank	7.61
National Australia Bank	6.24
QBE Insurance Group	4.97
Westpac Bank	4.81
Santos	4.73
Rio Tinto	4.73
ANZ Bank	4.10
Macquarie Group	3.99

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

At a stock level, the overweight positions in Aristocrat Leisure, Aurizon Holdings, Fortescue Metals and ResMed contributed to relative performance. The underweight positions in AGL Energy, Challenger, Oil Search, Scentre Group, Suncorp Group and Wesfarmers also added value. Conversely, the overweight positions in BlueScope Steel, Downer EDI, Evolution Mining, Galaxy Resources, Link Administration and QBE Insurance detracted from relative performance. The underweight position in Newcrest Mining also detracted value.

## 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%).

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## 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	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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