

# Ausbil Australian Active Equity

Quarterly Investment Option Update

30 June 2021

## 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>	5+ 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	100.00	99.42
Cash	0.00	0.58

Sector Allocation	%
Energy	3.52
Materials	27.70
Industrials	8.84
Consumer Discretionary	5.00
Consumer Staples	3.05
Healthcare	10.65
Financials	33.18
IT	4.18
Telecommunication	0.00
Utilities	0.00
Real Estate	3.31
Cash	0.58

Top Holdings	%
BHP	9.68
Commonwealth Bank	8.88
CSL	7.43
National Australia Bank	6.60
Westpac Bank	5.33
ANZ Bank	4.55
Aristocrat Leisure	3.96
Macquarie Group	3.82
Rio Tinto	3.81
Santos	3.52

## Portfolio Summary

- Portfolio underperformed versus the benchmark, as measured by the S&P/ASX 300 Accumulation Index for the quarter ending June 2021.
- The top-ten underweight exposures were in: Life Insurance, Containers & Packaging, Utilities, Capital Goods, Food & Drug Retailing, Diversified Financials, Telecommunication Services, Gold, Real Estate Investment Trusts and Retailing.

## Investment Option Commentary

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

At a stock level, the overweight positions in Boral, Aristocrat Leisure, Galaxy Resources, IGO, Afterpay, Charter Hall Group and Seek all contributed to relative performance. The nil positions in Woodside Petroleum, APA Group and The a2 Milk Company also added value over the quarter. Conversely, the overweight positions in Qantas, Lynas, Santos, Webjet, OZ Minerals, Ramsay Health Care, NAB and Sydney Airport detracted from relative performance. The nil position in Fortescue Metals also detracted value.

## Market Commentary

The market delivered another positive month with a return of +2.3% as measured by the S&P/ASX 300 Accumulation Index, which is up +8.5% for the quarter, +13.0% for calendar year 2021, and +28.5% for the year to 30 June 2021.

The 2021 financial year has been impressive in the performance produced by the markets, across sectors and commodities, and in the radical about turn from derating earnings following FY20 reporting season, and a negative EPS growth outlook of -1.7%, to an earnings outlook of +15.6% EPS growth just after HY21 reporting season (S&P/ASX 300). The outlook for earnings in FY21, 22 and 23 remains strong.

With the July announcement of a takeover offer for Sydney Airport by a consortium of super funds, capital markets remain buoyant with transactions (Boral and Seven Holdings), spin-offs (Woolworths and Endeavour), and divestments (Telstra and towers). Despite ongoing inflationary fears, the expectations for company profits remains buoyant and the prospect of rampant inflation remains muted, Ausbil believe for the short to medium term.

## Outlook

As 30 June closes the Australian financial year, a look back at performance across markets and commodities illustrates the power of the rebound Ausbil have experienced, even as the virus remains an overhanging risk. Markets are riding the strong multi-year outlook for earnings driven by the economic growth cycle. Massive stimulus and monetary support since the pandemic has seen the Australian economy rebound from the two-quarter technical recession (with pandemic contraction of -2.4% in 2020) towards a consensus growth outlook for 2021 of 4.9%, and an Ausbil forecast of 5.1%. The consensus earnings outlook for both indices is only now starting to catch-up, with the EPS growth outlook for 2021 now at +24.6%, and +15.9% for 2022.

Ausbil still think that the market is under-estimating the rebound in earnings that will occur in the prevailing economic conditions, with low rates, and world economic growth a strong tailwind. Ausbil do not see inflation as a persistent problem for some years, consistent with the emphatic guidance of the key central banks around the world. Rather than worry about inflation, which Ausbil do not see as a sustained threat for some years, investors should instead be looking to capture this multi-year earnings growth while it is on offer, preferably in the best quality companies they can find.

## 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

\*\*Closed to new and existing investors

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