

# Ausbil 130/30 Focus

Quarterly Investment Option Update

30 June 2022

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

## 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	100	93.05
Cash	0	6.95

Sector Allocation	%
Energy	6.93
Materials	22.80
Industrials	5.47
Consumer Discretionary	2.83
Consumer Staples	8.72
Healthcare	11.58
Financials	25.87
IT	0.91
Telecommunication	3.78
Utilities	1.91
Real Estate	2.24
Cash	6.95

Top Holdings	%
BHP	12.10
CSL	8.68
Commonwealth Bank	8.08
National Australia Bank	5.45
Macquarie Group	4.11
Telstra	3.78
Goodman Group	3.25
Woolworths	3.21
Computershare	2.75
Santos	2.63

## Portfolio Summary

- Portfolio outperformed the benchmark, as measured by the S&P/ASX 200 Accumulation Index for the quarter ending June 2022.
- The top-ten overweight exposures were in the following sectors: Containers & Packaging, Diversified Financials, Diversified Metals & Mining, Energy, Food & Drug Retailing, Food Beverage & Tobacco, Infrastructure Trusts, Pharmaceuticals & Biotechnology, Telecommunication Services and Utilities.

## Investment Option Commentary

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

The largest short positions were in selected stocks within the Consumer Discretionary, Financials and Materials sectors.

At a stock level, the overweight positions in CSL, Amcor, Santos, Ampol, Computershare, Coles Group and Telstra contributed to relative performance. The nil position in Block also added value. Conversely, the overweight positions in Northern Star Resources, Evolution Mining, IDP Education, Goodman Group, James Hardie, OZ Minerals, Seek and Lynas Rare Earths detracted from relative performance. The underweight positions in Transurban Group and Brambles also detracted value.

## Market Commentary

June 30 closed the Australian financial year with a one-month return of -9.0% (S&P/ASX 300 Accumulation Index), -12.2% for the quarter, and bringing the total market return for the financial year to -6.8%. Markets have swung with inflation, beginning the financial year with a strong outlook for growth and cyclical stocks, but ending the year following a relatively hard rotation out of growth, particularly Information Technology. The rise in inflation across the financial year saw sectors like Materials and Energy rise as beneficiaries in inflationary environments. In terms of sector performance this fiscal year, Utilities (+35.9%), Energy (+30.1%), Industrials (+3.5%), Materials (-1.7%) and Communication Services (-6.4%) all significantly outperformed the market (S&P/ASX 200: -6.5%). Information Technology (-38.2%), Consumer Discretionary (-20.9%), Real Estate (-12.9%) and Health Care (-9.4%) were the worst performers in the market rotation.

The quarter has been eventful, with the Australian election delivering a win for the Labor party led by Prime Minister Albanese; the continuation of hostilities in the Ukraine; and a number of record inflation reads that saw Australia and the US commence hard monetary tightening. The financial year has ended with significant questions over the path for interest rate tightening, and the impact this will have on growth, with persistently high inflation reads keeping the markets on edge.

## Outlook

The Australian tax year has closed. With one month to go until reporting season, there is much anticipation around earnings growth and how companies are managing rising costs, inflation, interest rates, an energy shock and a new government. Ausbil do not expect to see major impacts from these in this round of reporting, with EPS growth expected by Ausbil to exceed +25% for FY22. Ausbil believes the conditions for ongoing positive earnings growth are also in place for FY23, though at a slower pace than this financial year, and potentially across a more defensive sector allocation. The key issue Ausbil is monitoring is the path for growth. There has been a lot of commentary recently on the potential for a recession, and while Ausbil remain of the view that a recession is unlikely, and that monetary policy makers will err on the side of caution if signs point to contraction, this outcome does remain an elevated risk. Ausbil's current outlook for growth remains positive, although there is potential for growth to fall below trend for some time with the renewed supply shock from the invasion of Ukraine.

## Availability

Product name	APIR
SignatureSuper*	AMP1802AU
SignatureSuper Allocated Pension*	AMP1796AU

\*Closed to new investors

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