

Alphinity Australian Share

Quarterly Investment Option Update

31 March 2022

Aim and Strategy

The strategy aims to outperform its benchmark (S&P/ASX 300 Accumulation Index) over rolling five-year periods. The strategy is managed by Alphinity who seeks to build a portfolio of Australian shares listed on the Australian Securities Exchange that is well diversified across different industries and sectors and aims to meet the strategy's investment objectives in a risk-controlled manner. The strategy is intended for investors who are happy to invest for at least five years, are seeking high levels of return and are comfortable with high volatility, including the possibility of periods of negative returns.

Investment Option Performance

To view the latest investment performances for each product please visit amp.com.au/performance

Investment Option Overview

Investment Category	Aust. Shares
Suggested Investment timeframe	At least 5 years
Relative risk rating	7 / Very high
Investment style	Growth

Asset Allocation	Benchmark (%)	Actual (%)
Australian Shares	100%	98.92%
Derivatives	0%	0.00%
Cash	0%	1.08%

Sector Allocation	%
Consumer Discretionary	6.07
Consumer Staples	4.20
Energy	6.47
Financials Ex Property	34.12
Health Care	8.25
Industrials	5.91
Information Technology	0.76
Materials	27.36
Property Trusts	3.76
Telecommunication Services	2.14
Utilities	0.00

Top Holdings	%
BHP Group Limited	12.41
Commonwealth Bank Of Australia	8.52
National Australia Bank Limited	6.72
Macquarie Group Ltd	5.34
CSL Limited	5.28
Goodman Group	3.10
South32 Ltd	3.06
Woolworths Group Ltd	3.00
Australia And New Zealand Banking Group Ltd	2.93
Woodside Petroleum Limited	2.66

Portfolio Summary

- For the quarter ending March 2022, the portfolio returned 1.84% after fees, while the benchmark returned 2.08%. Before fees the fund returned 2.06%.
- Key contributors to performance include BHP Group, South32 and Santos
- Key detractors were James Hardie, Reliance Worldwide and Sonic Healthcare

Investment Option Commentary

The Fund slightly underperformed the market in the March quarter. The largest contributors were its holdings in diversified resource companies BHP and South 32, gas company Santos and major bank NAB; not owning conglomerate Wesfarmers or tech exposures Xero and Block also added to returns. Largely offsetting these however were holdings in \$US exposures Reliance Worldwide and James Hardie Industries, pathology company Sonic Healthcare, gaming machine maker Aristocrat Leisure, and industrial property developer Goodman Group which lagged thanks to rising bond yields. Not owning gas producer Woodside Petroleum also hurt returns.

Market Commentary

March was not a great quarter for most global share markets. Global equity markets had a lot to contend with during the March quarter, including whether Central Banks had lost control of inflation, the invasion of Ukraine, China re-entering lockdowns trying to eliminate Covid (remember Covid?), slowing company earnings growth, labour and commodity shortages, and some disastrous flooding on the east coast of Australia. Without a great deal of positive catalysts to offset, global markets suffered their worst quarter since the start of Covid two years ago. And not just equities, bond markets suffered a sharp rise in yields which translates into capital losses for bond holders. Back home it felt like a classic Aussie rally, with Bank and Resource stocks doing the heavy lifting. Banks, Materials and Energy stocks make up the bulk of the market and it was this composition, supplemented by surging commodity prices and a strong \$A, that led to Alphinity's market outperforming. A 45% increase in oil prices over the quarter led energy stocks higher, although bowser pain increased the risk of further drops in consumer confidence. That pain ended up being partially addressed in the Federal Budget and a temporary halving of the fuel excise.

Outlook

Although the quarter started very positively, performance towards the end proved more difficult. The benefit from exposure to Energy and Resources was in March offset by a rebound in some of the more expensively-valued long duration stocks. Alphinity expects that the headwind from higher rates.

The current trading conditions and the assessment of company managements' ability to navigate external challenges are, in experience, at least as important as broader macro assumptions. Overall, the portfolio remains well exposed to companies with both short term and medium term earnings upgrade potential, in Aphinity's view, including some which have not yet been rewarded for their positive leverage to higher interest rates. Alphinity expects these to come through over time.

Availability

Product name	APIR
SignatureSuper*	AMP0805AU
SignatureSuper Allocated Pension*	AMP1164AU
SignatureSuper Term Pension*	AMP1164AU

*Closed to new investors

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