Specialist Geared Australian Share

Quarterly Investment Option Update

30 June 2022

Aim and Strategy

The strategy aims to provide high returns over the long term through geared exposure to securities listed on the Australian Securities Exchange by using a multi-manager approach.

The aim is to manage gearing to a level that is supported by expected income. Therefore an investor can gain greater exposure to the Australian share market than an investor with a non-geared exposure.

The objective of the investment portfolio before gearing is applied is to provide a total return (income and capital growth) after investment fees and before tax, above the S&P/ASX 200 Accumulation Index on a rolling 3-year basis.

The portfolio invests in a diversified portfolio of equities listed on the Australian Securities Exchange (ASX). The investment portfolio is geared, which allows it the ability to borrow in order to increase the amount that can be invested. The aim of gearing is to contribute more capital and to provide greater exposure to the Australian share market. Underlying managers are also permitted to purchase up to 5% in international listed securities, where those securities are also listed on the ASX. The strategy may also invest up to 10% in cash. However, in certain market conditions the strategy may hold higher levels of cash and short selling may also be used. Any currency exposure will be hedged back to Australian dollars using derivatives, and they may also be used to gain equity market exposure.

Investment Option Performance

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

Investment Option Overview

Investment category	Australian Shares
Suggested minimum investment timeframe	7 years
Relative risk rating	Very High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
Australian shares	100
Cash	0

Actual Allocation	%
International Shares	0.69
Australian Shares	91.33
Listed Property and Infrastructure	6.25
Cash	1.73

Sector Allocation	%
Financials	24.81
Materials	21.37
Health Care	9.46
Consumer Discretionary	8.36
Energy	7.95
Real Estate	6.79
Communication Services	6.50
Industrials	5.41
Information Technology	4.19
Consumer Staples	3.69
Cash	1.15
Utilities	0.32

Top Holdings	%
BHP Group Ltd	11.84
CSL Ltd	7.51
NATIONAL AUSTRALIA BANK	5.72
Woodside Energy Group Ltd	4.65
MACQUARIE GROUP LTD	4.40
COMMONWEALTH BANK AUST	4.18
TELSTRA CORP LTD	3.90
Rio Tinto Ltd	2.73
QBE Insurance Group Ltd	2.72
Aristocrat Leisure Ltd	2.68

Fund Performance

The Fund posted a negative return and underperformed its benchmark over the June quarter. The Fund's gearing detracted and was the driver of the Fund's underperformance. Amid considerable market weakness, all of the Fund's three underlying managers lost ground, although DNR Capital was the standout performer on a relative basis as it significantly outperformed the benchmark during the period. The Fund continues to perform strongly compared to the benchmark over the long term, including over 2, 3, 5 years and since inception (all returns before fees).

Stock selection was the primary contributor to relative returns, with sector allocation also adding value. Regarding sector allocation, the main contributors were an underweight exposure to materials and an overweight position in energy. The main detractors were underweight exposures to utilities and health care. The Fund's cash position also enhanced returns as the market fell.

Regarding stock selection, the standout positive contributors were positions in information technology, consumer discretionary and financials stocks, while industrials detracted most by sector.

The largest individual contributors to relative returns were overweight positions in QBE Insurance and Computershare, and an underweight exposure to Block. QBE Insurance (+6%) benefitted from higher bond rates which will provide a boost to earnings, with the company also buoyed by offshore competitors announcing solid results. Share registry operator Computershare (0%) was resilient, as higher interest rates should flow to significantly higher profits. Fintech company Block (-51%) – formerly Square - suffered alongside the broader global IT sector as rising bond yields are seen to dampen higher growth companies with limited profitability.

The largest individual detractors from relative returns were underweight positions in Transurban Group and Ramsay Health Care and an overweight position in Seek. Toll-road operator Transurban Group (+8%) rose as the market recognised the company's substantial protection from rising inflation through contracted tolling agreements. Online employment company Seek (-30%) fell despite record job ad volumes, as investors favoured defensive exposures. Hospital and health care group Ramsay Health Care (+12%) rallied following a takeover bid from KKR.

Market Review

Australian shares fell significantly over the June quarter on the back of broader global falls, with the S&P/ASX 200 index returning -11.9% (on a total return basis) for the period. Similar to international shares, Australian share prices continued to be driven by rising interest rates, higher inflation and fears of recession. Australian corporate earnings, which are weighted towards financials largely on the back of residential property, also added to concern as the housing sector came under further pressure amid the rising rate environment. A number of major home builders also experienced financial strife during the period, further impacting confidence. On the positive side, Australia's economy continues to reap benefits from high commodity prices, particularly coal, which recently overtook iron ore as our largest export. However, a turbulent, struggling energy market, not helped by the war in eastern Europe, impacted energy stocks over the period. At a sector level, information technology (IT) was the weakest performer as the segment continued its global correction which began in 2021. Real estate and financials also struggled over the quarter. Relatively better performance meanwhile was seen in more defensive sectors, such as utilities and healthcare.

Outlook

Corporate earnings growth in Australia remains reasonably strong, with earnings and dividends still growing, though at a slightly reduced rate. Cost pressures however are impacting businesses and, in many cases, are being passed onto the customer. The broader economy exhibits strong employment levels and terms of trade, however consumers' ability to spend is falling as interest rates rise. Like overseas markets, inflation remains a prime concern, reflected by a hawkish RBA. The downturn in housing is also a concern for equity markets as interest rates rise. Longer-term, we believe the market will continue its upwards path, with volatility in the shorter-term likely to provide opportunities along the way.

Availability

Product Name	APIR
Flexible Lifetime - Investments (Series 1)	AMP0850AU**
Flexible Lifetime - Investments (Series 2)	AMP1416AU**
SignatureSuper	AMP0823AU
SignatureSuper - Allocated Pension	AMP1154AU
SignatureSuper Term Pension	AMP1154AU

**Closed to new and existing investors

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