

Specialist Australian Share

Quarterly Investment Option Update

31 December 2022

Aim and Strategy

The strategy aims to provide total returns (income and capital growth) after investment fees and before tax, above the S&P/ASX 300 Accumulation Index on a rolling 3-year basis by using a multi-manager approach. The portfolio primarily invests in shares listed on the Australian Securities Exchange (ASX). The portfolio may also hold up to 5% in international shares, where those securities are also listed on the ASX. Any currency exposure will be hedged back to Australian dollar using derivatives, and they may also be used to gain equity market exposure.. The portfolio may also short sell securities.

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	5 years
Standard Risk Measure	7/Very High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
Australian shares	100
Cash	0

Actual Allocation	%
Global Shares	2.00
Australian Shares	91.95
Listed Property and Infrastructure	3.73
Cash	2.32

Sector Allocation	%
Financials	28.12
Materials	22.32
Health Care	9.28
Energy	8.08
Consumer Discretionary	6.42
Industrials	5.84
Communication Services	5.38
Information Technology	4.23
Real Estate	4.16
Consumer Staples	3.56
Cash	2.07
Utilities	0.55

Top Holdings	%
BHP Group Ltd	6.85
COMMONWEALTH BANK AUST	5.38
CSL Ltd	5.17
Woodside Energy Group Ltd	3.74
Westpac Banking Corp	3.71
National Australia Bank Ltd	3.19
QBE Insurance Group Ltd	2.72
ANZ Group Holdings Ltd	2.71
Macquarie Group Ltd	2.16
Newcrest Mining Ltd	1.84

Fund Performance

The Fund produced a strong positive return for the quarter, though underperformed the benchmark. Underlying manager returns were mostly strong in absolute terms, though mostly underperformed the market. Allan Gray was the standout best performer. The Fund continues to outperform its benchmark over the longer-term, including over 3 and 5 years, and since inception (all returns before fees).

Stock selection and asset allocation both contributed negatively over the quarter. The portfolio's small cash holding (circa 3%) also slightly reduced the relative performance as stocks rallied over the period.

Significant contributors to the relative return included overweight holdings in Stanmore Resources, Virgin Money UK and QBE Insurance Group. Shares in Coal mining company Stanmore Resources continued to surge over the quarter (+37%) in line with ongoing high coal prices. UK-based financial company Virgin Money UK shares rose (+57%) over the quarter, as the company reported a strong earnings result and a rising profit margin. Shares in Insurance company QBE meanwhile pushed steadily higher (+16%) as gross written premiums increased.

Significant detractors from the relative return included underweight holdings in BHP, Commonwealth Bank and Fortescue Metals. While the portfolio has significant holdings in these stocks, they reduced the relative return, given strong individual price performances. Shares in BHP rose over the quarter (+18%), helped by strength in metal prices as China began to ease its COVID restrictions. Shares in Fortescue Metals (+22%) also benefited from this dynamic over the period. Finally, shares in Commonwealth bank rose over the period (+13%) on optimism around profit margins as interest rates continued to rise.

Market Review

Similar to global peers, Australian shares rose strongly over the December quarter, finishing the period up by 9.4%. The bulk of the gains were made in October and November, as markets rose on optimism that inflation may be pulling back overseas, particularly in the US, while many central banks, including the RBA, reduced the increments of monetary tightening. December however saw some falls, as markets appeared to have become perhaps a little ahead of themselves with regard an improving inflationary outlook, amid a realisation that interest rates may still be higher for some time yet. Australia appears to be around 6 months behind the US with regard to the path of inflation, though of course, there is no guarantee how closely this path will be followed. The domestic earnings season also featured during the quarter, and while current period profits were generally reasonable, a number of companies lowered their earnings forecasts amid rising costs. Regarding specific sector returns, utilities and materials were the strongest performers, though all sectors produced positive returns for the period.

Outlook

Corporate earnings growth in Australia remains reasonable, though should be considered in real terms, given the ongoing high levels of inflation. Businesses remain focussed on cost pressures, which are generally being passed onto customers. Similar to overseas markets, inflation remains a prime concern, as consumers' ability to spend is being crimped amid continued rate hikes. The RBA however has slowed the pace of hikes, and current inflation and wage growth pressures are less prominent in Australia compared to other developed markets. Over the long-term, we believe Australian shares will continue to rise, with volatility in the shorter-term likely to provide more opportunities.

Availability

Product Name	APIR
Flexible Lifetime - Investments (Series 1)	AMP0854AU**
Flexible Lifetime - Investments (Series 2)	AMP1410AU**
SignatureSuper	AMP0797AU
SignatureSuper - Allocated Pension	AMP1150AU
SignatureSuper Term Pension	AMP1150AU

**Closed to new and existing investors

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