



# Specialist Geared Australian Share

Quarterly Investment Option Update

30 September 2024

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

## Investment Option Overview

<b>Investment category</b>	Australian Shares
<b>Suggested minimum investment timeframe</b>	7 years
<b>Standard Risk Measure</b>	7/Very High
<b>Investment style</b>	Active
<b>Manager style</b>	Multi-manager

<b>Asset Allocation</b>	<b>Benchmark (%)</b>
Australian shares	100
Cash	0

  

<b>Actual Allocation</b>	<b>%</b>
Australian Shares	88.61
Global Shares	5.37
Property	4.78
Cash	1.24

<b>Sector Allocation</b>	<b>%</b>
Financials	24.88
Materials	18.41
Health Care	9.61
Consumer Discretionary	9.58
Industrials	7.54
Communication Services	7.39
Real Estate	5.82
Information Technology	4.23
Futures	4.03
Consumer Staples	3.28
Energy	3.27
Cash	1.24
Utilities	0.73

<b>Top Holdings</b>	<b>%</b>
BHP Group Ltd	9.26
CSL Ltd	7.32
National Australia Bank Ltd	5.48
Commonwealth Bank of Australia	4.65
Macquarie Group Ltd	4.43
TELSTRA GROUP LTD	3.19
Aristocrat Leisure Ltd	3.08
Rio Tinto Ltd	2.81
Woodside Energy Group Ltd	2.56
Australia & New Zealand Banking Group Ltd	2.48

## Fund Performance

The Investment Option delivered a stellar return and significantly outperformed its benchmark during the September quarter, mainly due to the impact of gearing. In a period when Australian shares rose strongly, all of the three underlying managers generated positive returns as well as outperforming the benchmark, led by DNR Capital. Returns also continue to be robust over longer time periods, both on an absolute and relative basis.

Sector allocation detracted slightly from performance during the period, whereas stock selection added value. Regarding sector allocation, the Investment Option's overweight in IT and consumer discretionary were the main contributors, however the cash position as well as the underweight in materials were the main active positions that held back performance. Stock selection was strongest in communication services, materials and real estate, whereas financials and IT positions were the main drag on returns.

The largest individual contributor to relative returns was an overweight position in construction and real estate company Lendlease Corp (+33%), which rose strongly following multiple international asset sale announcements which will enable capital release and align with the company's new domestically-focused strategy. Specifically, the company sold its US West Coast construction business as well as the US military housing and Asian life sciences businesses. Elsewhere, major contributors included the Investment Option's overweight exposures to online employment marketplace SEEK (+17%), which performed well after releasing a strong FY2024 result. The company also benefitted from stronger than expected job advertisement volumes and a market shift towards cyclical exposures, whilst it should see future support should interest rates fall. Building materials company James Hardie Industries (+21%) also added value after rebounding on the back of US interest rate cuts and continued dovish expectations around US Federal Reserve policy.

The largest individual detractor was an underweight exposure to Westpac Banking Corp (+16%), which was buoyed alongside other banking peers by softer than expected inflation data earlier in the period and by a better than anticipated net interest margin and bad debt charge in its latest quarterly trading update. Other major detractors included an underweight exposure to logistics software provider WiseTech Global (+37%), which soared after reporting a robust FY2024 result and confirming strong guidance for FY2025 sales and margins as it intends to launch three new software solutions to the freight forwarding industry. The overweight holding in CSL (-2%) was also a major detractor due to its weakness late in the period alongside the broader healthcare sector and after the company announced a temporary executive team change which saw the Chief Financial Officer moving to be the interim Head of its Behring business.

Please note: At the end of the most recent financial year for the Investment Option (31 December 2023), the leverage ratio was 51.64%. At this time, the derivatives counterparties engaged (including capital protection providers if applicable) were Macquarie Bank Ltd, Goldman Sachs International, Morgan Stanley & Company International and Citigroup Global Markets Australia Pty Ltd.

## Market Review

Australian shares rose strongly in the September quarter, closing up by around 7.8%, as measured by the ASX200 total return index and outperforming international counterparts. Gains were driven by broader global markets, on the back of optimism around a global soft landing scenario. Australia however remained behind many other developed economies' interest rate easing cycles, with relatively higher domestic inflation keeping any potential easing at bay, as at the quarter's end. In regard to sector-specific performance, IT, real estate, materials and consumer discretionary all did well, whilst energy was the main laggard.

## Outlook

Corporate earnings in Australia, while still struggling in some areas, have generally shown resilience, though forward looking earnings growth expectations have fallen slightly in recent months. Generally, containing costs remains a priority over more aggressive targeting of top line growth. While the low-growth economic environment remains difficult, the stability of Australian earnings and dividends over the long-term, and their ability to generate a growing, tax-effective income stream should be kept in mind. Over the long-term, we believe Australian shares will continue to rise, with volatility being necessary to provide opportunities for higher returns.

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## 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 investors

\*\*Closed to new and existing investors

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