

# AMP Capital Equity

## Quarterly Investment Option Update

31 March 2021

### Aim and Strategy

To provide investors with long-term capital growth through investment in a portfolio of Australian securities, listed or about to be listed, on the Australian Securities Exchange. Investment is diversified across a range of industries and sectors, with a focus on the largest 200 companies. In constructing the portfolio, AMP Capital employs a systematic rules-based approach where no individual stock fundamental analysis is conducted and the investment team use large sets of data to analyse stocks through intelligent screening methods. Passive, enhanced

### Investment Option Performance

To view the latest investment performances for each 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> | 5 years           |
| <b>Relative risk rating</b>                   | High              |
| <b>Investment style</b>                       | Active            |
| <b>Manager style</b>                          | Single            |

| Asset Allocation  | Benchmark (%) |
|-------------------|---------------|
| Australian Shares | 100           |
| Cash              | 0             |

| Actual Allocation                  | %     |
|------------------------------------|-------|
| International Shares               | 4.11  |
| Australian Shares                  | 84.15 |
| Listed Property and Infrastructure | 9.67  |
| Cash                               | 2.06  |

| Sector Allocation      | %     |
|------------------------|-------|
| Financials             | 29.98 |
| Materials              | 19.81 |
| Health Care            | 9.97  |
| Consumer Discretionary | 8.15  |
| Industrials            | 7.15  |
| Real Estate            | 6.48  |
| Consumer Staples       | 5.60  |
| Information Technology | 4.00  |
| Communication Services | 3.77  |
| Energy                 | 3.54  |
| Utilities              | 1.36  |
| Cash                   | 0.19  |

| Top Holdings                              | %    |
|---|------|
| COMMONWEALTH BANK AUST                    | 7.87 |
| BHP Group Ltd                             | 6.74 |
| CSL Ltd                                   | 6.15 |
| Westpac Banking Corp                      | 4.52 |
| National Australia Bank Ltd               | 4.34 |
| Australia & New Zealand Banking Group Ltd | 4.24 |
| Wesfarmers Ltd                            | 3.09 |
| Woolworths Group Ltd                      | 2.85 |
| Macquarie Group Ltd                       | 2.59 |
| Rio Tinto Ltd                             | 2.19 |

## Fund Performance

The Fund outperformed the S&P/ASX 200 Accumulation Index benchmark during the March quarter. Despite a challenging February, the investment process was able to gain positive quarterly alpha traction, predominately from a resurgent value signal. These gains from value were assisted by several of the quality measures, which recovered after a poor fourth quarter 2020, and the bias towards companies with lower volatility characteristics within the ex-100 universe. The Fund maintains a neutral exposure to sectors, size and market beta.

The largest positive stock-level contributor to relative performance came from an underweight position in CIMIC Group. CIMIC is an Australian multinational contractor across the telecommunications, engineering, infrastructure, building and property, mining and resources, and environmental services industries. During the quarter, the company announced continued delays with projects and costs associated with a legal settlement which negatively impacted the share price.

The largest stock-level detractor to relative performance came from the Fund's overweight position in Nanosonics. Nanosonics provides innovative solutions focussed on preventing the transmission of infection. During the quarter, the stock declined as the company announced sales were down as hospitals continued to postpone non-critical procedures.

## Market Review

Australian shares climbed higher in the March quarter, rising by 4.26% as measured by the S&P/ASX 200 index on a total return basis, as global economies continued to recover from the COVID-19 pandemic. Similar to the tone in international markets, sentiment in the Australian market was generally optimistic, despite some underlying pockets of concern. This was aided by a strong half-yearly company reporting season, which produced mostly good results relative to the prior period. Many companies' earnings bounced back significantly towards (and in some cases beyond) their pre-COVID levels, leading some businesses to increase dividends and reintroduce forward guidance. The retail and mining sectors were standout sectors for strong results. Banks were also able to reduce some of their bad debt provisions. The global theme of rotation from growth and technology-orientated stocks towards value and cyclical stocks also prevailed in the domestic market. While Australia still appears well placed in a global sense to emerge strongly from the COVID-19 crisis, concerns around wages growth and inflation levels remain, which was reflected in comments from the RBA who reiterated they would continue their stimulatory policy strategy for as long as necessary, which helped support the market. Concerns around Australia's debt levels also remain a talking point.

## Outlook

Australian shares will likely continue to be strongly influenced by global markets and events. The hope is that, now the COVID-19 vaccination programme has started to roll out, the economy will be able to return to more normalised growth in a reasonable timeframe, boosting business and consumer confidence. Australia's greater degree of government stimulus (relative to other countries) and low COVID-19 cases from an international perspective should aid the recovery process. However, soured trade relations with China and a continued lack of medium-term earnings visibility for many companies remain a spectre. In addition, the upcoming wind-down in government support programmes will add to uncertainty. Given the large equity price rises post the large pandemic-induced correction early in 2020, there is an increased risk of a correction, though we believe the longer-term trend is likely to remain positive. We continue to believe investors should be selective and, as always, maintain a longer-term perspective.

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## Availability

| Product Name                               | APIR        |
|--|-------------|
| AMP Flexible Super - Retirement            | AMP1324AU*  |
| AMP Flexible Super - Super                 | AMP1454AU*  |
| CustomSuper                                | AMP0468AU*  |
| Flexible Lifetime - Allocated Pension      | AMP0598AU*  |
| Flexible Lifetime - Investments (Series 1) | AMP0018AU** |
| Flexible Lifetime - Investments (Series 2) | AMP1394AU** |
| Flexible Lifetime - Super                  | AMP0468AU*  |
| Flexible Lifetime - Term Pension           | AMP0898AU*  |
| SignatureSuper                             | AMP2047AU*  |
| SignatureSuper - Allocated Pension         | AMP2048AU*  |

\*Closed to new investors

\*\*Closed to new and existing investors

## Contact Details

**Web:** [www.amp.com.au](http://www.amp.com.au)

**Email:** [askamp@amp.com.au](mailto:askamp@amp.com.au)

**Phone:** 131 267



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