

# AMP Capital Ethical Leaders Australian Share

Quarterly Investment Option Update

30 June 2021

## Aim and Strategy

To provide a total return (income and capital growth) after costs and before tax, above the S&P/ASX 200 Accumulation Index on a rolling five-year basis. The portfolio primarily invests in shares listed on the Australian Securities Exchange and is managed using a responsible investment approach. In certain market conditions, the portfolio may hold a higher level of cash. (see additional information about Responsible Investment Leaders for more information).

## 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>	Multi-manager

Asset Allocation	Benchmark (%)
Australian Shares	100
Cash	0

Actual Allocation	%
International Shares	4.06
Australian Shares	87.47
Listed Property and Infrastructure	5.18
Cash	3.28

Sector Allocation	%
Financials	32.32
Communication Services	11.84
Materials	9.06
Consumer Discretionary	9.02
Industrials	8.86
Health Care	7.79
Real Estate	7.72
Information Technology	7.60
Cash	3.28
Consumer Staples	2.50

Top Holdings	%
National Australia Bank Ltd	8.81
Macquarie Group Ltd	6.86
Telstra Corp Ltd	6.21
Commonwealth Bank of Australia	5.45
CSL Ltd	4.95
SEEK Ltd	3.87
Wesfarmers Ltd	3.63
Computershare Ltd	3.57
Suncorp Group Ltd	3.20
Lendlease Corp Ltd	3.11

## Fund Performance

The Fund posted a strong positive absolute return and outperformed its benchmark over the June quarter. Both of the Fund's underlying managers posted positive absolute returns and DNR outperformed the benchmark. The Fund continues to strongly outperform its benchmark over the longer term, including over 1, 2, 3 and 5 years and since inception (all returns before fees).

Both sector allocation and stock selection drove the Fund's outperformance. Regarding sector allocation, the main contributors to relative returns were underweight exposures to energy and utilities, and an overweight exposure to information technology. The main detractor was an underweight exposure to health care.

Regarding stock selection, the main contributors to relative returns were positions in industrials, information technology and communications services stocks, while the main detractors were positions in real estate and financials stocks.

The largest individual contributors to relative returns were overweight positions in ALS, Iress and Cleanaway Waste Management. Laboratory testing and certification solutions provider ALS shot higher (+36.3%) after reporting strong, better-than-expected full-year results, after previously announcing it had refinanced its bank debt, providing more liquidity. Financial services software company Iress also shot higher (+40.6%) after rumours emerged that it was the target of an acquisition, which it denied and subsequently announced that it had implemented several changes to enhance shareholder value. Waste management company Cleanaway Waste Management rallied (+20.0%) after announcing it had entered into an agreement to acquire the Australian recycling and recovery business of French-based company Suez.

The largest individual detractors from relative returns were overweight positions in Lendlease and National Australia Bank, and an underweight position in Commonwealth Bank. Property group Lendlease fell (-11.3%) due to increasing concerns about project delays that could result in softer-than-expected earnings in the second half of the financial year. One of the 'big-four banks' National Australia Bank gained only modestly (+3.2%) after regulators raised concerns about its financial crimes compliance and investors continued to switch into growth segments of the market. Meanwhile, another 'big-four bank' Commonwealth Bank climbed (+16.0%), closing above \$100 for the first time during the period, as the recovering economy and soaring house prices support its operations, and investors expect it to pay higher dividends.

## Environmental Social Governance

During the period, Ethical Leaders underlying managers focussed on the 'E' and the 'S' in ESG. Regarding the 'E', Ausbil attended a roundtable which discussed the government's 2020 Electricity Infrastructure Roadmap that seeks to see NSW reach ~50% renewable electricity use by 2030. Ausbil also attended the Minerals Week conference, which had the central theme of decarbonisation, and risks and opportunities in the mining sector. The manager engaged with the Mining Council of Australia and several member companies about climate change scenarios and strategies.

Regarding the 'S', Ausbil presented on a panel at Australia's National Online Conference on Modern Slavery about the need for, and the benefits of, collaboration in combatting slavery. The manager discussed its involvement in Investors Against Slavery and Trafficking Asia-Pacific, the Responsible Investment Association Australasia's Human Rights Working Group and the Investor Alliance for Human Rights, and outlined how its human rights assessment is captured in its proprietary ESG research and used in portfolio construction.

## Market Review

In line with bullish international markets, Australian shares rose strongly over the June quarter, with the S&P/ASX 200 index closing the period 8.29% higher, on a total return basis. While the global recovery was the prime driver, the Reserve Bank of Australia (RBA) continued to play its part, as it again reiterated its commitment to low cash rates for as long as necessary. Domestic economic indicators, such as jobs figures, also remained strong, leading to rising speculation towards the end of the quarter on the timing of future rate hikes. Growth segments of the market generally did well over the quarter as the global economic recovery continued. At a sector level, information technology shares were the strongest performers over the quarter amid stabilising bond yields as well as further merger and acquisition activity. Communications services and consumer discretionary stocks also did well, while the energy and the utilities sectors meanwhile posted negative returns for the period. The market's focus is now clearly on the RBA showing any sign of changing its timeline for rate rises, as well as any tapering of its bond purchases.

## Outlook

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Australian equities continue to be strongly influenced by global markets and events. The economic backdrop is complicated by shifting policy on vaccine rollout by the Federal Government, most recently by a pivot in rollout emphasis from the AstraZeneca to the Pfizer option, which will push out the herd immunity date as further Pfizer supplies need to be sourced. The risk is that a prolonged rollout period could dent business and consumer confidence which could feed into equity prices in the short term.

Despite this, Australia's greater degree of government stimulus relative to other countries, low COVID-19 cases from an international perspective, and a supportive commodities backdrop do look to be aiding the recovery process. The effect of the wind-down in government support programmes has proved so far to be relatively benign. Although large equity price rises have increased the risk of a correction, 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	AMP1370AU**
AMP Flexible Super - Super	AMP1499AU**
CustomSuper	AMP1032AU**
Flexible Lifetime - Allocated Pension	AMP1021AU**
Flexible Lifetime - Investments (Series 1)	AMP1055AU**
Flexible Lifetime - Investments (Series 2)	AMP1433AU**
Flexible Lifetime - Super	AMP1032AU**
Flexible Lifetime - Term Pension	AMP1042AU**
SignatureSuper	AMP0976AU**
SignatureSuper - Allocated Pension	AMP1172AU**

\*\*Closed to new and existing investors

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