

Specialist 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 300 Accumulation Index on a rolling three-year basis. 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. In normal circumstances the portfolio's international investments are fully hedged back to Australian dollars. The portfolio may use derivatives such as options, futures or swaps to protect against risks or enhance returns. The portfolio may also short sell securities.

Investment Option Performance

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

Investment Option Overview

Investment category	Australian Shares
Suggested minimum investment timeframe	5 years
Relative risk rating	High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
Australian Shares	100
Cash	0

Actual Allocation	%
International Shares	3.03
Australian Shares	92.18
Listed Property and Infrastructure	3.32
Cash	1.47

Sector Allocation	%
Financials	30.51
Materials	20.42
Health Care	10.59
Consumer Discretionary	9.11
Information Technology	5.62
Energy	5.58
Consumer Staples	4.90
Communication Services	3.87
Cash	3.12
Real Estate	2.56
Industrials	2.45
Utilities	1.28

Top Holdings	%
Commonwealth Bank of Australia	4.99
CSL Ltd	4.60
BHP Group Ltd	3.52
National Australia Bank Ltd	3.49
Macquarie Group Ltd	3.40
Australia & New Zealand Banking Group Ltd	3.32
Rio Tinto Ltd	2.65
Woodside Petroleum Ltd	2.58
Newcrest Mining Ltd	2.44
Magellan Financial Group Ltd	2.38

Fund Performance

The Fund posted a strong positive return but underperformed its benchmark over the June quarter. All of the Fund's four underlying managers posted positive returns, and ECP, Alphinity and AMP Capital outperformed their respective benchmarks. The Fund continues to outperform its benchmark over the longer term, including over 1, 2, 3 and 5 years and since inception (all returns before fees).

Both stock selection and sector allocation detracted modestly from relative returns. Regarding sector allocation, the main detractors were a holding of cash, as the market rose strongly, and an overweight exposure to energy. These were partially mitigated by the main positive contributors which were underweight exposures to industrials and utilities.

Regarding stock selection, by far the main detractors were positions in materials and consumer staples stocks, while the main positive contributors were positions in financials, health care and information technology stocks.

The largest individual detractors from relative returns were overweight positions in Nuix, Costa Group and Incitec Pivot. Investigative analytics and intelligence software company Nuix continued its descent (-57.2%) after downgrading its earnings guidance twice, the exit of several executives and news of a criminal investigation into insider trading allegations against its former chief financial officer. Australia's largest horticultural company Costa Group fell sharply (-28.9%) after it released a disappointing trading update at its annual general meeting, noting that 1H 2021 performance is expected to only marginally improve compared to the same period last year, and fertiliser supplier Incitec Pivot retreated (-17.9%) after revealing its Waggaman ammonia operation will recommence production later than previously expected.

The largest individual contributors to relative returns were overweight positions in HUB24, Altium and Megaport. Wealth platform provider HUB24 rallied (+37.3%) after reporting a significant increase in cash flow over Q1 2021 and revealing several acquisitions and new licence agreements which will support further growth over the medium term. Electronics design software provider Altium shot higher (+38.6%) after receiving a takeover offer from US-software giant Autodesk, and connectivity software provider Megaport soared (+66.2%), after delivering strong results and operations updates as it continues to benefit from the rapid growth of cloud computing.

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

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.

Availability

Product Name	APIR
AMP Flexible Super - Retirement	AMP1346AU
AMP Flexible Super - Super	AMP1475AU
CustomSuper	AMP0655AU
Flexible Lifetime - Allocated Pension	AMP0600AU
Flexible Lifetime - Investments (Series 1)	AMP0854AU**
Flexible Lifetime - Investments (Series 2)	AMP1410AU**
Flexible Lifetime - Super	AMP0655AU
Flexible Lifetime - Term Pension	AMP0921AU
SignatureSuper	AMP0797AU
SignatureSuper - Allocated Pension	AMP1150AU
SignatureSuper Select	AMP0797AU

**Closed to new and existing investors

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