



Specialist Geared Australian Share

Quarterly Investment Option Update

30 June 2021

Aim and Strategy

To provide high returns over the long term through geared exposure to securities listed on the Australian Securities Exchange. The aim is to manage gearing to a level that is supported by expected income. Therefore an investor can gain greater exposure to the Australian share market than an investor with a non-geared exposure. The objective of the investment portfolio before gearing is applied is 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 three-year basis. The strategy 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 and short selling may also be used. 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 each product, please visit www.amp.com.au/performance

Investment Option Overview

Investment category	Australian Shares
Suggested minimum investment timeframe	7 years
Relative risk rating	Very High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
Australian Shares	100
Cash	0

Actual Allocation	%
International Shares	2.82
Australian Shares	89.33
Listed Property and Infrastructure	6.05
Cash	1.80

Sector Allocation	%
Financials	25.73
Materials	18.64
Consumer Discretionary	10.68
Cash	7.90
Communication Services	7.26
Real Estate	6.41
Health Care	6.27
Industrials	5.87
Information Technology	4.28
Consumer Staples	3.43
Energy	3.24
Utilities	0.28

Top Holdings	%
BHP Group Ltd	8.18
Commonwealth Bank of Australia	5.02
National Australia Bank Ltd	4.77
Macquarie Group Ltd	3.91
Telstra Corp Ltd	3.75
CSL Ltd	3.65
Aristocrat Leisure Ltd	3.02
Australia & New Zealand Banking Group Ltd	2.67
Tabcorp Holdings Ltd	2.31
Rio Tinto Ltd	2.19

Fund Performance

The Fund posted a very strong positive return and significantly outperformed its benchmark over the June quarter. The Fund's gearing contributed strongly to the outperformance. All of the Fund's three underlying managers posted strong positive absolute returns, and Vinva and DNR outperformed the benchmark. The Fund continues to significantly outperform over the long term including over 1, 2, 3, 5 years and since inception (all returns before fees).

Both stock selection and sector allocation contributed positively to relative returns. Regarding sector allocation, the main contributors were an underweight exposure to utilities, and overweight exposures to consumer discretionary and communication services. The main detractor by far was a holding of cash, as the market rose strongly.

Regarding stock selection, the main positive contributors were positions in industrials, consumer discretionary and communication services stocks, while the main detractors were positions in real estate, financials and energy stocks.

The largest individual contributors to relative returns were overweight positions in ALS, Aristocrat Leisure and Iress. 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. Gaming company Aristocrat Leisure continued climbing (+25.9%) as the business experienced exceptional product performance and customer engagement, and delivered strong, better-than-expected half-year results. In addition, 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.

The largest individual detractors from relative returns were overweight positions in Lendlease and Beach Energy, 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. Oil and gas explorer Beach Energy sunk (-27.7%) after revealing it was downgrading reserves and production from its 'Western Flank' oil and gas assets. Meanwhile, one of the 'big-four banks' 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.

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	AMP1352AU
AMP Flexible Super - Super	AMP1481AU
CustomSuper	AMP0820AU
Flexible Lifetime - Allocated Pension	AMP0819AU
Flexible Lifetime - Investments (Series 1)	AMP0850AU**
Flexible Lifetime - Investments (Series 2)	AMP1416AU**
Flexible Lifetime - Super	AMP0820AU
Flexible Lifetime - Term Pension	AMP0924AU
SignatureSuper	AMP0823AU
SignatureSuper - Allocated Pension	AMP1154AU

**Closed to new and existing investors

Contact Details

Web: www.amp.com.au

Email: askamp@amp.com.au

Phone: 131 267



What you need to know

This publication has been prepared by AWM Services Pty Limited ABN 15 139 353 496, AFSL No. 366121 (AWM Services). The information contained in this publication has been derived from sources believed to be accurate and reliable as at the date of this document. Information provided in this investment option update are views of the underlying investment manager only and not necessarily the views of AMP Limited ABN 49 079 354 519 (AMP Group). No representation is given in relation to the accuracy or completeness of any statement contained in it. Whilst care has been taken in the preparation of this publication, to the extent permitted by law, no liability is accepted for any loss or damage as a result of reliance on this information.

The investment option referred to in this publication is available through products issued by N.M. Superannuation Proprietary Ltd ABN 31 008 428 322, AFSL 234654 (NM Super), AMP Capital Funds Management Limited ABN 15 159 557 721, AFSL 426455 (AMPCFM) and/or ipac asset management limited ABN 22 003 257 225, AFSL 234655 (ipac). Before deciding to invest or make a decision about the investment options, you should read the current Product Disclosure Statement (PDS) for the relevant product, available from the issuer or your financial planner.

Any advice in this document is of a general nature only and does not take into account your financial situation, objectives and needs. Before you make any investment decision based on the information contained in this document you should consider how it applies to your personal objectives, financial situation and needs, or speak to a financial planner. In providing any general advice, AMP Group receives fees and charges and their employees and directors receive salaries, bonuses and other benefits.

Any references to the "Fund", strategies, asset allocations or exposures are references to the underlying managed fund that the investment option either directly or indirectly invests in. The investment option's aim and strategy mirrors the objective and investment approach of the underlying fund. An investment in the investment option is not a direct investment in the underlying fund.

Neither NM Super, AMPCFM, ipac, AWM Services, any other company in the AMP Group nor the underlying fund manager guarantees the repayment of capital or the performance of any product or particular rate of return referred to in this document, unless expressly stated in the PDS. Past performance is not a reliable indicator of future performance. Any slight asset allocation deviations from 100% may be caused by rounding, asset categorisation and/or hedging.