

Schroder Australian Equities

Quarterly Investment Option Update

30 June 2021

Aim and Strategy

To outperform the S&P/ASX 200 Accumulation Index after fees over the medium to long term by investing in a broad range of companies from Australia and New Zealand. With an established pedigree of investing in Australian equities for over 50 years, the Schroder Australian Equity option is an actively managed core Australian equity portfolio with a focus on investing in quality stocks predominantly in Australia characterised by strong returns on capital with a sustainable competitive advantage. The option draws on Schrodgers' deep research capabilities, with a long term focus on investing, it is suitable as a core portfolio holding over the medium term to long term.

Investment Option Performance

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

Investment Option Overview

Investment Category	Australian Shares
Suggested Investment timeframe	5 years
Relative risk rating	6/ High
Investment style	Core
Manager style	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Equities	95%-100%	99.24
Cash	0%-5%	0.76

Sector Allocation	%
Energy	2.91
Materials	30.44
Industrials	10.69
Consumer Discretionary	2.63
Consumer Staples	7.97
Health Care	5.10
Information Technology	2.26
Communication Services	6.97
Utilities	1.97
REITs	3.83
Financial-X-Property Trusts	24.48
CASH	0.76

Top Holdings	%
BHP Group Ltd	6.4%
Telstra Corporation Limited	5.2%
Commonwealth Bank of Australia	5.1%
Brambles Limited	4.0%
South32 Ltd.	3.8%
Westpac Banking Corporation	3.8%
Rio Tinto Limited	3.3%
Woolworths Group Ltd	3.2%
National Australia Bank Limited	3.2%
Alumina Limited	3.0%

Portfolio Summary

The S&P / ASX 200 Accumulation Index rose by 8.3%, while the Schroder Wholesale Australian Equity Fund underperformed the index during the quarter (before fees).

Investment Option Commentary

During this period, the overweight exposure to Industrials and an underweight allocation to Energy sectors added value. However, an overweight tilt to Materials along with underweight Real Estate sectors dragged the overall Fund returns into negative territory.

At a stock level, positive contributors included the overweight positions in ALS Limited, Boral and IRESS. The nil holdings in Woodside Petroleum, Sydney Airport and APA Group were also among the top contributors. Conversely, major detractors from performance included overweight positions in Incitec Pivot, Alumina and Lend Lease. The underweight position in the Commonwealth Bank and the nil holdings in Aristocrat were also major detractors from performance.

Outlook

The past five or six years in which the price to sales ratio of the equity market has elevated (with a small pandemic induced hiccup) and investors have become increasingly besotted by companies able to paint a picture of ongoing growth into the distant future can only be described a period of moving from failure to failure for investors averse to exorbitant earnings and cashflow multiples. Schrodgers are in this category, and attempting not to lose enthusiasm is tough. Whilst history would suggest a pandemic (like wars) would be the sort of event likely to drive reversion in multiples and shift wealth away from those with cavalier attitudes towards risk and financial leverage, the reverse has been true. Nothing in our knowledge of valuation suggests there is a sensible payoff in buying businesses at the sort of multiples described above. This has not stopped billions in market valuation being created as imagined cashflows in the distant future are incorporated into today's prices as though they are virtually certain.

Whilst the contrarian approach of Glencore in standing against the tide on out-of-favour assets at extremely low multiples may not be for everyone, it serves to highlight the extreme differences offered if one looks at the prices of businesses based on actual cashflow generation rather than reported market value. While wealth and investment performance become ever more disconnected from underlying business performance, it is increasingly easy to vote with the masses, cloaked in excuses of pursuing 'growth' and 'quality'. If Ben Graham was right and the market eventually needs to do some weighing, the scales are likely to shift vastly.

Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP0465AU
AMP Flexible Super - Retirement account	AMP1375AU
AMP Flexible Super - Super account	AMP1504AU
CustomSuper	AMP0465AU
Flexible Lifetime - Allocated Pension	AMP0636AU
Flexible Lifetime - Term Pension	AMP0944AU
Flexible Lifetime Investment**	AMP0995AU
Flexible Lifetime Investment (Series 2)**	AMP1438AU
SignatureSuper	AMP0813AU
SignatureSuper Allocated Pension	AMP1177AU
SignatureSuper Select	AMP0813AU

**Closed to new and existing investors

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