

Specialist Australian Share

Quarterly Investment Option Update

31 December 2021

Aim and Strategy

The strategy aims to provide total returns (income and capital growth) after investment fees and before tax, above the S&P/ASX 300 Accumulation Index on a rolling 3-year basis by using a multi-manager approach. 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	Very High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
Australian shares	100
Cash	0

Actual Allocation	%
International Shares	3.53
Australian Shares	90.44
Listed Property and Infrastructure	4.15
Cash	1.88

Sector Allocation	%
Financials	29.78
Materials	20.96
Health Care	9.61
Consumer Discretionary	8.19
Energy	6.18
Information Technology	5.29
Communication Services	4.43
Industrials	3.75
Consumer Staples	3.69
Real Estate	3.43
Cash	3.15
Utilities	1.55

Top Holdings	%
COMMONWEALTH BANK AUST	4.60
CSL Ltd	4.53
Macquarie Group Ltd	4.31
National Australia Bank Ltd	3.23
BHP Group Ltd	2.97
Woodside Petroleum Ltd	2.95
Australia & New Zealand Banking Group Ltd	2.90
QBE Insurance Group Ltd	2.63
Newcrest Mining Ltd	2.59
Alumina Ltd	2.47

Fund Performance

The Fund posted a positive return, though underperformed the benchmark for the quarter (before fees). Our underlying managers posted mixed returns, with Alphinity the strongest performer. Overall, the Fund continues to outperform its benchmark over the longer term, including over 2, 3 and 5 years, and since inception (all returns before fees).

Stock selection and sector allocation both detracted from the quarter's relative return. Selection in the materials sector was a significant detractor from the relative return, though positive selection in information technology offset some of this. Regarding sector allocation, an overweight exposure to energy and an underweight exposure to real estate detracted, while an overweight exposure to materials added some value.

Significant individual contributors to the relative return came from underweight exposures to Westpac and Commonwealth Bank and an overweight holding in Sims. Westpac and Commonwealth Bank both fell over the period (-15.70% and -3.19% respectively) on news of falling net interest margins amid tough competition for mortgages combined with a deteriorating market outlook for housing prices. Inflation fears also likely added to volatility for financials. Metal recycling company, Sims, was up strongly over the quarter (+23.38%) as the company announced a buyback during the period, as well as some significant sales and acquisitions.

Significant individual detractors included overweight holdings in Magellan Financial Group, Domino's Pizza and Alumina. Magellan (-39.95%) fell amid fallout over the resignation of the CEO during the period. Domino's Pizza shares (-26.44%) fell on the back of broker downgrades after the company's annual general meeting. Resource company Alumina (-11.19%) meanwhile pulled back amid volatility in the alumina price.

Market Review

Despite a strong international lead, Australian shares range-traded for much of the December quarter against a backdrop of mixed sentiment, before a small Santa Claus rally at year-end led the S&P/ASX 200 index to finish up by 2.09% on a total return basis. Economic data released throughout the quarter was generally consistent with a strong bounce-back following the removal of various Delta-wave lockdowns and restrictions prior to the period, though inflation continued to rise. The latest new COVID-19 variant, Omicron, meanwhile added uncertainty, though state governments have so far been somewhat more restrained with reintroducing restrictions amid high vaccination rates, as well as growing fatigue towards restrictions in general from the public. Given the global inflationary environment, speculation on future interest rate rises was a theme, which impacted sentiment towards some sectors. At a sector level, materials and utilities were the clear outperformers, likely owing respectively to rising commodity prices and a growing search for shelter from inflation. Energy and information technology (IT) meanwhile pulled back over the period, as some pessimism spilled over from global markets amid ongoing supply constraints as well as some specific overseas IT company issues.

Outlook

With national vaccination levels now high and international borders more open (albeit with some limitations and restrictions), businesses confidence has improved significantly relative to earlier in the pandemic. However, this continues to be complicated by different attitudes towards reopening between state governments, which will continue to undermine confidence until resolved. Similar to overseas, domestic inflation remains a concern, with the Reserve Bank of Australia (RBA) now subtly suggesting it may raise rates a little earlier than initially expected, though also reiterating it will not be rushed. Corporate earnings and growth, meanwhile, remain generally solid. Stepping back to a longer-term timeframe, we believe the market will ultimately continue to rise, though with some bumps on the way, as is usually the case. We continue to believe investors should be selective and, as always, maintain a longer-term perspective.

Availability

Product Name	APIR
Flexible Lifetime - Investments (Series 1)	AMP0854AU**
Flexible Lifetime - Investments (Series 2)	AMP1410AU**
SignatureSuper	AMP0797AU
SignatureSuper - Allocated Pension	AMP1150AU
SignatureSuper Term Pension	AMP1150AU

**Closed to new and existing investors

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