



Specialist Geared Australian Share

Quarterly Investment Option Update

31 December 2021

Aim and Strategy

The strategy aims to provide high returns over the long

term through geared exposure to securities listed on the Australian Securities Exchange by using a multi-manager approach. 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 investment fees and before tax, above the S&P/ASX 200 Accumulation Index on a rolling 3-year basis. The portfolio 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	3.18
Australian Shares	81.31
Listed Property and Infrastructure	6.65
Cash	8.85

Sector Allocation	%
Financials	27.59
Materials	18.96
Consumer Discretionary	9.54
Health Care	9.32
Real Estate	7.85
Industrials	6.75
Communication Services	6.74
Information Technology	5.07
Consumer Staples	3.91
Energy	3.72
Utilities	0.38
Cash	0.16

Top Holdings	%
BHP Group Ltd	6.82
CSL Ltd	6.60
Macquarie Group Ltd	5.50
National Australia Bank Ltd	5.41
COMMONWEALTH BANK AUST	4.75
Telstra Corp Ltd	3.85
Aristocrat Leisure Ltd	2.98
Australia & New Zealand Banking Group Ltd	2.68
South32 Ltd	2.39
QBE Insurance Group Ltd	2.36

Fund Performance

The Fund posted a positive return and outperformed its benchmark over the December quarter. The Fund's gearing contributed to the outperformance. With Vinva the strongest performing underlying manager outperforming the benchmark, all of the Fund's three underlying managers posted positive returns during the period. The Fund continues to significantly outperform over the long term, including over 1, 2, 3, 5 years and since inception (all returns before fees).

Stock selection contributed positively to relative returns, whereas sector allocation detracted. Regarding sector allocation, the main detractors were an underweight exposure to utilities and an overweight position in energy. The main contributors were an underweight exposure to financials and an overweight exposure to communication services.

Regarding stock selection, the standout positive contributors were positions in financials and information technology stocks, while the main detractors were positions in materials, consumer discretionary and industrials stocks.

The largest individual contributors to relative returns were underweight positions in Westpac Banking Corp and Afterpay and an overweight position in Macquarie Group. 'Big four' bank Westpac's share price fell significantly (-16%) on news of falling net interest margins amid tough competition for mortgages, with the bank reporting earnings on a 'core' basis being down for the fiscal year ending 30 September. Shares in 'buy now, pay later' company Afterpay (-32%) suffered as the stock price moved to reflect the price of its acquirer, US-based Block Inc (previously named Square) which was subject to the sell-off in US technology stocks during the period. Global financial services company Macquarie Group (+14%) rose as investors welcomed the company's release of its latest forecasts for medium-term prospects.

The largest individual detractors from relative returns were an underweight position in Fortescue Metals Group and overweight positions in Suncorp Group and Aristocrat Leisure. Iron ore producer Fortescue Metals Group rose strongly (+28%), as iron ore prices rebounded from their November lows. Shares in financial services provider Suncorp Group experienced some weakness (-12%), despite announcing strong financial-year 2021 results and higher dividends during the period, as the company provided an update to the market of its insurance claim figures since 1 July relating to costs from recent hailstorms which were higher than expected.

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)	AMP0850AU**
Flexible Lifetime - Investments (Series 2)	AMP1416AU**
SignatureSuper	AMP0823AU
SignatureSuper - Allocated Pension	AMP1154AU
SignatureSuper Term Pension	AMP1154AU

**Closed to new and existing investors

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