

# AMP Capital Equity

Quarterly Investment Option Update

31 March 2022

## Aim and Strategy

To provide high returns over the long term while accepting high levels of volatility in returns, by investing in a portfolio of shares listed or about to be listed on the Australian Securities Exchange. The portfolio aims to provide returns, after costs and before tax, above the S&P/ASX 200 Accumulation Index on a rolling 3-year basis. Investment is diversified across a range of industries and sectors, with a focus on the largest 200 companies. In constructing the portfolio, the investment manager employs a systematic rules-based approach where no individual stock fundamental analysis is conducted and the investment team use large sets of data to analyse stocks through intelligent screening methods. Passive, enhanced index and smart beta are examples of systematic approaches.

## Investment Option Performance

To view the latest investment performances for each product, please visit [www.amp.com.au/performance](http://www.amp.com.au/performance)

## Investment Option Overview

<b>Investment category</b>	Australian Shares
<b>Suggested minimum investment timeframe</b>	5 years
<b>Relative risk rating</b>	Very High
<b>Investment style</b>	Active
<b>Manager style</b>	Single

<b>Asset Allocation</b>	<b>Benchmark (%)</b>
Australian shares	100
Cash	0

<b>Actual Allocation</b>	<b>%</b>
International Shares	4.64
Australian Shares	83.99
Listed Property and Infrastructure	8.99
Cash	2.38

<b>Sector Allocation</b>	<b>%</b>
Financials	28.66
Materials	25.92
Health Care	9.03
Consumer Discretionary	6.98
Real Estate	6.80
Industrials	5.54
Consumer Staples	4.70
Communication Services	3.77
Information Technology	3.67
Energy	3.65
Utilities	1.12
Cash	0.16

<b>Top Holdings</b>	<b>%</b>
BHP Group Ltd	11.60
COMMONWEALTH BANK AUST	7.84
CSL Ltd	5.71
National Australia Bank Ltd	4.72
Westpac Banking Corp	3.59
Australia & New Zealand Banking Group Ltd	3.58
Macquarie Group Ltd	3.39
Wesfarmers Ltd	2.33
Telstra Corp Ltd	2.11
Rio Tinto Ltd	1.87

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## Fund Performance

The Fund performed in line with the S&P/ASX 200 Accumulation Index benchmark during the March quarter. From a signals perspective, Broker Momentum, Quality, and Price Stability delivered alpha over the quarter. Revisions was also particularly strong in March, as is typical following the reporting season month, while Broker Recommendations added value in January and February. As inflation expectations rose, Quality continued to deliver, particularly from companies exhibiting strong free cashflow and healthy balance sheets. The Fund maintains a neutral exposure to sectors, size and market beta.

The key stock-level contributors included overweight positions in IGO Limited and South32. South32 outperformed as the market reacted positively to the company's planned acquisition of a 45% interest in the Sierra Gorda copper mine in Chile and its securing of a sustainability-linked revolving credit facility. Lithium and nickel producer, IGO Limited, performed strongly due to rising lithium and nickel prices during the period. Investor demand for lithium remains positive, given the strong long-term demand outlook for electric vehicle (EV) batteries.

The main stock-level detractors included overweight positions in Woodside Petroleum and Computershare Limited. Woodside Petroleum outperformed this quarter following the imposition of sanctions against Russia, which is one of the world's top three oil producers. This has led oil prices to increase significantly, rising above US\$100 per barrel and to 8-year highs. Computershare Limited outperformed this quarter as a result of its strong half-year results announcement. This included an upgrade to management earnings per share guidance for FY22 and detailed disclosure regarding Computershare Limited's sensitivity to interest rates.

## Market Review

Australian shares bucked global falls to post a gain of 2.24% in the March quarter, as measured by the S&P/ASX 200 index on a total return basis. The relative optimism in Australia reflects several factors at play. Inflation, whilst a real and growing issue in Australia, remains somewhat lower relative to global levels, with the RBA accordingly not as hawkish as many global central banks. Geographic isolation and lack of any significant economic ties to Russia was also a prime differentiator to global markets, with Australia benefitting from continued strong commodity prices by way of a strengthening terms of trade. The quarter also saw Australia begin to catch up to many global peers on further easing of COVID restrictions, though we remain behind most of Europe and the US in this regard. Domestic corporate earnings reports were also generally strong, as reflected in the February reporting season, with dividends remaining strong and outlook statements becoming clearer. At a sector level, energy was by far the standout performer, returning a remarkable 28.55% for the period as commodity prices surged. Defensive sectors, as well as those businesses seen as more sensitive to interest rates, were generally the weaker performers.

## Outlook

Corporate earnings growth in Australia remains quite solid, with earnings and dividends still growing, though at a slightly reduced rate relative to the bounce-back in 2021. The broader economy also remains generally solid, with strong employment levels and terms of trade. The COVID pandemic meanwhile appears to be finally moving into a phase of being treated as an endemic issue, rather than a continued emergency requiring ongoing restrictions. Similar to other countries, domestic inflation remains a prime concern, with the RBA likely to cautiously raise rates over the medium-term, as it keeps a close eye on wages growth and the jobs market. Longer-term, we believe the market will ultimately continue to rise, with corrections and volatility on the way likely to provide opportunities.

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## Availability

Product Name	APIR
Flexible Lifetime - Investments (Series 1)	AMP0018AU**
Flexible Lifetime - Investments (Series 2)	AMP1394AU**
SignatureSuper	AMP2047AU*
SignatureSuper - Allocated Pension	AMP2048AU*
SignatureSuper Term Pension	AMP2048AU*

\*Closed to new investors

\*\*Closed to new and existing investors

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