AMP Capital Equity Income Generator

Quarterly Investment Option Update

31 March 2022

Aim and Strategy

To provide annual dividend income (including franking credits) above the dividend income of the performance benchmark, the S&P/ASX 200 Accumulation Index (adjusted to include franking credits). The option also aims to provide a total return (including franking credits) in excess of the performance benchmark on a rolling 5 year basis. The option invests in an actively managed portfolio of Australian securities listed, or about to be listed, on the Australian Securities Exchange. The strategy also aims to provide these returns with a lower volatility than the broader Australian equity market.

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	Single

Asset Allocation	Benchmark (%)
Australian shares	100
Cash	0

Actual Allocation	%
International Shares	2.39
Australian Shares	86.84
Listed Property and Infrastructure	6.03
Cash	4.74

Sector Allocation	%
Materials	28.25
Financials	21.17
Health Care	12.25
Consumer Discretionary	8.81
Real Estate	6.03
Industrials	5.36
Consumer Staples	4.73
Cash	4.54
Utilities	3.75
Communication Services	2.53
Energy	2.38
Futures	0.21

Top Holdings	%
BHP Group Ltd	8.79
National Australia Bank Ltd	4.57
South32 Ltd	4.10
Westpac Banking Corp	3.96
Genworth Mortgage Insurance Au	3.85
Mineral Resources Ltd	3.74
Metcash Ltd	3.42
Regis Healthcare Ltd	3.09
Brickworks Ltd	3.09
Estia Health Ltd	2.76

Fund Performance

The Australian equity market had a volatile start to the year, although finished in positive territory with the S&P/ASX 200 Accumulation Index and the S&P/ASX 300 Accumulation Index ending the quarter up 2.24% and 2.09% respectively.

Anticipated movements in interest rates and Russia's invasion of Ukraine were the key drivers of global equity markets for the quarter. January saw a broad-based equity sell-off across global developed markets as investors braced themselves for tighter monetary policy from central banks, led by the US Federal Reserve signalling an earlier start to quantitative tightening. The key macro event in February was the outbreak of war in Ukraine, which triggered investors to reduce risk. March saw global equity markets rising on hopes of peace talks between Russia and Ukraine while investors also appeared to remain positive on the economic outlook of developed nations despite high inflation and approaching rate hikes. The Australian market outperformed its developed market peers for the quarter, driven by relatively higher exposure to Resources which benefitted from strong commodity prices.

In domestic corporate news, February earnings season was a key focus for investors. Overall, it was a positive reporting season, with more earnings beats than misses. Inflationary pressures and interest rate movement implications were key themes that companies called out. Dividends remained strong and outlook statements were clearer.

In sector news, the best performing sectors for the quarter were Energy (+28.3%) and Materials (+15.2%), supported by a broad-based increase in commodity prices. Industrials (-19.4%) and Consumer Discretionary (-14.5%) were the weakest performers.

Commodities had a very strong quarter. Brent oil increased 38.7%, driven by global supply concerns and the impacts of sanctions on Russian oil and gas exports. Iron ore lifted 31.9%, supported by a restock ahead of expected future stimulus measures in China. Gold increased 7.6% as investors repositioned into safe-haven assets.

Bond yields jumped as investors increased rate hike expectations amid higher inflation. The Australian 10-year yield materially increased by 1.16% to 2.83% and US 10-year yields also increased by 0.81% to 2.32%.

The AUD was steady against the USD, appreciating marginally by 3c to end the quarter at US$0.751. In the domestic economy, the RBA maintained the cash rate at 0.10%.

Portfolio Positioning

Forward looking dividend yield remains our focus when managing the portfolio. Many companies reduced dividends during the COVID period but have since resumed paying them. As such, the outlook for dividends continues to improve through 2022. During the February reporting season several companies announced improving dividend outlooks and also special dividends.

The portfolio is well diversified across themes and sectors, and is appropriately positioned for a rising inflation environment, with reasonable exposure to metals and mining, and energy.

The Fund aims to invest in sectors and companies with reliable income streams and or reasonable dividend growth prospects in the medium term. This underpins the objective of delivering a stable tax-effective income to investors and ultimately creates a more robust portfolio during different market cycles.

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.

Availability

Product Name	APIR
Flexible Lifetime - Investments (Series 2)	AMP2044AU**
SignatureSuper	AMP9039AU*
SignatureSuper - Allocated Pension	AMP9040AU*

*Closed to new investors

**Closed to new and existing investors

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