Specialist Geared Australian Share

Quarterly Investment Option Update

31 March 2022

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	1.27
Australian Shares	89.77
Listed Property and Infrastructure	6.67
Cash	2.30

Sector Allocation	%
Financials	22.72
Materials	20.15
Cash	13.42
Consumer Discretionary	7.63
Health Care	7.26
Real Estate	6.64
Communication Services	5.94
Industrials	4.66
Energy	4.41
Information Technology	4.10
Consumer Staples	2.66
Utilities	0.40

Top Holdings	%
BHP Group Ltd	11.56
National Australia Bank Ltd	5.65
CSL Ltd	5.58
Macquarie Group Ltd	4.78
COMMONWEALTH BANK AUST	3.35
Telstra Corp Ltd	3.33
Woodside Petroleum Ltd	2.70
Aristocrat Leisure Ltd	2.44
Rio Tinto Ltd	2.42
QBE Insurance Group Ltd	2.35

Fund Performance

The Fund posted a positive return and significantly outperformed its benchmark over the March quarter. The Fund's gearing contributed to the outperformance. All of the Fund's three underlying managers gained ground, with DNR Capital the standout performer, whilst Vinva also outperformed the benchmark 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 drove relative returns, whereas sector allocation detracted somewhat. Regarding sector allocation, the main detractors were an underweight exposure to materials and an overweight position in communication services. The main contributors were an underweight exposure to health care and an overweight exposure to energy.

Regarding stock selection, the standout positive contributors were positions in information technology and materials stocks, while there were no material detractors by sector.

The largest individual contributors to relative returns were overweight positions in South32, Woodside and Computershare. Diversified miner South32 (+28%) rallied as commodity spot prices rose strongly, as geopolitical uncertainty and flow-on to the supply outlook provided further support to already strong alumina pricing. Shares in petroleum and gas company Woodside surged (+54%), buoyed by a solid quarterly update and steepening oil and gas prices which have been exacerbated by Russia's invasion of Ukraine, as sanctions on Russia have impacted supply. Share registry operator Computershare (+25%) rose strongly after the company reported strong results for the December half, with management increasing its guidance for earnings expected for the full financial year.

The largest individual detractors from relative returns were an overweight position in Aristocrat Leisure and underweight positions in Westpac Banking Corp and Commonwealth Bank of Australia. Gaming company Aristocrat Leisure (-16%) suffered with a slowdown in digital games revenues being a possible outcome from some of its developers based in the Ukraine being unable to support the games. Shares in Westpac (+14%) rallied after the company reported its latest quarterly update which noted progress on cost-out initiatives that led to a better-than-expected result. Commonwealth Bank (+7%) rose on expectations that higher rates will benefit earnings, with the stock also being buoyed by global investors allocating more funds to Australian shares.

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 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 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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