Future Directions Australian Share (Original Series)

Quarterly Investment Option Update

30 September 2022

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 this product, please visit www.amp.com.au/performance

Investment Option Overview

Investment category	Australian Shares
Suggested minimum investment timeframe	5 years
Relative risk rating	7 / Very High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
Australian shares	100
Cash	0

Actual Allocation	%
International Shares	1.76
Australian Shares	80.50
Listed Property and Infrastructure	3.37
Cash	14.37

Sector Allocation	%
Financials	33.88
Materials	16.40
Cash	14.31
Health Care	7.16
Energy	5.79
Consumer Discretionary	5.71
Communication Services	3.68
Industrials	3.56
Consumer Staples	3.23
Information Technology	2.78
Real Estate	2.76
Utilities	0.74

Top Holdings	%
BHP Group Ltd	5.87
CSL Ltd	4.99
COMMONWEALTH BANK AUST	4.78
Woodside Energy Group Ltd	3.57
National Australia Bank Ltd	2.98
Westpac Banking Corp	2.88
Australia & New Zealand Banking Group Ltd	2.74
Macquarie Group Ltd	2.06
QBE Insurance Group Ltd	1.91
Telstra Corp Ltd	1.67

Fund Performance

The Fund produced a positive return for the September quarter and outperformed the benchmark (before fees). Underlying manager returns was mixed. ECP and Macquarie solidly outperformed, while Alphinity and Allan Gray produced negative returns. The Fund continues to outperform its benchmark over the longer-term, including over 3 and 5 years, and since inception (all returns before fees).

Asset allocation contributed positively, while overall stock selection detracted. Stock selection in consumer discretionary however was particularly strong and contributed positively, as did the portfolio's small cash holding (circa 6%).

Significant contributions to relative return came from overweight holdings in Lovisa Holdings, Ansell and Megaport. Shares in fashion and jewellery retailer Lovisa rose (+56%) on surging earnings. Industrial and medical glove manufacturer Ansell shares rose (+15%) over the quarter, particularly in the period leading up to their August earnings report, which showed a fall in profit as expected due to falling glove sales as the COVID pandemic faded, though positive signs for the future including rising margins and cash conversion. Shares in technology company Megaport rose significantly (+43%) on the back of strong earnings reported earlier in the period.

Significant detractors from the relative return included overweights to Newcrest Mining, Alumina and Costa Group. Shares in gold miner Newcrest Mining steadily fell over the quarter (-18%), as the gold price fell further despite continued high inflation. Alumina shares also fell (-10%) amid falling commodity prices and rising costs. Horticulture and produce supplier, Costa Group, meanwhile fell (-20%) on the surprise announcement of its CEO's departure in late September.

Market Review

Australian shares rose through the first half of the September quarter, before pulling back by the end of the period, to finish up by just 0.4%, as measured by the S&P/ASX 200 index (on a total return basis). Dividends were responsible for the positive return, as on a price basis the market was in the red. Earlier in the quarter, optimism grew on hopes the RBA, along with other central banks, may not have to be quite as hawkish as expected, given some evidence inflation may be near a peak. While earnings reports in August showed reasonable earnings growth, outlooks from companies unsurprisingly called out cost pressures as a headwind in the difficult climate. Sentiment then waned through the latter stages of the quarter, as central banks overseas reaffirmed hawkish stances and resolve to prioritise addressing high inflation. In regard to sector performance, energy was the standout performer amid continued price rises, while the interest rate-sensitive utilities and real estate sectors performed poorly.

Outlook

Corporate earnings growth in Australia remains reasonable, though should be considered in real terms, given the ongoing high levels of inflation. Businesses remain focussed on cost pressures, which in many cases are being passed onto customers. Similar to overseas markets, inflation remains a prime concern, as consumers' ability to spend is gradually coming under more pressure amid continued rate hikes from the Reserve Bank of Australia (RBA). Meanwhile, the sharp downturn in Australian residential housing, where valuations remain very high despite recent falls, may continue for some time yet as interest rates normalise. However, the RBA has started slowing the pace of hikes in the last meeting, and current inflation and wage growth pressures are less prominent in Australia compared to other developed markets. Over the long-term, we believe the Australian shares will continue to rise, with volatility in the shorter-term likely to provide more opportunities.

Availability

Product Name	APIR
Flexible Lifetime - Investments (Series 1)	AMP0015AU**

**Closed to new and existing investors

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