Specialist Geared Australian Share

Quarterly Investment Option Update

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

Investment Option Overview

Investment category	Australian Shares
Suggested minimum investment timeframe	7 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	0.24
Australian Shares	91.33
Listed Property and Infrastructure	5.83
Cash	2.60

Sector Allocation	%
Financials	22.77
Materials	17.68
Cash	10.26
Health Care	9.44
Energy	8.06
Consumer Discretionary	7.71
Communication Services	5.88
Real Estate	5.83
Industrials	4.92
Information Technology	3.94
Consumer Staples	3.31
Utilities	0.20

Top Holdings	%
BHP Group Ltd	9.76
CSL Ltd	7.79
National Australia Bank Ltd	5.46
Woodside Energy Group Ltd	3.99
Macquarie Group Ltd	3.84
Telstra Corp Ltd	3.73
COMMONWEALTH BANK AUST	3.48
QBE Insurance Group Ltd	2.76
Aristocrat Leisure Ltd	2.23
Australia & New Zealand Banking Group Ltd	2.20

Fund Performance

The Fund posted a negative return and underperformed its benchmark over the September quarter. Amid considerable market volatility, two of the Fund's three underlying managers gained ground, with Macquarie outperforming the benchmark. Vinva slightly underperformed, with DNR Capital lagging on a relative basis. The Fund's gearing also detracted. DNR Capital continues to drive the Fund's strong performance compared to the benchmark over the long term, including over 2, 3, 5 years and since inception (all returns before fees).

Stock selection detracted from relative returns, outweighing the value added by sector allocation. Regarding sector allocation, the main contributors were an underweight exposure to utilities and an overweight position in energy. The main detractor was an underweight exposure to materials.

Regarding stock selection, the Fund's positions in financials and consumer discretionary detracted the most, while industrials added most value by sector.

The largest individual contributors to relative returns were underweight positions in toll-road operator Transurban Group (-14%) and hospital and health care group Ramsay Health Care (-21%) and an overweight position in coal, oil and gas operator New Hope Corporation (+82%). Transurban underperformed as 'bond proxy' stocks amid surging bond yields in the latter half of the period. Ramsay Health Care shares suffered after the KKR-led takeover consortium confirmed it would not improve its previous offer, throwing the potential deal into doubt. New Hope soared after Prime Minister Albanese confirmed Australia as an ongoing supplier of gas and coal, which is supported by the global energy crisis.

The largest individual detractors from relative returns were overweight positions in Domino's Pizza (-23%) and financials services and tech provider IRESS (-21%), as well as being underweight lithium and tantalite miner Pilbara Minerals (+99%). Domino's fell amid concerns over its European earnings with inflation and a general deterioration in economic conditions weighed. IRESS saw a downgrade on the back of a CEO change, with higher $US-based costs and slowing Australian sales also impacted. Pilbara Minerals rode the wave with other lithium producers as global demand was unabated.

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

(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)	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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