

AMP Australian Share

Quarterly Investment Option Update

31 March 2022

Aim and Strategy

To provide a total return (income and capital growth) after costs and before tax, above the S&P/ASX 200 Accumulation Index on a rolling 3 year basis. The portfolio uses a number of diverse styles.

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 to 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	6.88
Australian Shares	84.25
Listed Property and Infrastructure	6.26
Cash	2.61

Sector Allocation	%
Financials	28.92
Materials	27.20
Health Care	8.43
Consumer Discretionary	7.02
Energy	5.68
Real Estate	5.57
Industrials	4.90
Communication Services	4.52
Consumer Staples	3.75
Information Technology	2.66
Cash	0.75
Utilities	0.59

Top Holdings	%
BHP Group Ltd	10.94
COMMONWEALTH BANK AUST	7.23
CSL Ltd	4.82
National Australia Bank Ltd	4.79
Australia & New Zealand Banking Group Ltd	3.80
Macquarie Group Ltd	3.56
Westpac Banking Corp	2.78
Santos Ltd	2.38
Telstra Corp Ltd	2.19
Woodside Petroleum Ltd	1.96

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.

Availability

Product Name	APIR
SignatureSuper	AMP0739AU*
SignatureSuper - Allocated Pension	AMP1129AU*
SignatureSuper Term Pension	AMP1129AU*

*Closed to new investors

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