

Specialist Australian Share

Quarterly Investment Option Update

31 March 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 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 | Multi-manager |

| Asset Allocation | Benchmark (%) |
|-------------------------|----------------------|
| Australian shares | 100 |
| Cash | 0 |

| Actual Allocation | % |
|------------------------------------|----------|
| International Shares | 2.66 |
| Australian Shares | 87.50 |
| Listed Property and Infrastructure | 3.49 |
| Cash | 6.36 |

| Sector Allocation | % |
|--------------------------|----------|
| Financials | 28.20 |
| Materials | 23.31 |
| Health Care | 9.36 |
| Consumer Discretionary | 8.78 |
| Energy | 6.83 |
| Communication Services | 4.86 |
| Information Technology | 4.39 |
| Consumer Staples | 3.67 |
| Real Estate | 3.65 |
| Industrials | 3.28 |
| Cash | 2.50 |
| Utilities | 1.19 |

| Top Holdings | % |
|---|----------|
| BHP Group Ltd | 5.56 |
| COMMONWEALTH BANK AUST | 4.53 |
| CSL Ltd | 4.24 |
| Macquarie Group Ltd | 3.93 |
| Woodside Petroleum Ltd | 3.80 |
| National Australia Bank Ltd | 3.28 |
| Rio Tinto Ltd | 2.75 |
| Australia & New Zealand Banking Group Ltd | 2.71 |
| Newcrest Mining Ltd | 2.66 |
| QBE Insurance Group Ltd | 2.53 |

Fund Performance

The Fund posted a positive return in the March quarter and outperformed the benchmark (before fees). Our underlying managers generally posted solid performance, with Allan Gray again being the standout performer. Overall, the Fund continues to outperform its benchmark over the longer term, including over 1, 2, 3 and 5 years, and since inception (all returns before fees).

Sector allocation was the prime driver of the outperformance, while stock selection was negative. Selection was strong in the energy sector, though weak in financials. An overweight exposure to energy was the largest contributor to the outperformance.

The top individual contributors to the relative return were overweight exposures to Woodside Petroleum and Sims. Shares in petroleum explorer and producer, Woodside, soared over the quarter (+54.0%), as the oil price reached multi-year highs on the back of the Russia-Ukraine conflict. Global recycling company Sims' shares meanwhile spiked (+37.1%) on the release of a stellar earnings report mid quarter, indicating strong cash flow and net profit growth.

Top detractors from the relative return included an underweight exposure to BHP Group and an overweight holding in Megaport. Mining giant BHP was up strongly over the quarter (+30.5%) on the back of strong commodity prices, though was held at an underweight by our underlying managers, leading to a negative impact on overall relative return. Shares in software-based elastic connectivity provider, Megaport, fell significantly over the period (-25.1%) after the release of an earnings update earlier in the quarter which, while showing some revenue growth, disappointed the market overall.

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 1) | AMP0854AU** |
| Flexible Lifetime - Investments (Series 2) | AMP1410AU** |
| SignatureSuper | AMP0797AU |
| SignatureSuper - Allocated Pension | AMP1150AU |
| SignatureSuper Term Pension | AMP1150AU |

**Closed to new and existing investors

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