



Specialist Geared Australian Share

Quarterly Investment Option Update

31 December 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 (ASX) by using a multi-manager approach. 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 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. 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
Standard Risk Measure	7/Very High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
Australian shares	100
Cash	0

Actual Allocation	%
Global Shares	0.82
Australian Shares	85.50
Listed Property and Infrastructure	5.54
Cash	8.14

Sector Allocation	%
Financials	23.65
Materials	20.46
Health Care	10.27
Energy	8.40
Consumer Discretionary	8.01
Real Estate	6.31
Communication Services	5.65
Industrials	5.28
Information Technology	4.45
Cash	3.67
Consumer Staples	3.26
Utilities	0.59

Top Holdings	%
BHP Group Ltd	10.54
CSL Ltd	7.87
National Australia Bank Ltd	5.44
COMMONWEALTH BANK AUST	4.38
Woodside Energy Group Ltd	4.08
TELSTRA GROUP LTD	3.46
Macquarie Group Ltd	2.73
QBE Insurance Group Ltd	2.53
ANZ Group Holdings Ltd	2.49
Rio Tinto Ltd	2.26

Fund Performance

The Fund posted a positive return and comfortably outperformed its benchmark over the December quarter, driven by gearing. The Fund's three underlying managers gained ground, with DNR Capital outperforming the benchmark whilst Macquarie and Vinva lagged on a relative basis.

Sector allocation detracted from relative returns, outweighing the value added by stock selection. Regarding sector allocation, the main detractors were underweight exposures to materials and utilities while an underweight exposure to consumer staples added most to performance. Regarding stock selection, the Fund's positions in industrials and consumer discretionary contributed the most, while real estate was the main sector that held back performance.

The largest individual contributor to relative returns was an overweight position in Domino's Pizza (+29%), which rebounded after company management provided updates to the market after their AGM (in the previous quarter). The company highlighted efforts to continue to manage ongoing pressures in Europe in the higher inflationary environment. Other major contributors included the underweight exposure to retailer Woolworths (-1%) and an overweight position in testing and analysis company ALS Ltd (+23%).

The largest individual detractor was an overweight position in property developer Lend Lease (-12%), which suffered after announcing weaker than expected guidance for its outlook for the current fiscal year. Other major detractors included the underweight exposures to Commonwealth Bank (+13%) and Westpac Banking Corp (+16%), which were buoyed earlier in the period by higher interest rates which will feed through to better margins in the short term.

Market Review

Similar to global peers, Australian shares rose strongly over the December quarter, finishing the period up by 9.4%. The bulk of the gains were made in October and November, as markets rose on optimism that inflation may be pulling back overseas, particularly in the US, while many central banks, including the RBA, reduced the increments of monetary tightening. December however saw some falls, as markets appeared to have become perhaps a little ahead of themselves with regard to an improving inflationary outlook, amid a realisation that interest rates may still be higher for some time yet. Australia appears to be around 6 months behind the US with regard to the path of inflation, though of course, there is no guarantee how closely this path will be followed. The domestic earnings season also featured during the quarter, and while current period profits were generally reasonable, a number of companies lowered their earnings forecasts amid rising costs. Regarding specific sector returns, utilities and materials were the strongest performers, though all sectors produced positive returns for the period.

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 are generally being passed onto customers. Similar to overseas markets, inflation remains a prime concern, as consumers' ability to spend is being crimped amid continued rate hikes. The RBA however has slowed the pace of hikes, and current inflation and wage growth pressures are less prominent in Australia compared to other developed markets. Over the long-term, we believe 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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