



Specialist Geared Australian Share

Quarterly Investment Option Update

31 March 2023

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 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. 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	2.45
Australian Shares	90.56
Listed Property and Infrastructure	4.74
Cash	2.25

Sector Allocation	%
Financials	22.74
Materials	22.25
Health Care	11.70
Consumer Discretionary	8.13
Industrials	7.54
Energy	5.97
Communication Services	5.95
Real Estate	5.75
Consumer Staples	3.80
Information Technology	3.41
Cash	2.25
Utilities	0.51

Top Holdings	%
BHP Group Ltd	11.03
CSL Ltd	8.30
NATIONAL AUSTRALIA BANK	4.75
COMMONWEALTH BANK AUST	4.39
Woodside Energy Group Ltd	3.87
TELSTRA GROUP LTD	3.37
Rio Tinto Ltd	2.71
MACQUARIE GROUP LTD	2.70
Aristocrat Leisure Ltd	2.65
QBE Insurance Group Ltd	2.57

Fund Performance

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

Sector allocation contributed to relative returns, however this was outweighed by stock selection which detracted overall. Regarding sector allocation, the main driver was the underweight exposure to financial stocks, which sold off heavily during March, while an underweight exposure to materials and being overweight energy detracted most. Stock selection was strongest in financials, whereas energy, consumer discretionary and materials stocks held back performance.

The largest individual contributor to relative returns was an underweight exposure in Commonwealth Bank (-2%), which came under pressure after delivering its latest result where increasing competition for mortgages and deposits may see interest margins having peaked. Later in the period, local banks suffered following the issues encountered by some US regional banks and Swiss bank Credit Suisse. Other major contributors included the underweight position in Westpac Banking Corp (-7%) and overweight holding in Aristocrat Leisure (+22%).

The largest individual detractor from relative returns was an overweight position in Domino's Pizza (-24%), which fell after the company announced a surprisingly weak earnings result, as efforts to offset inflation failed to gain traction across the network. Other major detractors included the overweight position in share registry Computershare (-17%) and an underweight exposure to gold miner Newcrest Mining (+33%).

Market Review

Australian shares rose by 3.5% in the March quarter, as measured by the ASX200 total returns index. Local shares were driven by the same themes as the broader global market, with the likely path of central banks being the prime influence over economic fundamentals. In January, local shares gained ground on the belief central banks were close to easing off the brakes as inflation showed further signs of moderating. February however saw some shine taken off markets as central banks re-emphasised their priority to deal with inflation above other factors. March subsequently saw a marked change of tone as financial troubles emerged in US regional banks, then spilt into Switzerland with major bank Credit Suisse requiring a rescue by UBS and their central bank. While these events created volatility, Australian shares rallied into the final weeks of the quarter amid hopes of global, and indeed local, pauses to rate hikes. This eventuated in very early April, as the RBA finally paused rates after a year of hikes.

The half yearly corporate reporting season also played out, yielding mixed results, generally moderate earnings growth, rising dividends and some cautious outlook statements amid continued inflation. Dividends also rose. Bank earnings, which make up a large proportion of the Australian market, showed signs of peaking as economic conditions continue to toughen. Bad debts also unsurprisingly rose. Cyclical companies meanwhile outperformed, though with consumers tightening their belts some shine may likely come off the sector as economic growth faces further headwinds.

Outlook

Corporate earnings in Australia remain reasonable, though should be considered in real terms, given ongoing high levels of inflation. Businesses meanwhile remain focussed on cost pressures, which are generally being passed onto customers. As we approach a likely phase of lower economic growth, with further volatility likely to ensue, it's worth remembering that the current stage of the economic cycle is well known by markets and priced in, at least to some degree. The relative stability of Australian dividends over the long-term and their ability to generate a growing, tax effective income stream should also be kept in mind. Over the long-term, we believe Australian shares will continue to rise, with volatility being necessary to provide opportunities for greater returns.

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 investors

**Closed to new and existing investors

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