



Specialist Geared Australian Share

Quarterly Investment Option Update

30 June 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	%
International Shares	3.55
Australian Shares	81.52
Listed Property and Infrastructure	5.51
Cash	9.42

Sector Allocation	%
Financials	20.10
Materials	19.95
Health Care	10.38
Cash	9.42
Consumer Discretionary	8.47
Industrials	7.32
Communication Services	6.11
Energy	5.51
Real Estate	5.45
Information Technology	3.75
Consumer Staples	3.15
Utilities	0.38

Top Holdings	%
BHP Group Ltd	9.69
CSL Ltd	7.37
NATIONAL AUSTRALIA BANK	4.23
Woodside Energy Group Ltd	3.90
COMMONWEALTH BANK AUST	3.64
TELSTRA GROUP LTD	3.04
Aristocrat Leisure Ltd	2.83
QBE Insurance Group Ltd	2.76
MACQUARIE GROUP LTD	2.62
Rio Tinto Ltd	2.58

Fund Performance

The Fund posted a negative return and underperformed its benchmark over the June quarter, mainly due to the impact of gearing. The Fund's three underlying managers gained ground, with DNR Capital outperforming the benchmark, Vinva performed in line whereas Macquarie 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 overweight exposure to information technology stocks, which performed very strongly during the period, while an underweight exposure to financials detracted most. Stock selection was strongest in materials, whereas health care and energy held back returns.

The largest individual contributor to relative returns was an overweight position in online accounting software company Xero (+33%), which rose after reporting strong full year results with growing expectations for improved margins through price increases coupled with prudent cost control. Other major contributors included the overweight positions in James Hardie Industries (+25%) and general insurer QBE Insurance Group (7%).

The largest individual detractor from relative returns was an overweight position in private hospital operator Ramsay Health Care (-15%), which fell on concerns around continued cost pressures and the potential for higher future funding costs. Other major detractors included the overweight position in online employment platform SEEK (-9%) and an underweight exposure to general insurer Insurance Australia Group (+21%).

Market Review

Australian shares finished the June quarter up by 1.0%, as measured by the ASX200 total returns index. On one hand, this was spurred on by a strong US sharemarket lead, as global inflation levels continued to pull back. On the other hand, signs of a slowing Chinese economy weighed on Australian shares, given the countries' major trading relationship. The perception that Australia is 'behind the pace' in the global rate-hiking cycle also likely played on sentiment, though it should be remembered the impact of monetary policy is different locally, particularly given the much greater prevalence of variable rate mortgages and higher house prices. Overall, earnings remain reasonable, with many companies focussed on costs, given a general consensus of recessionary conditions being ahead.

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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