

Specialist Australian Share

Quarterly Investment Option Update

30 September 2023

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 this product, please visit www.amp.com.au/performance

Investment Option Overview

Investment category	Australian Shares
Suggested minimum investment timeframe	5 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	7.00
Australian Shares	87.13
Listed Property and Infrastructure	4.14
Cash	1.72

Sector Allocation	%
Financials	29.64
Materials	20.86
Health Care	8.50
Consumer Discretionary	7.28
Industrials	7.05
Energy	5.57
Information Technology	5.49
Communication Services	5.01
Real Estate	4.23
Consumer Staples	3.37
Cash	1.72
Utilities	1.29

Top Holdings	%
BHP Group Ltd	6.91
COMMONWEALTH BANK AUST	4.89
CSL Ltd	4.03
Woodside Energy Group Ltd	3.60
Australia & New Zealand Banking Group Ltd	3.36
National Australia Bank Ltd	2.98
QBE Insurance Group Ltd	2.92
Westpac Banking Corp	2.53
Newcrest Mining Ltd	2.12
Rio Tinto Ltd	1.85

Fund Performance

The Fund produced a negative return for the September quarter, though again outperformed its benchmark. Underlying manager performance was strong, with four out of five managers beating the benchmark. The Fund continues to outperform its benchmark over the longer-term, including 5 years, 10 years and since inception (all returns before fees).

Stock selection contributed positively over the quarter, as did asset allocation. The portfolio's information technology holdings again stood out positively, despite the sector being down as a whole; indeed, the Fund's holdings within this sector were the strongest contributors to the outperformance.

An overweight holding in HUB24 was the largest individual stock contributor to the relative return. Shares in the platform, technology and data company surged during the period (+28%) on the back of strong profit growth and the announcement of a significant share buyback over the next 12 months. Other significant individual contributors for the quarter included overweight holdings in networking company Megaport and mining company Stanmore Resources.

An overweight holding in Alumina was the largest detractor from the relative return. Shares in the resource company fell significantly (-31%) on the back of a disappointing earnings update, which included significantly falling earnings from its joint venture with Alcoa AWAC. Other significant individual detractors for the quarter included overweight holdings in Block and Ansell.

Market Review

Australian shares finished the September quarter down by 0.8%, as measured by the ASX200 total return index. June earnings reports were generally better than expected, though many forecasts were still revised down amid a challenged economic backdrop, as cost pressures continue to impact bottom lines. Retailers in particular warned of testing conditions ahead, with consumers having heavily tightened their purse strings in recent months. Other themes included building material companies continuing to benefit from strong activity, albeit with some warning of a slowdown; insurers seeing margin improvement at the expense of customers due to premium increases; and home borrowers generally being able to maintain their payments (though with a rise in arrears notable in some non-bank lenders). Partly reflecting the cautious outlook guidance, consensus earnings expectations have been revised down, with many analysts expecting a small fall in earnings for FY24. Outside of the reporting season, Australian shares were driven by broader global themes, i.e., earlier in the quarter shares generally rose on the back of optimism around a global soft landing, then subsequently moved lower on the back of inflation not falling as fast as markets had hoped.

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

*Closed to new investors

**Closed to new and existing investors

Contact Details

Web: www.amp.com.au

Email: askamp@amp.com.au

Phone: 131 267



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