Specialist Geared Australian Share

Quarterly Investment Option Update

30 September 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	3.78
Australian Shares	90.83
Listed Property and Infrastructure	4.55
Cash	0.84

Sector Allocation	%
Financials	24.09
Materials	21.67
Consumer Discretionary	10.84
Health Care	9.60
Industrials	7.82
Communication Services	6.96
Energy	6.27
Real Estate	5.42
Information Technology	3.35
Consumer Staples	2.37
Cash	0.84
Utilities	0.77

Top Holdings	%
BHP Group Ltd	10.68
CSL Ltd	7.65
National Australia Bank Ltd	5.55
COMMONWEALTH BANK AUST	4.41
Woodside Energy Group Ltd	4.23
TELSTRA GROUP LTD	3.74
Macquarie Group Ltd	3.50
Aristocrat Leisure Ltd	3.25
Rio Tinto Ltd	2.78
Australia & New Zealand Banking Group Ltd	2.76

Fund Performance

The Fund posted a negative return and underperformed its benchmark over the September quarter, mainly due to the impact of gearing. Of the Fund's three underlying managers, DNR Capital gained ground, with DNR Capital and Macquarie outperforming the benchmark whilst Vinva performed in line.

Sector allocation marginally detracted from relative returns, however this was outweighed by stock selection which added value overall. Regarding sector allocation, an underweight exposure to financials detracted most, whereas an overweight position in consumer discretionary was the main contributor. Stock selection was strongest in materials and industrials, however IT positions were the main drag on returns.

The largest individual contributor to relative returns was an overweight position in online auto classifieds company carsales.com (+19%), which was buoyed after reporting robust full year results, with the company's US business exceeding market expectations on the back of margin expansion as it grew its customer base and demonstrated pricing power. Other major contributors included the overweight holding in Domino's Pizza Enterprises (+15%) and an underweight exposure to tollroad operator Transurban Group (-11%).

The largest individual detractor from relative returns was an overweight holding in financial services software company IRESS (-43%), which fell heavily after releasing full year results that saw large downgrades to forward earnings expectations, as the group continues to reset its business and sell off non-core assets. Other major detractors included the underweight exposures in conglomerate Wesfarmers (+9%) and banking giant Commonwealth Bank Australia (+2%).

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)	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

Contact Details

Web: **www.amp.com.au**

Email: askamp@amp.com.au

Phone: 131 267

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