



# Specialist Geared Australian Share

Quarterly Investment Option Update

31 December 2024

## 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](http://www.amp.com.au/performance)

## Investment Option Overview

<b>Investment category</b>	Australian Shares
<b>Suggested minimum investment timeframe</b>	7 years
<b>Standard Risk Measure</b>	7/Very High
<b>Investment style</b>	Active
<b>Manager style</b>	Multi-manager

<b>Asset Allocation</b>	<b>Benchmark (%)</b>
Australian shares	100
Cash	0

<b>Actual Allocation</b>	<b>%</b>
Australian Shares	84.56
Global Shares	6.76
Property	4.80
Cash	3.87

<b>Sector Allocation</b>	<b>%</b>
Financials	27.42
Materials	17.45
Health Care	10.11
Consumer Discretionary	9.55
Industrials	7.35
Communication Services	7.35
Real Estate	5.60
Information Technology	4.25
Cash	3.87
Energy	3.21
Consumer Staples	3.18
Utilities	0.66
Futures	-0.02

<b>Top Holdings</b>	<b>%</b>
BHP Group Ltd	8.11
CSL Ltd	7.46
National Australia Bank Ltd	5.50
Commonwealth Bank of Australia	5.50
Macquarie Group Ltd	4.32
TELSTRA GROUP LTD	3.60
Aristocrat Leisure Ltd	3.20
Rio Tinto Ltd	2.82
Woodside Energy Group Ltd	2.56
Xero Ltd	2.43

## Fund Performance

After a strong start to the financial year, the Investment Option lost ground during the December quarter and underperformed its benchmark, due to the impact of gearing. Of the three underlying managers, Vinva posted a positive return and significantly outperformed the benchmark, Macquarie gave up some performance and also outperformed the benchmark, whereas DNR Capital lagged. Investment Option returns however continue to be robust over longer time periods.

Sector allocation added to relative returns, as did stock selection. Regarding sector allocation, the Investment Option's cash position as well as the underweight in materials and overweight in communication services were the main contributors to performance. This more than offset the underweight position in financials which was the main detractor. Stock selection was strongest in IT and industrials, whereas communication services, healthcare and materials positions were the main drag on returns.

The largest individual contributor to relative returns was an overweight position in gaming company Aristocrat Leisure (+17%) which was buoyed by a court ruling against a major competitor and good initial performance from its recently released Phoenix Link title. Other major contributors included overweight exposures to online payments platform Block Inc (+46%), which soared on strong margins and earnings results and management commentary on the prospects for Square payment volumes and cloud-based accounting software company Xero (+13%), which continued to beat market expectations for earnings and demonstrate the strong cost control discipline in the business.

The largest individual detractor was an underweight exposure to Commonwealth Bank of Australia (+13%) which benefited from the rotation back to banks from resources early in the quarter, reversing what had occurred during September, as well as on the back of US financial stock strength in November. Elsewhere, major detractors were the overweight holdings in building materials company James Hardie Industries (-13%), which fell after US bond prices rose and on more hawkish US Fed expectations weighed late in the quarter and online employment marketplace SEEK (-9%) which also suffered alongside other cyclical and growth technology stocks on Fed concerns.

Please note: At the end of the most recent financial year for the Investment Option (31 December 2024), the leverage ratio was 52.20%. At this time, the derivatives counterparties engaged (including capital protection providers if applicable) were Macquarie Bank Ltd, Goldman Sachs International, Morgan Stanley & Company International, Merrill Lynch International Ltd and Citigroup Global Markets Australia Pty Ltd.

## Market Review

Australian shares closed the December quarter down by 0.8%, as measured by the ASX200 total return index, lagging international counterparts. Market sentiment oscillated throughout the period, with shares initially pulling back in October driven by a weak global lead and falls in key commodities, before rising strongly in November on the back of the US election results, then retreating again in December amid continued weak economic growth and sticky domestic inflation. Materials and real estate were the weakest performing sectors, while financials and industrials outperformed. The Australian economy has been somewhat behind the ball relative to many developed peers, with interest rates having not been cut in 2024 due to comparatively higher underlying inflation and despite lacklustre GDP growth - particularly on a per capita basis. Signs inflation is finally approaching target levels however are now emerging.

## Outlook

Corporate earnings in Australia, while still struggling in some areas, have generally shown resilience, though forward looking earnings expectations have fallen slightly in recent months. Generally, containing costs remains a priority over more aggressive targeting of top line growth. While the low-growth economic environment remains difficult, the stability of Australian earnings and dividends over the long-term, and their ability to generate a growing, tax-effective income stream should be kept in mind. Over the long-term, we believe Australian shares will continue to rise, with volatility being necessary to provide opportunities for higher returns.

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## 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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