

# Alphinity Australian Share

## Quarterly Investment Option Update

30 June 2022

### Aim and Strategy

The strategy aims to outperform its benchmark over rolling five-year periods. The strategy is managed by Alphinity who seeks to build a portfolio of Australian shares listed on the Australian Securities Exchange that is well diversified across different industries and sectors and aims to meet the strategy's investment objectives in a risk-controlled manner. The strategy is intended for investors who are happy to invest for at least five years, are seeking high levels of return and are comfortable with high volatility, including the possibility of periods of negative returns.

### Investment Option Performance

To view the latest investment performances for each product please visit [amp.com.au/performance](https://amp.com.au/performance)

### Investment Option Overview

<b>Investment Category</b>	Aust. Shares
<b>Suggested Investment timeframe</b>	At least 5 years
<b>Relative risk rating</b>	7 / Very high
<b>Investment style</b>	Growth

Asset Allocation	Benchmark (%)	Actual (%)
Australian Shares	100%	96.36%
Derivatives	0%	0.72%
Cash	0%	2.92%

Sector Allocation	%
Consumer Discretionary	5.56
Consumer Staples	5.49
Energy	9.05
Financials Ex Property	32.38
Health Care	8.12
Industrials	4.90
Information Technology	0.22
Materials	22.97
Property Trusts	3.43
Telecommunication Services	4.25
Utilities	0.00

Top Holdings	%
BHP Group Limited	12.54
Commonwealth Bank Of Australia	8.14
CSL Limited	6.63
National Australia Bank Limited	6.20
Woodside Energy Group Ltd	4.93
Macquarie Group Ltd	4.33
Woolworths Group Ltd	3.74
Westpac Banking Corporation	3.06
Goodman Group	2.87
QBE Insurance Group Limited	2.82

## Portfolio Summary

- For the quarter ending June 2022, the portfolio returned -11.37% after fees, while the benchmark returned -12.22%. Before fees the portfolio returned -11.17%
- Key contributors to performance include Viva Energy Group, Block Inc and Medibank
- Key detractors were Transurban Group, Seek Ltd, and CSR Ltd

## Investment Option Commentary

Over the June 2022 quarter, Energy companies (such as Viva Energy and Woodside) and Insurers (including Medibank, QBE and Steadfast) were the major contributors. Not owning Block Inc and being underweight banks (ANZ and Westpac) also contributed to alpha. On the negative side, being underweight toll road operator, Transurban, and owning consumer discretionary stocks, Seek & JB Hi-Fi, weighed on performance on consumer slowdown concerns. Industrial Property Group, Goodman Group, also detracted from performance given global concerns of slowing e-commerce demand and higher interest rates.

## Market Commentary

Australia had, until June at least, demonstrated a plucky resistance to the strong negative forces impacting share markets around the world thus far in 2022. This resistance was tested in June and failed. The local share market (ASX300 including dividends) was finally caught up in the global downdraught, falling by 9%, losing -12% for the June quarter and almost 7% for the year to June. Commodities were broadly weaker as inflationary effects softened demand, with both Copper and Aluminium falling over 12% in June. Oil fell 7% to \$US109, breaking 6 straight months of gains as inventories built up in the US. Iron Ore closed the month down 13% to \$US115. The primary concern has been the resurgence of inflation, which is driving sharp increases in interest rates in many parts of the world. One of the largest swing factors in markets currently is the outlook for China, trying to navigate out of Covid lockdowns while at the same time addressing a weak housing market. Its desire to stimulate and increase money supply has put it out of sync with most other global markets entering a tightening cycle.

## Outlook

Following the June sell-off, the Australian equity market is now trading at a relatively low 13x 12 month forward aggregate earnings estimates. Notwithstanding the recent falls Alphinity is only a little more comfortable with the Australian equity market now compared to earlier in the year. Alphinity does see some opportunities, but risks remain from pressures building in the domestic economy as a result of higher inflation, rising interest rates and tighter monetary conditions. The upcoming August reporting season will provide valuable insights into company performance and current trading

The Alphinity portfolio continues to exhibit higher than consensus positive earnings revisions to date even though the highly uncertain macro environment is providing some ongoing challenges. A highlight during the June quarter was Metcash, which was a relatively recent addition to the portfolio. The company delivered a strong full year result in June and gave positive outlook comments which triggered solid earnings upgrades across the market.

A reasonably defensive overall positioning appears to be the most appropriate setting as the Australian economy should continue to slow over the second half of 2022. Having said that, with so many factors at play and a fairly significant derating of the market having already occurred, Alphinity would caution against getting too pessimistic at this point.

## Availability

Product name	APIR
SignatureSuper*	AMP0805AU
SignatureSuper Allocated Pension*	AMP1164AU
SignatureSuper Term Pension*	AMP1164AU

\*Closed to new investors

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