



# Specialist Geared Australian Share

Quarterly Investment Option Update

31 March 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	87.80
Property	5.02
Global Shares	4.87
Cash	2.32

<b>Sector Allocation</b>	<b>%</b>
Financials	25.14
Materials	19.74
Consumer Discretionary	10.01
Health Care	9.52
Industrials	8.51
Communication Services	7.08
Real Estate	6.20
Energy	4.58
Information Technology	4.25
Cash	2.32
Consumer Staples	1.88
Utilities	0.78

<b>Top Holdings</b>	<b>%</b>
BHP Group Ltd	9.52
CSL Ltd	7.57
National Australia Bank Ltd	6.01
Commonwealth Bank of Australia	4.66
Macquarie Group Ltd	3.91
TELSTRA GROUP LTD	3.38
Rio Tinto Ltd	3.14
Woodside Energy Group Ltd	2.84
Aristocrat Leisure Ltd	2.81
QBE Insurance Group Ltd	2.80

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## Fund Performance

The Fund posted a strong positive return and continued to outperform its benchmark in the March quarter, mainly due to the impact of gearing. All of the Fund's three underlying managers gained ground, with Vinva and Macquarie also outperforming the benchmark, whereas DNR Capital lagged somewhat. The Fund continues to deliver robust returns over the medium to long-term, and has outperformed its benchmark over 1 year, 3 years and 5 years.

Sector allocation added to relative returns, however this was outweighed by stock selection which detracted overall. Regarding sector allocation, the Fund's underweight in materials as well as overweight positions in IT and consumer discretionary contributed most. On the flipside, an underweight exposure to financials was the main detractor. Stock selection was strongest in materials, however consumer discretionary positions were a significant drag on returns.

The largest individual contributor to relative returns was an overweight position in insurer QBE Insurance Group (+26%), which performed strongly following the release of robust results showing improved portfolio resilience as well as benefiting from rising bond yields during the period. Other major contributors included the overweight holding in cloud-based accounting software company Xero (+19%), which was buoyed after the company presented to investors and reiterated management's focus on growth initiatives, highlighting the strength of the technical capabilities following recent management team changes and underweight exposure to grocery retailer Woolworths (-10%) after the company forecast a more challenging second half to their fiscal year.

The largest individual detractor was an overweight in multi-national pizza chain operator Domino's Pizza Enterprises (-25%), which suffered following the company's negative profit warning as its French and Japanese businesses continue to lag on the back of poor strategy execution. Other major detractors included the underweight exposures to retail conglomerate Wesfarmers (+22%), which rose after its half year result was buoyed by better-than-expected retail earnings growth, particularly in Kmart stores, and Commonwealth Bank of Australia (10%), which benefited early in the quarter as recession risks subsided.

## Market Review

Australian shares reached new highs in the March quarter, closing the period up by 5.3% as measured by the ASX200 total return index. Optimism from international markets drove positive sentiment, particularly the US, where economic growth remained positive and inflation fell further. The February Australian corporate reporting season meanwhile was generally somewhat favourable relative to expectations, with more upside earnings surprises than downside. Key themes included resilient earnings, a continued focus on cost management and cautiously positive outlook statements based on improving economic outlooks. The Australian economy meanwhile continued to show modest GDP growth, albeit falling on a per capita basis due to high levels of immigration. Consumer sentiment remained weak, though employment figures showed signs of improvement.

## Outlook

Corporate earnings in Australia, while still struggling in some areas, have generally shown resilience. Businesses remain focussed on cost pressures, though there are signs the cost-cutting cycle may have peaked. 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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