



# Specialist Geared Australian Share

Quarterly Investment Option Update

30 June 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	89.29
Property	4.63
Global Shares	4.55
Cash	1.53

<b>Sector Allocation</b>	<b>%</b>
Financials	25.76
Materials	18.26
Health Care	10.66
Consumer Discretionary	10.15
Industrials	7.53
Communication Services	6.87
Real Estate	5.71
Energy	4.83
Information Technology	4.30
Consumer Staples	3.29
Cash	1.53
Utilities	1.11

<b>Top Holdings</b>	<b>%</b>
BHP Group Ltd	9.43
CSL Ltd	7.88
National Australia Bank Ltd	6.33
Commonwealth Bank of Australia	4.97
Macquarie Group Ltd	4.08
TELSTRA GROUP LTD	3.16
Woodside Energy Group Ltd	3.07
Rio Tinto Ltd	2.96
Aristocrat Leisure Ltd	2.81
Australia & New Zealand Banking Group Ltd	2.67

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## Fund Performance

The Investment Option lost ground and underperformed its benchmark during the June quarter, mainly due to the impact of gearing. In a period when Australian shares pulled back, all of the three underlying managers generated negative returns, with DNR Capital and Vinva also lagging the benchmark whilst Macquarie performed in line.

Returns continue to be robust over longer time periods, including a double-digit return for the financial year ending 30 June 2024.

Sector allocation detracted overall, outweighing the contribution from stock selection. Regarding sector allocation, the Fund's underweight in financials and overweight in communication services hampered returns to outweigh the contributions from being underweight consumer staples and materials and the Fund's cash position. Stock selection was strongest in industrials and consumer discretionary, however communication services and financials 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 surged after the release of a robust result that significantly exceeded investor expectations and showed growing market share. Other major contributors included the underweight holdings in metals miner Fortescue (-17%) which suffered following the fall in the iron ore price on the back of weaker Chinese demand and an overweight position in testing solutions company ALS (+8%), which was also buoyed by results showing its minerals business' improving margins - despite soft market conditions - as well as growing market share in its environmental business..

The largest individual detractors included underweight exposures to the Commonwealth Bank of Australia (+6%) and Westpac Banking Corp (+8%) that rose alongside other banking peers despite having no specific news, as the sector found support from continued market inflows from investors. Another major detractor was the overweight holding in online employment company SEEK (-15%), which suffered on the back of weaker job advertisement growth, where normalisation appears to have occurred in recruitment post-COVID.

## Market Review

Australian shares pulled back by around 1.1% in the June quarter as measured by the ASX200 total return index, underperforming their international counterparts, which generally rose strongly. A rising degree of pessimistic sentiment around the domestic economy impacted the market, as did the materials sector, which pulled back on lower, though stabilising iron ore prices. Higher than expected monthly inflation data also weighed, particularly given Australian households' greater sensitivity to interest rate changes. Amid ongoing speculation on whether a further rate rise will be required from the RBA, utilities were the top performing sector for the period. Financials also produced a solid return, though most other sectors were negative.

## Outlook

Corporate earnings in Australia, while still struggling in some areas, have generally shown resilience. Businesses meanwhile remain focussed on containing costs. 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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