



Specialist Geared Australian Share

Quarterly Investment Option Update

31 March 2025

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 | % |
|--------------------------|----------|
| Australian Shares | 81.96 |
| Global Shares | 5.45 |
| Property | 4.68 |
| Cash | 7.91 |

| Sector Allocation | % |
|------------------------|-------|
| Financials | 25.85 |
| Materials | 17.92 |
| Health Care | 10.02 |
| Consumer Discretionary | 8.63 |
| Cash | 7.91 |
| Communication Services | 7.54 |
| Industrials | 6.91 |
| Real Estate | 5.53 |
| Information Technology | 3.85 |
| Consumer Staples | 3.23 |
| Energy | 3.05 |
| Utilities | 0.40 |
| Futures | -0.83 |

| Top Holdings | % |
|--------------------------------|-------|
| Enhanced Index Share Fund | 15.81 |
| BHP Group Ltd | 7.02 |
| CSL Ltd | 5.60 |
| Commonwealth Bank of Australia | 4.19 |
| National Australia Bank Ltd | 3.86 |
| Macquarie Group Ltd | 3.39 |
| TELSTRA GROUP LTD | 2.75 |
| QBE Insurance Group Ltd | 2.45 |
| Aristocrat Leisure Ltd | 2.32 |
| Rio Tinto Ltd | 2.27 |

Fund Performance

The Investment Option produced a negative return during the March quarter and underperformed its benchmark, primarily due to gearing. During a volatile period for the market, the three underlying managers all lost ground, whilst on a relative basis Vinva and Macquarie's enhanced index portfolio performed in line with the benchmark whereas DNR Capital lagged. Returns however continue to be robust over most longer time periods on an absolute basis.

Sector allocation added some value, with the cash position as well as an overweight to communications the main contributors, whereas the overweight position in IT and underweight exposures to materials and utilities were the primary detractors. Stock selection was negative overall, with the active positioning in financials the major detractor, whereas selection within IT was the strongest.

The largest individual contributor to relative returns was an overweight position in general insurer QBE Insurance (+17%), which performed well towards the end of the period on the back of the rebound in the broader insurance sector as defensive companies found market support. Another major contributor to performance was the underweight position in commercial and industrial property company Goodman Group (-20%) which suffered alongside other AI-related companies on the back of moderating demand commentary from some key data centre customers coupled with a major capital raising which was required to fund its data centre development pipeline. Elsewhere, the Investment Option benefited from its overweight holding in gold miner Perseus Mining (+31%) which was buoyed by the rise in the gold price, which was driven by geopolitical and macroeconomic uncertainty, as well as its latest report showing strong earnings were supported by robust production and the declaration of a record interim dividend.

The largest individual detractor was an overweight position in online payments platform Block (-39%), which gave up some of its prior recent outperformance following the announcement of its latest fiscal year result. Whilst the result was solid, investors raised concerns as company management's outlook for the current quarter was below market expectations. Another major detractor included an overweight holding in building materials company James Hardie Industries (-23%), which fell heavily after announcing it intended to acquire US peer Azek and investors expressed concerns around the acquisition price as well as the additional execution and associated financial risks. In addition, the underweight exposure to gold miner Evolution Mining (+49%) held back relative returns, as the share price was underpinned by the strength of the gold price coupled with the company's announcement of record earnings.

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, similar to their international counterparts, steadily rose in the first half of the March quarter before pulling back later in the period, closing the quarter down by 2.8% as measured by the ASX200 total return index. Earlier in the quarter, traders took comfort from small signs of improvement in the still-struggling domestic economy, including small increases in retail and business sentiment, as well as building permits, plus the RBA's long-awaited though largely expected rate cut in February. Towards the end of February, some concern kicked in from global markets around the Trump administration's tariffs, which despite being well-telegraphed in the election campaign, turned out to be levied at higher rates than many anticipated (as revealed in early April.) Compared to other countries such as China, Australia exports a relatively low amount of goods to the US, thus any impact to domestic GDP appears likely to be small. IT was the weakest sector for the quarter, driven by falls in the US, while healthcare was also weak amid fears of potential US tariffs. Defensive sectors outside of healthcare, such as utilities and communications, produced the strongest returns for the period.

Outlook

Corporate earnings in Australia, while still struggling in some areas, have generally shown resilience, though earnings growth expectations in the short to medium-term are mild. 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 the 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 a necessary premium to pay in exchange for higher potential 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

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