

# AMP Capital Equity

## Quarterly Investment Option Update

31 March 2020

### Aim and Strategy

To provide investors with long-term capital growth through investment in a portfolio of Australian securities, listed or about to be listed, on the Australian Securities Exchange. Investment is diversified across a range of industries and sectors, with a focus on the largest 200 companies. In constructing the portfolio, AMP Capital employs a systematic rules-based approach where no individual stock fundamental analysis is conducted and the investment team use large sets of data to analyse stocks through intelligent screening methods. Passive, enhanced

### Investment Option Performance

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

### Investment Option Overview

|   |                   |
|---|-------------------|
| <b>Investment category</b>                    | Australian Shares |
| <b>Suggested minimum investment timeframe</b> | 5 years           |
| <b>Relative risk rating</b>                   | High              |
| <b>Investment style</b>                       | Active            |
| <b>Manager style</b>                          | Single            |

| Asset Allocation  | Benchmark (%) |
|-------------------|---------------|
| Australian Shares | 100           |
| Cash              | 0             |

| Actual Allocation                  | %     |
|------------------------------------|-------|
| International Shares               | 3.58  |
| Australian Shares                  | 87.96 |
| Listed Property and Infrastructure | 6.29  |
| Cash                               | 2.17  |

| Sector Allocation      | %     |
|------------------------|-------|
| Financials             | 27.31 |
| Materials              | 17.96 |
| Health Care            | 13.67 |
| Industrials            | 7.77  |
| Consumer Staples       | 7.05  |
| Consumer Discretionary | 6.31  |
| Real Estate            | 5.91  |
| Communication Services | 3.70  |
| Energy                 | 3.51  |
| Information Technology | 2.48  |
| Cash                   | 2.21  |
| Utilities              | 2.13  |

| Top Holdings                              | %    |
|---|------|
| CSL Ltd                                   | 9.61 |
| Commonwealth Bank of Australia            | 7.73 |
| BHP Group Ltd                             | 6.28 |
| Westpac Banking Corp                      | 4.08 |
| Australia & New Zealand Banking Group Ltd | 3.67 |
| National Australia Bank Ltd               | 3.45 |
| Woolworths Group Ltd                      | 3.22 |
| Wesfarmers Ltd                            | 2.70 |
| Telstra Corp Ltd                          | 2.56 |
| Transurban Group                          | 2.28 |

## Fund Performance

The Fund outperformed the S&P/ASX 200 Accumulation Index over the March quarter, primarily due to the positive contribution from our positioning in the communication services sector. The Fund maintained a neutral exposure to both risk appetite and market beta.

The largest positive stock-level contribution came from not owning Flight Centre Group, which experienced a circa 77% fall in its share price during the quarter. Given Flight Centre's business model is directly exposed to global travel markets, the financial impacts of the COVID-19 shutdown will be significant. The company has closed many of its stores along with cancelling its dividend and suspending trading, while it looked to raise capital to assist with cashflow and support its balance sheet.

The largest stock-level detractor came from an overweight position in Santos Ltd, which experienced a 58% share price fall over the quarter. Santos' exposure to oil and gas commodity price movements caused the significant decline in the company's share price. In line with the slowdown in the global economy, commodity prices were down due to the reduction in demand caused by COVID-19. Oil, however, fell more significantly than other commodities due to additional pressure from an oil-price war between Russia and Saudi Arabi.

The Fund is characterised as being a highly diversified portfolio with a breadth of stock holdings. Across sectors, the Fund's largest overweights are towards healthcare and communications services, whilst it is underweight on real estate and consumer staples.

## Market Review

Australian shares were hit heavily by the COVID-19 crisis in the March quarter, falling by 23.1%, as measured by the S&P/ASX200 index on a total return basis. This was despite a strong performance in January which led to record highs being touched early in the quarter, before fears grew around the COVID-19 virus and the likely sharp economic downturn it has caused. This resulted in large amounts of indiscriminate panic-selling, particularly during mid-to-late quarter. While the virus and its associated lockdowns are causing a significant and sharp effect on earnings, it is still the general (and a mostly logical) consensus that this will be temporary in nature, although the timeframe is hard to accurately forecast. Nonetheless, some areas of apparent good value emerged from the broad sell-down, albeit many companies withdrew their forward guidance given a lack of earnings visibility and flagged that dividends may be impacted. Positive for shares, the Australian government announced an enormous amount of targeted fiscal stimulus, totalling around A\$200 billion or 10% of GDP, which is nearly double that of the stimulus injected during the Global Financial Crisis. The RBA also cut the official cash rate to 0.25% and announced low-cost funding for banks, at 0.25% for three years.

## Outlook

Australian shares will likely remain to be strongly influenced by global markets, as the impact of the COVID-19 virus plays out. Australia's economic growth is likely to sharply fall, though similar to its international peers, this is likely to be temporary and bounce back at some stage. Valuations now appear significantly cheaper after the recent virus-related falls and relative to low bond yields, though given the lack of earnings visibility over the shorter term, a degree of caution is appropriate. Highly supportive Australian monetary and fiscal policy should also aid markets over the medium term.

## Availability

| Product Name                               | APIR       |
|--|------------|
| AMP Flexible Lifetime Super                | AMP0468AU* |
| AMP Flexible Super - Retirement account    | AMP1324AU* |
| AMP Flexible Super - Super account         | AMP1454AU* |
| CustomSuper                                | AMP0468AU* |
| Flexible Lifetime - Allocated Pension      | AMP0598AU* |
| Flexible Lifetime - Investments (Series 1) | AMP0018AU* |
| Flexible Lifetime - Investments (Series 2) | AMP1394AU* |
| Flexible Lifetime - Term Pension           | AMP0898AU* |
| SignatureSuper                             | AMP2047AU* |
| SignatureSuper - Allocated Pension         | AMP2048AU* |

\*Closed to new investors

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