

AMP Capital Equity

Quarterly Investment Option Update

30 June 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

Investment Option Overview

Investment category	Australian Shares
Suggested minimum investment timeframe	5 years
Relative risk rating	High
Investment style	Active
Manager style	Single

Asset Allocation	Benchmark (%)
Australian Shares	100
Cash	0

Actual Allocation	%
International Shares	3.04
Australian Shares	86.09
Listed Property and Infrastructure	9.76
Cash	1.11

Sector Allocation	%
Financials	27.01
Materials	19.11
Health Care	12.05
Industrials	7.28
Consumer Discretionary	7.05
Real Estate	6.39
Consumer Staples	6.31
Energy	4.23
Communication Services	4.12
Information Technology	3.47
Utilities	1.86
Cash	1.12

Top Holdings	%
CSL Ltd	7.95
Commonwealth Bank Australia	7.42
BHP Group Ltd	6.49
Westpac Banking Corp	4.09
National Australia Bank Ltd	3.52
Australia & New Zealand Banking Group Ltd	3.21
Wesfarmers Ltd	2.98
Woolworths Group Ltd	2.77
Transurban Group	2.34
Telstra Corp Ltd	2.32

Fund Performance

The Fund outperformed the S&P/ASX 200 Accumulation Index over the June quarter, primarily due to the positive contribution from our positioning in consumer discretionary and energy stocks. The fund maintained a neutral exposure to both risk appetite and market beta.

The largest positive stock-level contributor came from the Funds overweight position in JB Hi-Fi. JB Hi-Fi is an electronics retailer and has benefitted positively due to the COVID-19 pandemic driving demand for working from home products. Being overweight the company relative to the benchmark resulted in the Fund contributed to relative outperformance.

The largest stock-level detractor came from the Fund's underweight position in Afterpay Limited. Afterpay's share price was up over 200% during the quarter after it announced a Chinese-based significant shareholder and strong growth in customers from the US. The Fund had a slightly underweight position relative to the benchmark which contributed to relative underperformance.

The Fund is characterised as being a highly-diversified portfolio with a breadth of stock holdings. Across the sectors, the Fund's largest overweight positions are biased towards consumer discretionary and industrial sectors whilst it is underweight the real estate and consumer staples sectors.

Market Review

In line with broader global markets, Australian shares recorded an extremely strong June quarter, as stocks rebounded from their lows experienced at the height of the COVID-19 related market panic in late March. The market finished the quarter up by 16.5%, as measured by the S&P/ASX 200 index on a total return basis. The relative success of Australia's COVID-19 containment measures, which saw authorities begin lifting mandatory lockdowns, combined with unprecedented fiscal stimulus drove the market's surge. Later in the quarter, economic indicators, such as business confidence, retail sales and trade figures, appeared to confirm the Australian economy was indeed in recovery mode. Amid all the bullishness, concerns of recent months however remained - and in some cases actually grew - such as tensions with China, potential second waves of infections (particularly in Melbourne), a rising Australian dollar and still most pressingly, COVID-19's effect on company earnings. The standout performer at a sector level was information technology (IT), which rose by a remarkable 48.7% during the period. This small, but fast-growing sector of the Australian economy appears to have benefitted in many ways from the COVID-19 crisis, as changing consumer behaviour and a shift towards online activities has led to increasing tailwinds for many IT businesses. Consistent with a rebound in the economy, defensive sectors underperformed.

Outlook

Australian shares will likely continue to be primarily driven by global markets. Like its international peers, Australia's economic growth has slumped, though evidence of a bounce-back is already emerging. Australia's greater degree of government stimulus (relative to other countries) should help support Australian shares, though there are some near-term risks, such as souring trade relations with China and a lack of earnings visibility for many companies. Given large price-rises since the March lows, we believe investors should be selective and, as always, keep an eye on the longer-term.

Availability

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

*Closed to new investors

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