

Specialist Australian Share

Quarterly Investment Option Update

30 June 2020

Aim and Strategy

To provide a total return (income and capital growth) after costs and before tax, above the S&P/ASX 300 Accumulation Index on a rolling three-year basis. The portfolio primarily invests in shares listed on the Australian Securities Exchange (ASX). The portfolio may also hold up to 5% in international shares, where those securities are also listed on the ASX. In normal circumstances the portfolio's international investments are fully hedged back to Australian dollars. The portfolio may use derivatives such as options, futures or swaps to protect against risks or enhance returns. The portfolio may also short sell securities.

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	Multi-manager

Asset Allocation	Benchmark (%)
Australian Shares	100
Cash	0

Actual Allocation	%
International Shares	1.95
Australian Shares	90.62
Listed Property and Infrastructure	4.83
Cash	2.61

Sector Allocation	%
Financials	26.22
Materials	18.39
Health Care	9.16
Consumer Discretionary	7.97
Energy	7.14
Consumer Staples	6.68
Information Technology	5.73
Communication Services	5.58
Cash	4.91
Industrials	4.32
Real Estate	2.88
Utilities	1.01

Top Holdings	%
Commonwealth Bank Australia	5.66
CSL Ltd	5.11
BHP Group Ltd	3.85
Macquarie Group Ltd	3.42
National Australia Bank Ltd	3.11
Woodside Petroleum Ltd	3.05
Newcrest Mining Ltd	2.99
Rio Tinto Ltd	2.74
Australia & New Zealand Banking Group Ltd	2.29
QBE Insurance Group Ltd	2.08

Fund Performance

The Fund posted a very strong positive absolute return and outperformed its benchmark over the June quarter (before fees). All four of the Fund's underlying managers posted strong positive absolute returns, and ECP significantly outperformed its benchmark, Allan Gray and AMP Capital modestly outperformed their respective benchmarks, while Alphinity modestly underperformed its benchmark.

Stock selection was the main driver of the outperformance and sector allocation also added value. Regarding sector allocation, the main contributors to relative returns were an overweight exposure to information technology, an underweight exposure to health care and to a lesser extent an overweight exposure to energy. The main detractors were a cash holding, and an underweight exposure to materials.

Regarding stock selection, the main contributors to relative returns were positions in financials, communication services and information technology stocks, while the main detractors were positions in materials and consumer discretionary stocks.

The largest individual contributors to relative returns were overweight positions in Afterpay and Carsales.com, and an underweight position in CSL Limited. 'Buy now, pay later' financial company Afterpay soared (+224.4%) after providing a strong March quarter update, announcing that Chinese conglomerate Tencent had become a substantial shareholder and reporting that it had reached a milestone of 5 million active US customers sooner than expected. Online vehicle marketplace carsales.com rallied (+51.0%) after announcing improved lead volumes and site traffic as COVID-19 containment measures are eased and many people seek an additional car to avoid using public transport. Meanwhile, global biotechnology company CSL waned (-3.3%) mainly due to profit taking, after making strong gains over the past year.

The largest detractors from relative returns were overweight positions in Metcash and Nufarm, and an underweight position in BHP Group. Supermarket owner Metcash slumped (-13.7%) as consumer stock piling of food and other essential household items eased and the larger supermarket chains refilled their shelves. Agricultural chemical company Nufarm fell (-19.8%) after providing a market update that revealed concerns about its business conditions in Europe. Meanwhile, mining giant BHP Group rose (+23.6%) because governments around the globe are expected to increase spending on infrastructure to boost employment and economic activity, which would increase demand for iron ore.

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	AMP1475AU
AMP Flexible Super - Retirement	AMP1346AU
CustomSuper	AMP0655AU
Flexible Lifetime - Allocated Pension	AMP0600AU
Flexible Lifetime - Investments (Series 1)	AMP0854AU*
Flexible Lifetime - Investments (Series 2)	AMP1410AU
Flexible Lifetime - Super	AMP0655AU
Flexible Lifetime - Term Pension	AMP0921AU
SignatureSuper	AMP0797AU
SignatureSuper - Allocated Pension	AMP1150AU
SignatureSuper Select	AMP0797AU

*Closed to new investors

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