

AMP Capital Equity

Quarterly Investment Option Update

30 September 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/performance

Investment Option Overview

Investment category	Australian Shares
Suggested minimum investment timeframe	5 years
Relative risk rating	6 / High
Investment style	Active
Manager style	Single

Asset Allocation	Benchmark (%)
Australian Shares	100
Cash	0

Actual Allocation	%
International Shares	2.91
Australian Shares	83.83
Listed Property and Infrastructure	10.40
Cash	2.87

Sector Allocation	%
Financials	25.17
Materials	19.50
Health Care	11.87
Consumer Discretionary	7.64
Industrials	7.60
Real Estate	6.69
Consumer Staples	6.05
Information Technology	3.93
Communication Services	3.62
Energy	3.27
Cash	2.83
Utilities	1.83

Top Holdings	%
CSL Ltd	7.83
COMMONWEALTH BANK AUST	6.69
BHP Group Ltd	6.30
Westpac Banking Corp	3.73
National Australia Bank Ltd	3.40
Australia & New Zealand Banking Group Ltd	3.06
Wesfarmers Ltd	3.02
Woolworths Group Ltd	2.85
Macquarie Group Ltd	2.37
Transurban Group	2.32

Fund Performance

The Fund underperformed the S&P/ASX 200 Accumulation Index over the September quarter, primarily due to the negative contribution from our positioning in financial and materials stocks. The Fund maintained a neutral exposure to both risk appetite and market beta.

The largest positive stock-level contributor came from the Fund's overweight position in ARB Corp. ARB distributes and sells accessories for four-wheel drive vehicles. Its share price was up strongly during the quarter, given the company's sales have benefited from the COVID-19 lockdowns, forcing Australian holiday makers to travel and holiday domestically.

The largest stock-level detractor came from the Fund's underweight position in Corporate Travel Management. The company offers corporate travel services under a fee-for-service model. During the quarter, the company announced it will acquire a US-based competitor and is able to raise capital to fund the purchase.

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

Market Review

Australian shares initially rose in July and August, before pulling back in September to end the quarter down by 0.44% as measured by the S&P/ASX 200 index, on a total return basis. Early to mid-quarter, Australian shares were driven by rising global markets, amid broader global optimism and the continued presence of massive levels of economic stimulus, with central banks (including the RBA) continuing to indicate they will do whatever is necessary to support economies. The August reporting season then saw the market rise further, with many companies beating unsurprisingly low consensus forecasts. Given the unique COVID-19 backdrop, as expected results were variable from business to business and across sectors. Information technology, healthcare, some of the miners, gold producers and even some consumer discretionary stocks reported relatively strong results, given the circumstances. Retailers focussed on e-commerce, rather than traditional bricks and mortar, also reported strong results. Meanwhile, airlines, other travel-related businesses and financials generally struggled. Late in the quarter, Australian shares fell alongside global markets, as concerns rose around continued and further lockdowns, such as those being experienced in Melbourne, which have now lasted longer than Wuhan's, where the virus originated.

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 has emerged in some sectors, supported by Chinese demand. 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 soured trade relations with China and a continued lack of medium-term earnings visibility for many companies. Given large price rises since the March lows, there may be an increased risk of corrections, though we believe the longer-term trend is likely to remain positive. We continue to believe investors should be selective and, as always, maintain a longer-term perspective.

Availability

Product Name	APIR
AMP Flexible Super - Retirement	AMP1324AU*
AMP Flexible Super - Super	AMP1454AU*
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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