



# AMP Sustainable Future Australian Share

Quarterly Investment Option Update

30 September 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. This investment option primarily invests in shares listed on the ASX. Managers are also permitted to purchase up to 5% in international listed securities, 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 investment option may use derivatives such as options, futures or swaps to protect against risks or enhance returns and may short sell securities.

## Investment Option Performance

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

## Investment Option Overview

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

<b>Asset Allocation</b>	<b>Benchmark (%)</b>
Australian Shares	0
Cash	0

<b>Actual Allocation</b>	<b>%</b>
International Shares	2.41
Australian Shares	73.08
Listed Property and Infrastructure	12.95
Others	0.04
Cash	11.52

<b>Sector Allocation</b>	<b>%</b>
Financials	24.67
Health Care	17.52
Cash	11.35
Real Estate	9.42
Industrials	7.79
Communication Services	7.15
Materials	6.08
Information Technology	4.65
Consumer Discretionary	4.57
Energy	3.66
Consumer Staples	2.07
Utilities	1.06

<b>Top Holdings</b>	<b>%</b>
CSL Ltd	8.54
COMMONWEALTH BANK AUST	6.16
Westpac Banking Corp	3.33
Telstra Corp Ltd	3.20
National Australia Bank Ltd	3.19
Wesfarmers Ltd	2.75
Australia & New Zealand Banking Group Ltd	2.67
Woodside Petroleum Ltd	2.27
Brambles Ltd	2.23
Sonic Healthcare Ltd	2.22

## Fund Performance

The Fund outperformed the benchmark for the September quarter. The outperformance was largely due to cash and industrial stock positions, while the Fund's underweight exposure to the consumer discretionary sector detracted from the performance.

Positive contributions came from the Fund's exclusion of Origin Energy and an overweight position in Sonic Health. Detractors to relative performance for the period included our exclusion of Afterpay and an overweight position in Insurance Australia Group.

The portfolio's bias towards better performing ESG companies and underweight allocations towards poorer ESG companies will continue to drive strategic tilts towards listed property, healthcare and communication services. The portfolio also has a structural underweight or nil-exposure to segments of the market leveraged to negative social impacts. Gaming and segments within the food and beverage sector fall in this category, given their exposure to gambling, tobacco and alcohol. While the Fund is overweight listed property, it is underweight other interest rate-sensitive sectors such as infrastructure and utilities (through tilting away from the major greenhouse-emitting utilities).

The portfolio also remains underweight gold and the materials sector. This is due to generally poor ESG characteristics and higher sustainability risks within this sector. An exception to this is some exposure to large diversified miners with proven and demonstrable track records of appropriately managing ESG and sustainability risks.

## Portfolio Positioning

The portfolio is overweight Brambles, a global support services group which provides pallet and plastic container pooling services and information management services. It manages the world's largest pool of reusable pallets and containers. Brambles generates sales revenue predominantly from rental and other service fees that customers pay based on their use of its platforms and services. The products and services they offer plays into a number of sustainability themes. Brambles promotes the shared use of its platforms among multiple supply chain participants under a circular 'share and reuse' model. By eliminating the need for customers to purchase and manage their own platforms, Brambles reduces the capital requirements and complexity of customers' operations, while simultaneously reducing waste from their supply chains. Society's awareness of climate change and waste from single use packaging is firmly in the spotlight, as consumers draw links between their purchasing behaviour and these issues. Within this context, Brambles is ideally positioned to help retailers and brand owners take action in their supply chains to address changing consumer preferences for products that are 'faster, easier and cheaper' and also, sustainable.

## Environmental Social Governance

The COVID-19 crisis has undoubtedly temporarily reduced global carbon emissions due to reduced levels of industrial activity and travel, however while this provides some short term relief, we do not believe this to be desirable at the expense of such harsh economic and social disruption, nor is it sustainable. During Q3, we have been pleased to observe that the market, and indeed many of our companies we are invested in, understand the continuing urgency of climate change action despite the COVID-19 disruption. Our climate change engagement activities, both directly with companies and via the Climate Action 100+ collaboration, have continued apace throughout the quarter. We have had numerous meetings with energy, materials and utility companies on the development of their operational emissions targets, scope 3 targets, links to remuneration and

Task Force on Climate-related Financial (TCFD) disclosures in particular. We also, in collaboration with a handful of our CA100+ cohorts, sent letters to a number of industry association members setting out our expectations regarding climate policy advocacy, resulting in several follow-up meetings with both Australian and international companies.

We have just commenced a collaborative engagement initiative convened by First Sentier Investors, together with founding members: First State Super, Australian Super, Fidelity International and Ausbil Investment Management. We are seeking to create an alliance of investors to work together to achieve these goals. As investors, we can influence the way companies report by setting out clear expectations for the companies that we invest in. This should be done both by way of a public statement which will also be sent to ASX50. This collaborative engagement will be based on CCLA's Find It, Fix It, Prevent It engagement project, guidelines and expectations which will be adapted as relevant for the APAC region. This primarily involves direct investor engagement with companies on how they can more effectively take action on human rights risks within their operations and supply chain and how

---

to address these issues and prevent them from occurring.

Proxy voting started to ramp up in Q3, with the main proxy season kicking off in late September. As a result, our engagements with companies also increased in frequency, with many reaching out to discuss their remuneration structures and other resolutions. There has been a big focus on how companies are incentivising and rewarding management in light of COVID-19 and community expectations. Shareholder resolutions are also on the rise, particularly climate change resolutions to do with political lobbying and emissions targets.

## 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
Flexible Lifetime - Investments (Series 1)	AMP0448AU*

\*Closed to new investors

## Contact Details

**Web:** [www.amp.com.au](http://www.amp.com.au)

**Email:** [askamp@amp.com.au](mailto:askamp@amp.com.au)

**Phone:** 131 267



## What you need to know

This publication has been prepared by AWM Services Pty Limited ABN 15 139 353 496, AFSL No. 366121 (AWM Services). The information contained in this publication has been derived from sources believed to be accurate and reliable as at the date of this document. Information provided in this investment option update are views of the underlying investment manager only and not necessarily the views of AMP Limited ABN 49 079 354 519 (AMP Group). No representation is given in relation to the accuracy or completeness of any statement contained in it. Whilst care has been taken in the preparation of this publication, to the extent permitted by law, no liability is accepted for any loss or damage as a result of reliance on this information.

The investment option referred to in this publication is available through products issued by N.M. Superannuation Proprietary Ltd ABN 31 008 428 322, AFSL 234654 (NM Super), AMP Capital Funds Management Limited ABN 15 159 557 721, AFSL 426455 (AMPFCM) and/or ipac asset management limited ABN 22 003 257 225, AFSL 234655 (ipac). Before deciding to invest or make a decision about the investment options, you should read the current Product Disclosure Statement for the relevant product, available from the issuer or your financial planner.

Any advice in this document is of a general nature only and does not take into account your financial situation, objectives and needs. Before you make any investment decision based on the information contained in this document you should consider how it applies to your personal objectives, financial situation and needs, or speak to a financial planner. In providing any general advice, AMP Group receives fees and charges and their employees and directors receive salaries, bonuses and other benefits.

Any references to the "Fund", strategies, asset allocations or exposures are references to the underlying managed fund that the investment option either directly or indirectly invests in (underlying fund). The investment option's aim and strategy mirrors the objective and investment approach of the underlying fund. An investment in the investment option is not a direct investment in the underlying fund.

Neither NM Super, AMPFCM, ipac, AWM Services, any other company in the AMP Group nor the underlying fund manager guarantees the repayment of capital or the performance of any product or particular rate of return referred to in this document. Past performance is not a reliable indicator of future performance.

Please note that slight asset allocation deviations from 100% may be caused by rounding, asset categorisation and/or hedging.