

Specialist 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. 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/performance

Investment Option Overview

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

Asset Allocation	Benchmark (%)
Australian Shares	100
Cash	0

Actual Allocation	%
International Shares	1.92
Australian Shares	92.21
Listed Property and Infrastructure	4.30
Cash	1.58

Sector Allocation	%
Financials	26.17
Materials	18.56
Health Care	10.36
Consumer Discretionary	8.95
Consumer Staples	6.88
Information Technology	5.73
Energy	5.54
Cash	5.29
Communication Services	4.89
Industrials	4.07
Real Estate	2.77
Utilities	0.79

Top Holdings	%
CSL Ltd	5.01
COMMONWEALTH BANK AUST	4.90
BHP Group Ltd	3.44
Macquarie Group Ltd	3.32
Newcrest Mining Ltd	3.28
National Australia Bank Ltd	3.12
Australia & New Zealand Banking Group Ltd	2.43
Rio Tinto Ltd	2.30
QBE Insurance Group Ltd	2.21
HUB24 Ltd	1.98

Fund Performance

The Fund posted a strong positive absolute return and outperformed its benchmark over the September quarter. Two of the Fund's four underlying managers posted positive absolute returns and outperformed their respective benchmarks. ECP significantly outperformed, and Alphinity also outperformed, while Allan Gray and AMP Capital underperformed their respective benchmarks. The Fund continues to outperform its benchmark over the longer term, including over 1, 2, 3 and 5 years and since inception (all returns before fees).

Stock selection was the main driver of the outperformance and sector allocation had little overall impact. Regarding sector allocation, the main contributors to relative returns were overweight exposures to information technology and consumer discretionary, and an underweight exposure to utilities, while the main detractors were an overweight exposure to energy and an underweight exposure to real estate.

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

The largest individual contributors to relative returns were overweight positions in HUB24, Corporate Travel Management and ARB Corporation. Wealth platform provider HUB24 rocketed higher (+99.3%) after providing a business update revealing record net inflows over the 2019-20 financial year, and subsequently reporting very strong full-year results with a positive outlook. Corporate Travel Management soared (+80.6%) after its full-year results showed it paid down debt while increasing its overall cash balance, which positions it well for growth beyond the impacts of the pandemic and four-wheel drive accessories group ARB Corporation climbed (+54.0%) after reporting solid full-year results despite the impacts of the pandemic.

The largest individual detractors from relative returns were overweight positions in a2 Milk Company, AMP and Woodside Petroleum. Infant formula producer a2 Milk Company fell sharply (-24.7%) after revealing a disruption in its 'daigou' market in Australia due to COVID-19 restrictions, which is likely to impact its sales and earnings. Financial services company AMP also fell sharply (-24.7%) after releasing its 1H 2020 profit guidance which was negatively impacted by market volatility and a credit loss provision in AMP Bank, and Woodside Petroleum declined (-17.3%) along with oil and gas prices because of uncertain demand due to the COVID-19 pandemic.

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	AMP1346AU
AMP Flexible Super - Super	AMP1475AU
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

Contact Details

Web: www.amp.com.au

Email: 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 (AMPCFM) 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, AMPCFM, 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.