



# 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](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>	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.

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## 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](http://www.amp.com.au)

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

**Phone:** 131 267



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