

AMP Australian Share

Quarterly Investment Option Update

31 December 2020

Aim and Strategy

To provide a total return (income and capital growth) after costs and before tax, above the S&P/ASX 200 Accumulation Index on a rolling 3 year basis. The portfolio uses a number of diverse styles.

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 to 7 years |
| Relative risk rating | High |
| Investment style | Active |
| Manager style | Multi-manager |

| Asset Allocation | Benchmark (%) |
|-------------------------|----------------------|
| Australian Shares | 100 |
| Cash | 0 |

| Actual Allocation | % |
|------------------------------------|----------|
| International Shares | 6.33 |
| Australian Shares | 83.06 |
| Listed Property and Infrastructure | 8.39 |
| Cash | 2.22 |

| Sector Allocation | % |
|--------------------------|----------|
| Financials | 27.30 |
| Materials | 23.15 |
| Health Care | 11.01 |
| Industrials | 8.16 |
| Consumer Discretionary | 6.80 |
| Real Estate | 5.48 |
| Consumer Staples | 4.63 |
| Information Technology | 4.20 |
| Communication Services | 4.01 |
| Energy | 3.42 |
| Utilities | 1.01 |
| Cash | 0.85 |

| Top Holdings | % |
|-------------------------------------------|----------|
| COMMONWEALTH BANK AUST | 7.14 |
| CSL Ltd | 6.85 |
| BHP Group Ltd | 6.64 |
| National Australia Bank Ltd | 4.62 |
| Macquarie Group Ltd | 3.08 |
| Australia & New Zealand Banking Group Ltd | 3.06 |
| Wesfarmers Ltd | 2.95 |
| Westpac Banking Corp | 2.89 |
| Woolworths Group Ltd | 2.73 |
| Fortescue Metals Group Ltd | 2.22 |

Fund Performance

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

The largest positive stock-level contributor came from an overweight position in IGO, an exploration and mining company. IGO's share price was up strongly during the quarter, buoyed by the successful completion of a transformational capital raising and subsequent acquisition of a stake in Lithium Holdco.

The largest stock-level detractor came from the Fund's underweight position in Sims, which provides metal recycling services globally, including the buying, processing, and selling of ferrous and non-ferrous recycled metals. During the quarter the stock rallied on the expectation of an economic recovery post successful vaccine trials.

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 to the consumer discretionary and industrial sectors, whilst the largest underweight allocations are to the real estate and communication services sectors.

Market Review

Australian shares had an extremely strong December quarter, rising by 13.70%, as measured by the S&P/ASX 200 index on a total return basis. Moves in the Australian share market broadly reflected optimistic sentiment around the globe. In October, stocks rose amid improving domestic economic indicators, as well as further stimulus measures introduced in the Australian Federal Budget. Victoria also announced its intention to "reopen" its economy after one of the harshest lockdowns so far seen. An RBA rate cut, combined with a quantitative easing programme announcement in the first week of November further spurred stocks, although the real booster came shortly after multiple successful vaccine trials were announced overseas, causing markets to surge. Victoria also continued to emerge from its second wave of COVID-19 cases, with the virus apparently all but eliminated across the state by the end of November. Towards the quarter's end, news-flow continued to centre around the rollout of COVID-19 vaccines, though continued solid economic indicators in the US and a Brexit deal finally being reached in the UK added further support. The Australian economy meanwhile moved out of recession and this, combined with improving consumer confidence, continued ultra-low interest rates and continued RBA quantitative easing, all helped push markets higher, even despite a new COVID-19 outbreak emerging in Sydney around Christmas time.

Outlook

Australian shares will likely continue to be strongly influenced by global markets and events. Like its international peers, Australia's economic growth has slumped, though evidence of a bounce-back has emerged in some sectors as borders are opened, pandemic restrictions wound down, and GDP returns to some form of normalcy. Australia's greater degree of government stimulus (relative to other countries) and low COVID-19 cases from an international perspective should help support domestic shares, though there are continuing issues, such as soured trade relations with China and a continued lack of medium-term earnings visibility for many companies. Given the large price rises through most of 2020, 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 | AMP1320AU* |
| AMP Flexible Super - Super | AMP1450AU* |
| CustomSuper | AMP0163AU* |
| Flexible Lifetime - Allocated Pension | AMP0591AU* |
| Flexible Lifetime - Super | AMP0163AU* |
| Flexible Lifetime - Term Pension | AMP0891AU* |
| SignatureSuper | AMP0739AU* |
| SignatureSuper - Allocated Pension | AMP1129AU* |

*Closed to new investors

Contact Details

Web: www.amp.com.au

Email: askamp@amp.com.au

Phone: 131 267



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