

AMP Capital Ethical Leaders 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 five-year basis. The portfolio primarily invests in shares listed on the Australian Securities Exchange and is managed using a responsible investment approach. In certain market conditions, the portfolio may hold a higher level of cash. (see additional information about Responsible Investment Leaders for more information).

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	High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
Australian Shares	100
Cash	0

Actual Allocation	%
International Shares	6.27
Australian Shares	84.95
Listed Property and Infrastructure	6.13
Cash	2.65

Sector Allocation	%
Financials	22.41
Materials	19.47
Health Care	12.08
Communication Services	9.33
Consumer Discretionary	8.55
Industrials	8.40
Real Estate	7.92
Information Technology	6.03
Cash	2.65
Energy	1.80
Consumer Staples	1.45

Top Holdings	%
Rio Tinto Ltd	7.44
CSL Ltd	6.04
National Australia Bank Ltd	5.58
Macquarie Group Ltd	5.52
BHP Group Ltd	3.36
REA Group Ltd	3.28
COMMONWEALTH BANK AUST	3.26
Telstra Corp Ltd	3.19
Fortescue Metals Group Ltd	3.12
SEEK Ltd	2.95

Fund Performance

The Fund posted a very healthy positive absolute return and outperformed its benchmark over the December quarter. All of the Fund's three underlying managers posted positive absolute returns and DNR strongly outperformed the benchmark. 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, while sector allocation detracted from relative returns. Regarding sector allocation, the main detractors from relative returns were underweight exposures to financials and energy, and an overweight to health care. The main contributors were underweight exposures to consumer staples and utilities, and an overweight exposure to information technology.

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

The largest positive contributors to relative returns were an underweight (not held) position in Newcrest Mining, and overweight positions in REA Group and Virgin Money UK. Gold mining company Newcrest Mining declined (-17.5%) as positive vaccine news boosted sentiment and weighed on the prices of safe-haven assets, such as gold. Meanwhile, global online real estate advertising company REA Group rose to record highs (+35.4%) after reporting better-than-expected first quarter results and financial services provider Virgin Money UK shot higher (+83.0%) mainly due to optimism around the availability of vaccines.

The largest individual detractors from relative returns were underweight positions Commonwealth Bank and ANZ Banking Group, and an overweight position in IPH. Commonwealth Bank rallied (+29.1%) after reporting solid first quarter results, with its home loan growth rate twice as high as the wider banking system. ANZ Banking Group gained (+34.2%) after reporting soft, but better-than expected first quarter results. Meanwhile, intellectual property services firm IPH declined (-10.2%) as US dollar weakness is expected to impact its revenues.

Environmental Social Governance

During the period, we enhanced our fossil fuel investment screen so that all Ethical Leaders (EL) funds will move towards being fossil fuel-free. Our fund managers also continued to address climate change. **DNR Capital** engaged with several companies to discuss their transition plans to renewables, carbon neutral targeting, and other green energy initiatives.

EL fund managers also remained focussed on the COVID-19 pandemic and its impact on human rights, as the pandemic has increased worker vulnerability and pushed more people into modern slavery. Our managers are collaborating to engage with companies to address issues in the companies' supply chains. **Ausbil** participated as a panellist at the 2020 RIAA Conference (Responsible Investment Association Australasia) and co-signed an investor statement on forced labour risks in global supply chains.

They also successfully engaged with several companies on corporate governance. **Ausbil** met with National Australia Bank (NAB) to discuss its upcoming annual general meeting. They primarily considered the companies' changed remuneration structure. The manager also engaged Aristocrat Leisure on how they are addressing culture across their global offices.

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	AMP1370AU**
AMP Flexible Super - Super	AMP1499AU**
CustomSuper	AMP1032AU**
Flexible Lifetime - Allocated Pension	AMP1021AU**
Flexible Lifetime - Investments (Series 1)	AMP1055AU**
Flexible Lifetime - Investments (Series 2)	AMP1433AU**
Flexible Lifetime - Super	AMP1032AU**
Flexible Lifetime - Term Pension	AMP1042AU**
SignatureSuper	AMP0976AU**
SignatureSuper - Allocated Pension	AMP1172AU**

**Closed to new and existing investors

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