

Specialist 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 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	High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
Australian Shares	100
Cash	0

Actual Allocation	%
International Shares	2.73
Australian Shares	91.55
Listed Property and Infrastructure	3.97
Cash	1.75

Sector Allocation	%
Financials	28.43
Materials	21.48
Health Care	9.95
Consumer Discretionary	8.84
Consumer Staples	6.53
Energy	6.49
Information Technology	5.63
Industrials	3.83
Communication Services	3.66
Real Estate	2.65
Cash	1.98
Utilities	0.52

Top Holdings	%
COMMONWEALTH BANK AUST	5.54
CSL Ltd	5.16
BHP Group Ltd	3.64
National Australia Bank Ltd	3.34
Macquarie Group Ltd	3.27
Australia & New Zealand Banking Group Ltd	2.94
Rio Tinto Ltd	2.60
Newcrest Mining Ltd	2.42
Woodside Petroleum Ltd	2.35
James Hardie Industries PLC	2.17

Fund Performance

The Fund posted a strong absolute return and outperformed its benchmark over the quarter. All of the Fund's four underlying managers posted positive absolute returns and Allan Gray strongly outperformed its 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).

Sector allocation was the main driver of the Fund's outperformance, while stock selection slightly detracted from relative returns. Regarding sector allocation, the main contributors to relative returns were underweight exposures to industrials and utilities, and an overweight exposure to energy. Meanwhile, by far the main detractor from relative returns was a cash holding, as the share market rallied strongly.

Regarding stock selection, the main detractors from relative returns were positions in information technology and financials, while the main contributors were positions in materials, health care and communication services.

The largest individual detractors from relative returns were overweight positions in Newcrest Mining, Magellan Financial Group and a2 Milk. 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. Financial services company Magellan Financial Group slumped (-5.3%) as its managed funds have underperformed recently and milk producer a2 Milk fell sharply (-18.5%) after it downgraded its earnings guidance.

The largest individual contributors to relative returns were overweight positions in Sims and NUIX and an underweight position in CSL. Metals recycling company Sims soared (+77.4%) as scrap metal prices are expected to increase over the next year as governments around the world undertake metal-intensive infrastructure spending to stimulate economic recovery. Investigative analytics and intelligence software provider NUIX also soared (+70.6%) following its initial public offering. Meanwhile, global biotechnology company CSL waned (-1.3%) after announcing it would abandon the next phase of trials for its COVID-19 vaccine which was being developed by the University of Queensland.

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	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 and existing investors

Contact Details

Web: www.amp.com.au

Email: askamp@amp.com.au

Phone: 131 267



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