



Specialist Geared Australian Share

Quarterly Investment Option Update

31 December 2020

Aim and Strategy

To provide high returns over the long term through geared exposure to securities listed on the Australian Securities Exchange. The aim is to manage gearing to a level that is supported by expected income. Therefore an investor can gain greater exposure to the Australian share market than an investor with a non-geared exposure. The objective of the investment portfolio before gearing is applied is 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 three-year basis. The strategy invests in a diversified portfolio of equities listed on the Australian Securities Exchange (ASX). The investment portfolio is geared, which allows it the ability to borrow in order to increase the amount that can be invested. The aim of gearing is to contribute more capital and to provide greater exposure to the Australian share market. Underlying managers are also permitted to purchase up to 5% in international listed securities, where those securities are also listed on the ASX. The strategy may also invest up to 10% in cash. However, in certain market conditions the strategy may hold higher levels of cash and short selling may also be used. Any currency exposure will be hedged back to Australian dollars using derivatives, and they may also be used to gain equity market exposure.

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

Asset Allocation	Benchmark (%)
Australian Shares	100
Cash	0

Actual Allocation	%
International Shares	4.00
Australian Shares	82.48
Listed Property and Infrastructure	6.44
Cash	7.08

Sector Allocation	%
Financials	24.52
Materials	20.41
Consumer Discretionary	10.08
Industrials	8.15
Real Estate	7.06
Health Care	6.93
Communication Services	6.89
Consumer Staples	5.24
Information Technology	5.08
Energy	3.85
Utilities	0.77
Others	0.55
Cash	0.47

Top Holdings	%
BHP Group Ltd	8.09
National Australia Bank Ltd	4.90
COMMONWEALTH BANK AUST	4.63
CSL Ltd	4.04
Macquarie Group Ltd	3.47
Australia & New Zealand Banking Group Ltd	3.30
Telstra Corp Ltd	2.95
Coles Group Ltd	2.36
Aristocrat Leisure Ltd	2.35
Rio Tinto Ltd	2.34

Fund Performance

The Fund posted a strong positive absolute return and outperformed its benchmark over the December quarter (before fees). The Fund's gearing increased the magnitude of the outperformance. All of the Fund's three underlying managers posted positive absolute returns, and DNR and Vinva outperformed the benchmark. The Fund continues to outperform over the long term including over 2, 3, 5 years and since inception.

Stock selection was the key driver of the Fund's outperformance, while sector allocation modestly detracted from relative returns. Regarding sector allocation, the main detractors from relative returns were an underweight exposure to financials and a cash holding as the share market rallied. Meanwhile, the main contributors to relative returns were underweight exposures to health care and utilities, and an overweight exposure to information technology.

Regarding stock selection, the main contributors to relative returns were positions in communication services, financials, materials, real estate and industrials, while the main detractors were positions in information technology. The largest positive contributors to relative returns were an underweight position in CSL, and overweight positions in REA Group and Virgin Money UK. 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. 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, Afterpay and ANZ Banking Group. 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. 'Buy now, pay later' financial company Afterpay rose to record highs (+47.5%) after reporting very strong first quarter results and ANZ Banking Group gained (+34.2%) after reporting soft, but better-than expected first quarter results.

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	AMP1352AU
AMP Flexible Super - Super	AMP1481AU
CustomSuper	AMP0820AU
Flexible Lifetime - Allocated Pension	AMP0819AU
Flexible Lifetime - Investments (Series 1)	AMP0850AU**
Flexible Lifetime - Investments (Series 2)	AMP1416AU**
Flexible Lifetime - Super	AMP0820AU
Flexible Lifetime - Term Pension	AMP0924AU
SignatureSuper	AMP0823AU
SignatureSuper - Allocated Pension	AMP1154AU

**Closed to new and existing investors

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