

AMP Capital Ethical Leaders Australian Share

Quarterly Investment Option Update

31 March 2021

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	3.46
Australian Shares	80.77
Listed Property and Infrastructure	5.04
Cash	10.73

Sector Allocation	%
Financials	28.27
Materials	18.09
Cash	10.73
Communication Services	9.24
Industrials	8.66
Consumer Discretionary	7.09
Real Estate	6.13
Information Technology	5.38
Health Care	4.50
Consumer Staples	2.10

Top Holdings	%
Rio Tinto Ltd	12.87
National Australia Bank Ltd	11.37
Macquarie Group Ltd	8.11
Australia & New Zealand Banking Group Ltd	7.50
COMMONWEALTH BANK AUST	6.80
CSL Ltd	6.40
Telstra Corp Ltd	5.96
Wesfarmers Ltd	4.91
Westpac Banking Corp	3.92
QBE Insurance Group Ltd	3.81

Fund Performance

The Fund posted a strong positive absolute return and outperformed its benchmark over the March 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 an underweight exposure to financials, and overweight exposures to information technology and health care. The main contributors were overweight exposures to communication services and consumer discretionary, and an underweight exposure to consumer staples.

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

The largest individual contributors to relative returns were overweight positions in Virgin Money UK, IDP Education and Telstra. Financial services provider Virgin Money UK rallied strongly (+44.7%) mainly due to optimism around the availability and rollout of COVID-19 vaccines, and despite releasing disappointing full-year 2020 results. International education services company IDP Education rallied (+20.7%) as it is expected to benefit from significant pent-up overseas student demand and its 1H 2021 results were much better than expected, and telecommunications company Telstra gained (+17.0%) as investors switched into value stocks and news of its restructure was well received.

The largest individual detractors from relative returns were underweight positions in Westpac Banking Corp and BHP Group, and an overweight position in REA Group. The 'big-four bank' Westpac Banking Corp climbed (+26.0%) on expectations of higher dividends after its Q1 2021 results were much stronger than expected and mining giant BHP Group benefited (+9.6%) after reporting strong 1H 2021 results mainly attributable to the soaring prices of iron ore and copper. Meanwhile, global online real estate advertising company REA Group retreated (-4.4%), despite reporting better-than-expected first quarter results, as investors switched out of growth stocks.

Environmental Social Governance

During the period, Ethical Leaders fund managers focussed on the 'E' and the 'S' in ESG. Regarding the 'E', **Ausbil** co-signed the 2021 Global Investor Statement to Governments on the Climate Crisis, which calls on governments to act on climate change. The statement was sent to global leaders and is to be released at the G7 Summit in June. The manager also participated in meetings with the Investor Group on Climate Change (IGCC) and in Climate Action 100+ (CA100+), as well as company engagements.

Regarding the 'S', **Ausbil** presented on human rights at an ESG Masterclass arranged by Inside Network in Melbourne for financial advisers. The manager also chaired the March 2021 RIAA Human Rights Working Group meeting and remained on the panel of experts advising the Federal Government on the effective implementation of the Modern Slavery Act. The manager also continued its involvement on the steering committee of the Investors Against Slavery and Trafficking (IAST – APAC) and participated in company engagements.

Market Review

Australian shares climbed higher in the March quarter, rising by 4.26% as measured by the S&P/ASX 200 index on a total return basis, as global economies continued to recover from the COVID-19 pandemic. Similar to the tone in international markets, sentiment in the Australian market was generally optimistic, despite some underlying pockets of concern. This was aided by a strong half-yearly company reporting season, which produced mostly good results relative to the prior period. Many companies' earnings bounced back significantly towards (and in some cases beyond) their pre-COVID levels, leading some businesses to increase dividends and reintroduce forward guidance. The retail and mining sectors were standout sectors for strong results. Banks were also able to reduce some of their bad debt provisions. The global theme of rotation from growth and technology-orientated stocks towards value and cyclical stocks also prevailed in the domestic market. While Australia still appears well placed in a global sense to emerge strongly from the COVID-19 crisis, concerns around wages growth and inflation levels remain, which was reflected in comments from the RBA who reiterated they would continue their stimulatory policy strategy for as long as necessary, which helped support the market. Concerns around Australia's debt levels also remain a talking point.

Outlook

Australian shares will likely continue to be strongly influenced by global markets and events. The hope is that, now the COVID-19 vaccination programme has started to roll out, the economy will be able to return to more normalised growth in a reasonable timeframe, boosting business and consumer confidence. Australia's greater degree of government stimulus (relative to other countries) and low COVID-19 cases from an international perspective should aid the recovery process. However, soured trade relations with China and a continued lack of medium-term earnings visibility for many companies remain a spectre. In addition, the upcoming wind-down in government support programmes will add to uncertainty. Given the large equity price rises post the large pandemic-induced correction early in 2020, there is an increased risk of a correction, 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
Flexible Lifetime - Investments (Series 1)	AMP1055AU**
Flexible Lifetime - Investments (Series 2)	AMP1433AU**

**Closed to new and existing investors

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