

Specialist 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 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	3.11
Australian Shares	90.57
Listed Property and Infrastructure	3.56
Cash	2.76

Sector Allocation	%
Financials	29.92
Materials	21.34
Health Care	9.49
Consumer Discretionary	8.95
Energy	6.85
Consumer Staples	5.69
Information Technology	4.79
Cash	3.90
Industrials	3.35
Communication Services	2.91
Real Estate	2.53
Utilities	0.28

Top Holdings	%
COMMONWEALTH BANK AUST	5.16
CSL Ltd	4.37
National Australia Bank Ltd	3.73
BHP Group Ltd	3.58
Macquarie Group Ltd	3.55
Australia & New Zealand Banking Group Ltd	3.49
Woodside Petroleum Ltd	2.74
Newcrest Mining Ltd	2.40
QBE Insurance Group Ltd	2.22
James Hardie Industries PLC	2.20

Fund Performance

The Fund posted a positive return but modestly underperformed its benchmark over the March quarter. Three of the Fund's four underlying managers posted positive returns and Allan Gray, Alphinity and AMP Capital outperformed their benchmarks. 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 reason for the Fund's underperformance, while sector allocation contributed positively to relative returns. Regarding sector allocation, the main contributors to relative returns were underweight exposures to real estate, industrials and utilities, while the main detractors were an overweight exposure to information technology and an underweight exposure to communication services.

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

The largest individual detractors from relative returns were an underweight position in Westpac Banking Corp, and overweight positions in Magellan Financial Group and Altium. 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. Meanwhile, funds management company Magellan Financial Group declined (-14.2%) as its headline fund posted below-par returns over the second half of 2020 which will curb its performance fees revenue, and design software company Altium fell (-21.6%) after flagging a decline in revenue mainly due to the difficult pandemic conditions in the US and Europe.

The largest individual contributors to relative returns were overweight positions in Virgin Money UK, Incitec Pivot, and IDP Education. 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. Fertiliser supplier Incitec Pivot gained (+27.6%) as rising soft commodity prices are expected to support fertiliser demand, and 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.

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
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

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