



Specialist Geared Australian Share

Quarterly Investment Option Update

31 March 2021

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	2.91
Australian Shares	87.30
Listed Property and Infrastructure	5.93
Cash	3.86

Sector Allocation	%
Financials	24.91
Materials	18.17
Cash	9.96
Consumer Discretionary	9.63
Communication Services	7.28
Industrials	6.50
Real Estate	6.30
Health Care	5.35
Consumer Staples	4.10
Information Technology	3.74
Energy	3.26
Others	0.56
Utilities	0.23

Top Holdings	%
BHP Group Ltd	7.85
National Australia Bank Ltd	5.02
Macquarie Group Ltd	3.91
COMMONWEALTH BANK AUST	3.83
Telstra Corp Ltd	3.54
Australia & New Zealand Banking Group Ltd	3.54
CSL Ltd	2.88
Aristocrat Leisure Ltd	2.34
Westpac Banking Corp	2.27
Rio Tinto Ltd	2.26

Fund Performance

The Fund posted a strong positive return and outperformed its benchmark over the March quarter (before fees). The Fund's gearing increased the magnitude of the outperformance. All of the Fund's three underlying managers posted strong positive absolute returns and outperformed the benchmark. The Fund continues to outperform over the long term including over 1, 2, 3, 5 years and since inception.

Stock selection was the key driver of the Fund's outperformance and sector allocation also contributed positively. Regarding sector allocation, the main contributors to relative returns were an underweight exposure to health care, and overweight exposure to communication services and consumer discretionary. Meanwhile, the main detractors from relative returns were an underweight exposure to financials and a cash holding as the share market rallied.

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

The largest positive contributors to relative returns were an underweight position in CSL, and overweight positions in Tabcorp Holdings and Virgin Money UK. Global biotechnology company CSL waned (-6.1%), despite reporting strong 1H 2021 results, due to concerns about increasing costs associated with its plasma collections due to the pandemic. Meanwhile, gambling company Tabcorp Holdings rallied (+22.0%) on reports it received a proposal to break up and sell its wagering division and financial services provider Virgin Money UK rallied strongly (+44.7%) mainly due to optimism around the availability and rollout of COVID-19 vaccines.

The largest individual detractors from relative returns were an underweight position in Westpac, and overweight positions in Coles Group and IRESS. 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. Retail chain operator Coles Group sank (-9.8%), despite reporting strong 1H 2021 results, due to concerns about its loss of market share and near-term outlook, and financial software company IRESS tumbled (-10.7%), despite reporting better than expected full-year 2020 results, due to concerns about the sustainability of its dividends.

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	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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