



AMP Capital Equity

Quarterly Investment Option Update

30 June 2021

Aim and Strategy

To provide investors with long-term capital growth through investment in a portfolio of Australian securities, listed or about to be listed, on the Australian Securities Exchange. Investment is diversified across a range of industries and sectors, with a focus on the largest 200 companies. In constructing the portfolio, AMP Capital employs a systematic rules-based approach where no individual stock fundamental analysis is conducted and the investment team use large sets of data to analyse stocks through intelligent screening methods. Passive, enhanced

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	Single

Asset Allocation	Benchmark (%)
Australian Shares	100
Cash	0

Actual Allocation	%
International Shares	3.46
Australian Shares	84.98
Listed Property and Infrastructure	9.56
Cash	2.00

Sector Allocation	%
Financials	29.86
Materials	20.26
Health Care	10.19
Consumer Discretionary	8.27
Industrials	6.60
Real Estate	6.49
Consumer Staples	5.15
Information Technology	4.17
Communication Services	4.16
Energy	3.26
Utilities	1.44
Cash	0.15

Top Holdings	%
Commonwealth Bank of Australia	8.63
BHP Group Ltd	6.75
CSL Ltd	6.20
Westpac Banking Corp	4.45
National Australia Bank Ltd	4.03
Australia & New Zealand Banking Group Ltd	3.76
Wesfarmers Ltd	2.98
Macquarie Group Ltd	2.45
Rio Tinto Ltd	2.31
Woolworths Group Ltd	2.30

Fund Performance

The Fund underperformed the S&P/ASX 200 Accumulation Index benchmark during the June quarter. The Momentum-proxy factor was a dominant driver of Alpha during the quarter. These have been propelled by the dramatic earnings recovery over the last 12 months but have decayed faster than their usual speed. The Fund has had to rely more heavily on the slower burn factors (Quality and Stability) which were very useful in the midst of the initial pandemic downturn but have been patchy over the last 12-months. The Fund maintains a neutral exposure to sectors, size and market beta.

The largest positive stock-level contributor came from an overweight position in Iress Group. *Iress* provides real-time information services to businesses that specialize in the equity, equity options and future information markets globally. The company's share price was up strongly during the period, buoyed by the recovery in technology names and in addition had the tailwind of takeover speculation. The Fund is overweight Iress compared to the benchmark and this contributed positively to the relative performance for the quarter.

The largest stock-level detractor came from the Fund's underweight position in Pro Medicus Limited. Pro Medicus provides health and imaging information systems. During the quarter, the company announced some new contract wins and also benefitted from capital flowing back into technology and growth stories. Being underweight the stock relative to the benchmark negatively impacted relative performance.

Market Review

In line with bullish international markets, Australian shares rose strongly over the June quarter, with the S&P/ASX 200 index closing the period 8.29% higher, on a total return basis. While the global recovery was the prime driver, the Reserve Bank of Australia (RBA) continued to play its part, as it again reiterated its commitment to low cash rates for as long as necessary. Domestic economic indicators, such as jobs figures, also remained strong, leading to rising speculation towards the end of the quarter on the timing of future rate hikes. Growth segments of the market generally did well over the quarter as the global economic recovery continued. At a sector level, information technology shares were the strongest performers over the quarter amid stabilising bond yields as well as further merger and acquisition activity. Communications services and consumer discretionary stocks also did well, while the energy and the utilities sectors meanwhile posted negative returns for the period. The market's focus is now clearly on the RBA showing any sign of changing its timeline for rate rises, as well as any tapering of its bond purchases.

Outlook

Australian equities continue to be strongly influenced by global markets and events. The economic backdrop is complicated by shifting policy on vaccine rollout by the Federal Government, most recently by a pivot in rollout emphasis from the AstraZeneca to the Pfizer option, which will push out the herd immunity date as further Pfizer supplies need to be sourced. The risk is that a prolonged rollout period could dent business and consumer confidence which could feed into equity prices in the short term.

Despite this, Australia's greater degree of government stimulus relative to other countries, low COVID-19 cases from an international perspective, and a supportive commodities backdrop do look to be aiding the recovery process. The effect of the wind-down in government support programmes has proved so far to be relatively benign. Although large equity price rises have increased the risk of a correction, 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	AMP1324AU*
AMP Flexible Super - Super	AMP1454AU*
CustomSuper	AMP0468AU*
Flexible Lifetime - Allocated Pension	AMP0598AU*
Flexible Lifetime - Investments (Series 1)	AMP0018AU**
Flexible Lifetime - Investments (Series 2)	AMP1394AU**
Flexible Lifetime - Super	AMP0468AU*
Flexible Lifetime - Term Pension	AMP0898AU*
SignatureSuper	AMP2047AU*
SignatureSuper - Allocated Pension	AMP2048AU*

*Closed to new investors

**Closed to new and existing investors

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