

# Specialist Australian Share

Quarterly Investment Option Update

30 September 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](http://www.amp.com.au/performance)

## Investment Option Overview

<b>Investment category</b>	Australian Shares
<b>Suggested minimum investment timeframe</b>	5 years
<b>Relative risk rating</b>	Very High
<b>Investment style</b>	Active
<b>Manager style</b>	Multi-manager

<b>Asset Allocation</b>	<b>Benchmark (%)</b>
Australian Shares	100
Cash	0

<b>Actual Allocation</b>	<b>%</b>
International Shares	3.45
Australian Shares	90.56
Listed Property and Infrastructure	3.51
Cash	2.48

<b>Sector Allocation</b>	<b>%</b>
Financials	29.60
Materials	19.87
Consumer Discretionary	10.50
Health Care	8.92
Energy	6.64
Information Technology	5.49
Communication Services	4.21
Consumer Staples	4.15
Industrials	3.47
Real Estate	2.92
Cash	2.81
Utilities	1.42

<b>Top Holdings</b>	<b>%</b>
COMMONWEALTH BANK AUST	5.43
CSL Ltd	4.39
Macquarie Group Ltd	3.98
National Australia Bank Ltd	3.50
Woodside Petroleum Ltd	3.18
Australia & New Zealand Banking Group Ltd	2.84
Alumina Ltd	2.67
James Hardie Industries PLC	2.62
QBE Insurance Group Ltd	2.61
BHP Group Ltd	2.54

## Fund Performance

The Fund posted a strong positive return and outperformed its benchmark over the September quarter. All of the Fund's four underlying managers posted positive returns, and all outperformed their respective benchmarks. Allan Gray and ECP posted particularly strong returns. 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 key driver of the Fund's strong outperformance, while sector allocation detracted modestly from relative returns. Regarding sector allocation, the main detractors were an overweight exposure to materials, and underweight exposures to industrials and real estate. A cash holding also detracted, as the market rose. The main contributor by far was an overweight exposure to energy.

Regarding stock selection, by far the main contributors were positions in materials and consumer discretionary stocks, while the main detractors were positions in financial stocks.

The largest individual contributors to relative returns were underweight positions in BHP Group and Fortescue Metals Group, and an overweight position in Alumina Limited. Mining giant BHP Group dropped (-17.6%), despite delivering robust financial-year 2021 results, as investors became concerned about the merger of its oil and gas operations with Woodside Petroleum. It also came under pressure, along with iron ore producer Fortescue Metals Group, which sank (-28.6%), as iron ore prices plummeted. This occurred after Chinese authorities curtailed steel production supposedly to achieve environment targets, and as Chinese property developers experienced debt issues which lowered their demand for metals used in construction. Meanwhile, alumina producer Alumina Limited soared (+31.2%) after reporting record financial-year 2021 production, and as aluminium prices rose to 10-year highs due to reduced production by Chinese and European producers as their energy costs soared.

The largest individual detractors from relative returns were overweight positions in Magellan Financial Group and Sims, and an underweight position in Sydney Airport. Funds management company Magellan Financial Group dropped (-32.6%) as concerns mounted over the performance of its headline fund and the company posted a sharp decline in profits due to weaker performance fees and higher investment costs. Metals recycling company Sims declined (-19.7%), despite delivering better than expected financial-year 2021 results, most likely due to profit taking and a pullback in a range of commodity prices. Meanwhile, airport operator Sydney Airport rocketed higher (+42.3%) after receiving several takeover offers from a consortium of institutional infrastructure investors, and in anticipation of international travel recommencing soon.

## Market Review

Australian shares continued to rise through July and August to new record highs, before pulling back in September in line with global volatility to finish the quarter up by 1.71%, as measured by the S&P/ASX 200 index on a total return basis, with dividends being a major contributor to the index's return. Capital management activity was a feature through the quarter, reflected in announcements of significant dividend increases, buybacks and takeovers. The August reporting season was generally positive, with many companies reporting strong revenue and earnings growth, though outlook statements unsurprisingly remained cloudy in nature as the pandemic continues to play out. Keeping a lid on further optimism however were several lockdowns around the country, which continued to heavily hit employment and growth. During September, share prices were also impacted by broader global concerns such as Chinese growth, volatile commodity prices, solvency concerns for Chinese property developer, China Evergrande Group and US-centred inflationary concerns. On a sector basis performance was quite divergent over the quarter. Energy stocks were strong performers amid soaring energy commodity prices, due to global supply issues. Materials stocks however were weak performers, mainly due to Chinese demand concerns for the medium-term.

## Outlook

Australian equities will likely continue to be primarily influenced by global markets, however the economic backdrop is complicated by shifting domestic policy on handling the pandemic amid further lockdowns. While the vaccine rollout has accelerated markedly, Australia remains largely closed-off relative to much of the world and the issue of different attitudes towards reopening between state governments is likely to continue to cause uncertainty.

Despite this, 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, even though it is now taking longer than some originally anticipated. Large equity price rises since the height of the COVID-19 market-panic in early 2020 have likely increased the risk of a correction, though bullish sentiment pulled back somewhat in September, which is positive from a contrarian perspective. Stepping back to a longer-term timeframe, we believe the trend is likely to

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remain up, though with some bumps on the way, as is usually the case in stock markets. We continue to believe investors should be selective and, as always, maintain a longer-term perspective.

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## 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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