



Specialist Geared Australian Share

Quarterly Investment Option Update

30 September 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	3.44
Australian Shares	84.29
Listed Property and Infrastructure	6.13
Cash	6.14

Sector Allocation	%
Financials	28.88
Materials	17.49
Consumer Discretionary	10.30
Health Care	7.84
Real Estate	7.17
Communication Services	7.04
Industrials	6.89
Information Technology	5.12
Consumer Staples	4.45
Energy	3.79
Cash	0.59
Utilities	0.44

Top Holdings	%
BHP Group Ltd	6.31
National Australia Bank Ltd	5.37
COMMONWEALTH BANK AUST	5.23
CSL Ltd	4.94
Macquarie Group Ltd	4.68
Telstra Corp Ltd	3.81
Aristocrat Leisure Ltd	3.18
Australia & New Zealand Banking Group Ltd	2.79
QBE Insurance Group Ltd	2.40
WESTPAC BANKING CORP	2.39

Fund Performance

The Fund posted a solid positive return and outperformed its benchmark over the September quarter. The Fund's gearing contributed to the outperformance. All of the Fund's three underlying managers posted positive returns, and DNR outperformed the benchmark. The Fund continues to significantly outperform over the long term, including over 1, 2, 3, 5 years and since inception (all returns before fees).

Both stock selection and sector allocation contributed positively to relative returns. Regarding sector allocation, the main contributors were an underweight exposure to materials, and an overweight exposure to communication services. The main detractors were underweight exposures to financials, consumer staples and utilities.

Regarding stock selection, the main positive contributors by far were positions in financials and materials stocks, while the main detractors were positions in information technology, communication services and industrials.

The largest individual contributors to relative returns were an underweight position in Fortescue Metals Group and overweight positions in South32 and Suncorp Group. Iron ore producer Fortescue Metals Group sank (-28.6%), as iron ore prices plummeted 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, diversified miner South32 rallied (+23.3%) as aluminium prices rose to 10-year highs due to reduced production by Chinese and European producers as their energy costs soared. Financial services provider Suncorp Group surged (+17.4%) as the recovering economy and soaring house prices supported its operations and it delivered strong financial-year 2021 results and higher dividends.

The largest individual detractors from relative returns were underweight positions in Sydney Airport and Commonwealth Bank, and an overweight position in BHP Group. 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. One of the 'big-four banks' Commonwealth Bank climbed (+6.6%), closing above \$100 for the first time during the period, as the recovering economy and soaring house prices supported its operations and it delivered strong financial-year 2021 results and higher dividends. Meanwhile, 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, and as iron ore prices plummeted.

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 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.

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
SignatureSuper Select	AMP1975AU

**Closed to new and existing investors

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