

AMP Capital Equity

Quarterly Investment Option Update

31 December 2021

Aim and Strategy

To provide high returns over the long term while accepting high levels of volatility in returns, by investing in a portfolio of shares listed or about to be listed on the Australian Securities Exchange. The portfolio aims to provide returns, after costs and before tax, above the S&P/ASX 200 Accumulation Index on a rolling 3-year basis. Investment is diversified across a range of industries and sectors, with a focus on the largest 200 companies. In constructing the portfolio, the investment manager 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 index and smart beta are examples of systematic approaches.

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	Very high
Investment style	Active
Manager style	Single

Asset Allocation	Benchmark (%)
Australian shares	100
Cash	0

Actual Allocation	%
International Shares	4.85
Australian Shares	82.86
Listed Property and Infrastructure	10.88
Cash	1.41

Sector Allocation	%
Financials	29.18
Materials	19.34
Health Care	10.47
Consumer Discretionary	8.26
Real Estate	7.30
Industrials	7.18
Consumer Staples	5.04
Information Technology	4.37
Communication Services	4.22
Energy	3.20
Utilities	1.31
Cash	0.12

Top Holdings	%
COMMONWEALTH BANK AUST	7.89
CSL Ltd	6.59
BHP Group Ltd	5.76
National Australia Bank Ltd	4.55
Australia & New Zealand Banking Group Ltd	3.76
Macquarie Group Ltd	3.52
Westpac Banking Corp	3.51
Wesfarmers Ltd	3.04
Telstra Corp Ltd	2.37
Goodman Group	2.08

Fund Performance

The Fund outperformed the S&P/ASX 200 Accumulation Index benchmark during the December quarter. The final quarter of 2021 proved to be a very good quarter for quantitative investing with many of the alpha factors having strong results. Predominantly from the Quality signals the most emphatic being free cashflow, retained earnings and proven profitability. Broker sentiment signals (Revisions and Tone) had a smaller but still positive contribution to the Alpha component of return. The Fund maintains a neutral exposure to sectors, size and market beta.

The largest positive stock-level contributor came from an overweight position in Metcash. Metcash is a marketing and distribution company operating in the food and other consumer goods sectors. Metcash gained from sentiment and earnings upgrades during the period with the hardware sector outperforming. Idiosyncratic benefits arose from the overweight in Metcash 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 Oz Minerals. Oz Minerals is an Australian based mining company with a focus on copper. During the period Oz Minerals gained on the back of the underlying commodity price increases and assets being leveraged to the electric vehicle market. Being underweight the stock relative to the benchmark negatively impacted relative performance.

Market Review

Despite a strong international lead, Australian shares range-traded for much of the December quarter against a backdrop of mixed sentiment, before a small Santa Claus rally at year-end led the S&P/ASX 200 index to finish up by 2.09% on a total return basis. Economic data released throughout the quarter was generally consistent with a strong bounce-back following the removal of various Delta-wave lockdowns and restrictions prior to the period, though inflation continued to rise. The latest new COVID-19 variant, Omicron, meanwhile added uncertainty, though state governments have so far been somewhat more restrained with reintroducing restrictions amid high vaccination rates, as well as growing fatigue towards restrictions in general from the public. Given the global inflationary environment, speculation on future interest rate rises was a theme, which impacted sentiment towards some sectors. At a sector level, materials and utilities were the clear outperformers, likely owing respectively to rising commodity prices and a growing search for shelter from inflation. Energy and information technology (IT) meanwhile pulled back over the period, as some pessimism spilled over from global markets amid ongoing supply constraints as well as some specific overseas IT company issues.

Outlook

With national vaccination levels now high and international borders more open (albeit with some limitations and restrictions), businesses confidence has improved significantly relative to earlier in the pandemic. However, this continues to be complicated by different attitudes towards reopening between state governments, which will continue to undermine confidence until resolved. Similar to overseas, domestic inflation remains a concern, with the Reserve Bank of Australia (RBA) now subtly suggesting it may raise rates a little earlier than initially expected, though also reiterating it will not be rushed. Corporate earnings and growth, meanwhile, remain generally solid. Stepping back to a longer-term timeframe, we believe the market will ultimately continue to rise, though with some bumps on the way, as is usually the case. We continue to believe investors should be selective and, as always, maintain a longer-term perspective.

Availability

Product Name	APIR
Flexible Lifetime - Investments (Series 1)	AMP0018AU*
Flexible Lifetime - Investments (Series 2)	AMP1394AU*
SignatureSuper	AMP2047AU*
SignatureSuper - Allocated Pension	AMP2048AU*
SignatureSuper Term Pension	AMP2048AU*

*Closed to new investors

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