



AMP Capital Equity Income Generator

Quarterly Investment Option Update

31 December 2021

Aim and Strategy

To provide annual dividend income (including franking credits) above the dividend income of the performance benchmark, the S&P/ASX 200 Accumulation Index (adjusted to include franking credits). The option also aims to provide a total return (including franking credits) in excess of the performance benchmark on a rolling 5 year basis. The option invests in an actively managed portfolio of Australian securities listed, or about to be listed, on the Australian Securities Exchange. The strategy also aims to provide these returns with a lower volatility than the broader Australian equity market.

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	2.65
Australian Shares	84.33
Listed Property and Infrastructure	10.83
Cash	2.19

Sector Allocation	%
Materials	24.47
Financials	21.96
Health Care	14.27
Consumer Discretionary	9.51
Real Estate	8.34
Industrials	5.30
Consumer Staples	4.94
Utilities	3.40
Energy	2.87
Communication Services	2.75
Cash	2.19

Top Holdings	%
BHP Group Ltd	5.62
Westpac Banking Corp	5.24
IGO Ltd	3.82
South32 Ltd	3.54
Genworth Mortgage Insurance Au	3.51
Metcash Ltd	3.49
National Australia Bank Ltd	3.26
Estia Health Ltd	3.24
Brickworks Ltd	3.16
Regis Healthcare Ltd	3.11

Fund Performance

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 with our fund strongly outperforming that. 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.

Portfolio Positioning

The Fund finished 2021 with a very strong month, significantly outperforming compared to the benchmark for the month and year. The Fund benefited from the markets value rotation initiated by the expectation interest rates will pick up and growth stocks will sell off. In December 2021, there was a sharp sell-off in zero profit technology stocks, which the portfolio does not invest in, which contributed to relative outperformance. The period was also characterised by the continuing surge in electric vehicle related stocks, with holdings in Syrah Resources, Mineral Resources and IGO all contributing strongly to performance. Dividend resumption continues and there have been a number of attractive specials and off-market buybacks to boost the franking levels for domestic investors. We continue to favour the sectors and stocks which provide a desirable mix of good dividend growth potential and leverage to an economic recovery. The Fund aims to invest in sectors and companies with reliable income streams and/ or reasonable dividend growth prospects in the medium term. This underpins the objective of delivering a stable tax-effective income to investors and ultimately creates a more robust portfolio during different market cycles.

Market Review

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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 2)	AMP2044AU**
SignatureSuper	AMP9039AU
SignatureSuper - Allocated Pension	AMP9040AU

**Closed to new and existing investors

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