

# Alphinity Australian Share

Quarterly Investment Option Update

31 December 2021

## Aim and Strategy

The strategy aims to outperform its benchmark over rolling five-year periods. The strategy is managed by Alphinity who seeks to build a portfolio of Australian shares listed on the Australian Securities Exchange that is well diversified across different industries and sectors and aims to meet the strategy's investment objectives in a risk-controlled manner. The strategy is intended for investors who are happy to invest for at least five years, are seeking high levels of return and are comfortable with high volatility, including the possibility of periods of negative returns.

## Investment Option Performance

To view the latest investment performances for each product please visit [amp.com.au/performance](http://amp.com.au/performance)

## Investment Option Overview

<b>Investment Category</b>	Aust. Shares
<b>Suggested Investment timeframe</b>	At least 5 years
<b>Relative risk rating</b>	7 / Very High
<b>Investment style</b>	Growth

Asset Allocation	Benchmark (%)	Actual (%)
Australian Shares	100%	98.15%
Derivatives	0%	0.00%
Cash	0%	1.85%

Sector Allocation	%
Consumer Discretionary	7.79
Consumer Staples	4.45
Energy	5.89
Financials Ex Property	34.13
Health Care	10.72
Industrials	6.00
Information Technology	1.18
Materials	20.94
Property Trusts	4.52
Telecommunication Services	2.53
Utilities	0.00

Top Holdings	%
BHP Group Limited	8.10
Commonwealth Bank Of Australia	7.37
National Australia Bank Limited	6.40
CSL Limited	5.97
Macquarie Group Ltd	5.78
Goodman Group	3.84
Australia And New Zealand Banking Group Ltd	3.74
Woolworths Group Ltd	3.09
Aristocrat Leisure Limited	3.05
James Hardie Industries PLC. CDI	2.70

## Portfolio Summary

- For the quarter ending December 2021, the portfolio outperformed the benchmark. Before fees the fund returned 2.73%.
- Key contributors to performance include Lynas Rare Earths, Goodman Group and Afterpay Touch Group (not held).
- Key detractors were Santos Ltd, Medibank Private and Fortescue Metals (not held).

## Investment Option Commentary

The Fund outperformed the market in the December quarter and for the whole of 2021. The best contributors were miner Lynas Rare Earths, industrial property developer Goodman Group, global asset manager Macquarie Group, and plumbing products manufacturer Reliance Worldwide. Being underweight Westpac and not owning credit provider Afterpay also helped returns substantially. The only meaningful detractors were gas exploration company Santos and not owning iron ore miner Fortescue Metals Group.

## Market Commentary

One of the more reliable phenomena in global markets is the Santa Claus Rally, during which markets generally rise strongly in the few weeks before Christmas. Like all such seasonal market trends, it happens every year except for when it doesn't. This year he was very late, the rally only starting on December 21st. Was he stuck in quarantine? The Australian market (ASX300 including dividends) was up 2.7% in December itself but only 2.2% over the quarter, closing out a nicely positive 2021. It recorded rises in ten months; only September and November saw small falls. Global markets did a bit better than the Australian market over the quarter, with gains of 9% in the US and 5% in Europe and the UK. Asia lagged however, with Japan and Hong Kong 6% lower.

Commodity prices were generally firm over the December quarter. The bulks diverged somewhat, with Thermal Coal off 26% from its spike in September although at \$US170/tonne it is still considerably higher than the ~\$80 at which it started the year.

Oil prices were fairly flat although there were some huge intra-month swings, more than 10% in each direction, as demand expectations swayed with Omicron fear and relief. From a sectoral viewpoint, the best returns came from Mining, Materials and Utilities, each of which returned 10% or more, while Energy stocks were the weakest, losing 8% and underperforming the oil price. Tech and Financials were also notably weaker, falling 5% and 3% respectively.

## Outlook

Following a year of pleasing returns, especially for cyclical stocks, and with some cracks emerging in the trend of relentless outperformance of expensive growth stocks, a well-diversified portfolio with a firm quality and/or defensive bias seems like a good place to start the new year.

As Alphinity look into 2022, they will be mindful of macro events such as those described above but primary focus will remain on owning individual companies with their own performance drivers as, in Alphinity's experience, these tend to have a more reliable ability to add value than trying to get the big-picture issues right. January is usually a quiet news period for domestic companies, most of the time any big moves that take place will be

generated by developments offshore. The interim reporting season in February however will be an important time.

## Availability

Product name	APIR
SignatureSuper*	AMP0805AU
SignatureSuper Allocated Pension*	AMP1164AU
SignatureSuper Term Pension*	AMP1164AU

\*Closed to new investors

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