

Specialist Australian Share

Quarterly Investment Option Update

30 June 2022

Aim and Strategy

The strategy aims to provide total returns (income and capital growth) after investment fees and before tax, above the S&P/ASX 300 Accumulation Index on a rolling 3-year basis by using a multi-manager approach.

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 this 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	Multi-manager
Asset Allocation	Benchmark (%)
Australian shares	100
Cash	0

Actual Allocation	%
International Shares	1.74
Australian Shares	91.61
Listed Property and Infrastructure	4.10
Cash	2.55

Sector Allocation	%
Financials	27.58
Materials	21.07
Health Care	10.31
Energy	8.57
Consumer Discretionary	8.24
Communication Services	5.49
Consumer Staples	4.24
Industrials	3.53
Information Technology	3.50
Real Estate	3.37
Cash	3.00
Utilities	1.10

Top Holdings	%
BHP Group Ltd	5.48
Woodside Energy Group Ltd	4.99
CSL Ltd	4.97
COMMONWEALTH BANK AUST	4.54
QBE Insurance Group Ltd	3.15
NATIONAL AUSTRALIA BANK	2.94
MACQUARIE GROUP LTD	2.59
Rio Tinto Ltd	2.48
Alumina Ltd	2.35
WESTPAC BANKING CORP	2.27

Fund Performance

The Fund posted a negative return in the June quarter, underperforming the benchmark (before fees). Our underlying managers' performance was mixed in relative terms, though all struggled in absolute terms amid broad market falls. Alphinity and Macquarie (formerly managed by AMP Capital) outperformed, while Allan Gray and ECP underperformed. Overall, the Fund continues to outperform its benchmark over the longer term, including over 2, 3 and 5 years, and since inception (all returns before fees).

Stock selection was negative for the quarter, though allocation was positive. An overweight to energy stocks aided the relative return as the sector outperformed on the back of strong price rises.

Significant contributions to relative return came from overweight holdings in QBE, Woodside Energy and Worley. QBE shares rose (+6%) over the period, as insurance rate increases continued to flow through to earnings despite increased broader economic uncertainty. Woodside Energy shares closed the quarter slightly lower (-1%), though significantly outperformed the broader market, buoyed by sentiment towards the energy sector. Worley shares meanwhile gained (+10%) over the quarter, helped by the announcements of new contracts and agreements. The portfolio's small cash allocation also contributed positively amid falling markets.

Significant detractors from the relative return included overweights to Sims, Alumina and Megaport. Shares in scrap metal recycler Sims fell heavily (-36%), with the business announcing later in the period it was settling a class action, alleging a breach of the Corporations Act in prior years, with a payment of \$29.5 million. Alumina shares fell steadily through the period (-27%) amid declining material prices. Megaport shares plunged (-61%) over the quarter, with the company releasing a disappointing quarterly report in April.

Market Review

Australian shares fell significantly over the June quarter on the back of broader global falls, with the S&P/ASX 200 index returning -11.9% (on a total return basis) for the period. Similar to international shares, Australian share prices continued to be driven by rising interest rates, higher inflation and fears of recession. Australian corporate earnings, which are weighted towards financials largely on the back of residential property, also added to concern as the housing sector came under further pressure amid the rising rate environment. A number of major home builders also experienced financial strife during the period, further impacting confidence. On the positive side, Australia's economy continues to reap benefits from high commodity prices, particularly coal, which recently overtook iron ore as our largest export. However, a turbulent, struggling energy market, not helped by the war in eastern Europe, impacted energy stocks over the period. At a sector level, information technology (IT) was the weakest performer as the segment continued its global correction which began in 2021. Real estate and financials also struggled over the quarter. Relatively better performance meanwhile was seen in more defensive sectors, such as utilities and healthcare.

Outlook

Corporate earnings growth in Australia remains reasonably strong, with earnings and dividends still growing, though at a slightly reduced rate. Cost pressures however are impacting businesses and, in many cases, are being passed onto the customer. The broader economy exhibits strong employment levels and terms of trade, however consumers' ability to spend is falling as interest rates rise. Like overseas markets, inflation remains a prime concern, reflected by a hawkish RBA. The downturn in housing is also a concern for equity markets as interest rates rise. Longer-term, we believe the market will continue its upwards path, with volatility in the shorter-term likely to provide opportunities along the way.

Availability

Product Name	APIR
Flexible Lifetime - Investments (Series 1)	AMP0854AU**
Flexible Lifetime - Investments (Series 2)	AMP1410AU**
SignatureSuper	AMP0797AU
SignatureSuper - Allocated Pension	AMP1150AU
SignatureSuper Term Pension	AMP1150AU

**Closed to new and existing investors

Contact Details

Web: www.amp.com.au

Email: askamp@amp.com.au

Phone: 131 267



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