

# AMP Capital Equity

Quarterly Investment Option Update

30 September 2022

## 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 this product, please visit [www.amp.com.au/performance](http://www.amp.com.au/performance)

## Investment Option Overview

<b>Investment category</b>	Australian Shares
<b>Suggested minimum investment timeframe</b>	5 years
<b>Relative risk rating</b>	6 / High
<b>Investment style</b>	Active
<b>Manager style</b>	Single

<b>Asset Allocation</b>	<b>Benchmark (%)</b>
Australian shares	100
Cash	0

<b>Actual Allocation</b>	<b>%</b>
International Shares	3.58
Australian Shares	79.09
Listed Property and Infrastructure	7.71
Cash	9.62

<b>Sector Allocation</b>	<b>%</b>
Financials	28.27
Materials	23.96
Health Care	10.05
Energy	6.55
Consumer Discretionary	6.28
Real Estate	5.96
Industrials	5.86
Consumer Staples	4.50
Communication Services	3.78
Information Technology	3.08
Utilities	1.32
Cash	0.39

## Fund Performance

Key contributors to performance for the quarter included overweight positions in Pilbara Minerals, IGO and Whitehaven Coal and an underweight position in Ramsay Health Care.

Lithium prices continued to be strong and positive outlook remains for the sector as supply is remains tight, benefiting Pilbara Minerals and IGO, which outperformed for the period. Coal producer Whitehaven Coal outperformed as coal prices rose, driven by the global energy crunch and continued supply constraints. Australian multinational healthcare provider Ramsay Health Care saw some share price weakness for the period, after announcing takeover talks with a consortium led by private equity firm KKR had ceased.

Detractors from relative performance for the quarter included underweight positions in Oz Minerals, Ansell and Brambles. Copper mining company Oz Minerals performed strongly for the period, after receiving a takeover bid from BHP for \$25 (a premium of 32% to its price at the time of the bid). The Board subsequently rejected this bid, saying it significantly undervalued the company, and refused to allow BHP to conduct due diligence.

## Market Review

Australian shares rose through the first half of the September quarter, before pulling back by the end of the period, to finish up by just 0.4%, as measured by the S&P/ASX 200 index (on a total return basis). Dividends were responsible for the positive return, as on a price basis the market was in the red. Earlier in the quarter, optimism grew on hopes the RBA, along with other central banks, may not have to be quite as hawkish as expected, given some evidence inflation may be near a peak. While earnings reports in August showed reasonable earnings growth, outlooks from companies unsurprisingly called out cost pressures as a headwind in the difficult climate. Sentiment then waned through the latter stages of the quarter, as central banks overseas reaffirmed hawkish stances and resolve to prioritise addressing high inflation. In regard to sector performance, energy was the standout performer amid continued price rises, while the interest rate-sensitive utilities and real estate sectors performed poorly.

## Outlook

Corporate earnings growth in Australia remains reasonable, though should be considered in real terms, given the ongoing high levels of inflation. Businesses remain focussed on cost pressures, which in many cases are being passed onto customers. Similar to overseas markets, inflation remains a prime concern, as consumers' ability to spend is gradually coming under more pressure amid continued rate hikes from the Reserve Bank of Australia (RBA). Meanwhile, the sharp downturn in Australian residential housing, where valuations remain very high despite recent falls, may continue for some time yet as interest rates normalise. However, the RBA has started slowing the pace of hikes in the last meeting, and current inflation and wage growth pressures are less prominent in Australia compared to other developed markets. Over the long-term, we believe the Australian shares will continue to rise, with volatility in the shorter-term likely to provide more opportunities.

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## Availability

Product Name	APIR
Flexible Lifetime - Investments (Series 1)	AMP0018AU**
Flexible Lifetime - Investments (Series 2)	AMP1394AU**

\*\*Closed to new and existing investors

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