



# Specialist Geared Australian Share

Quarterly Investment Option Update

31 December 2023

## Aim and Strategy

The strategy aims to provide high returns over the long term through geared exposure to securities listed on the Australian Securities Exchange by using a multi-manager approach. The objective of the investment portfolio before gearing is applied is to provide a total return (income and capital growth) after investment fees and before tax, above the S&P/ASX 200 Accumulation Index on a rolling 3-year basis. The portfolio invests in a diversified portfolio of equities listed on the Australian Securities Exchange (ASX). The investment portfolio is geared, which allows it the ability to borrow in order to increase the amount that can be invested. The aim of gearing is to contribute more capital and to provide greater exposure to the Australian share market. Underlying managers are also permitted to purchase up to 5% in international listed securities, where those securities are also listed on the ASX. The strategy may also invest up to 10% in cash. However, in certain market conditions the strategy may hold higher levels of cash. Any currency exposure will be hedged back to Australian dollars using derivatives, and they may also be used to gain equity market exposure.

## 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>	7 years
<b>Standard Risk Measure</b>	7/Very High
<b>Investment style</b>	Active
<b>Manager style</b>	Multi-manager

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

<b>Actual Allocation</b>	<b>%</b>
Australian Shares	78.91
Property	5.44
Global Shares	5.07
Cash	10.58

<b>Sector Allocation</b>	<b>%</b>
Materials	20.51
Financials	20.48
Cash	10.58
Consumer Discretionary	10.19
Health Care	8.93
Industrials	7.02
Communication Services	6.63
Real Estate	5.46
Energy	4.72
Information Technology	3.52
Consumer Staples	1.47
Utilities	0.50

<b>Top Holdings</b>	<b>%</b>
BHP Group Ltd	10.34
CSL Ltd	7.61
National Australia Bank Ltd	5.07
TELSTRA GROUP LTD	3.61
Commonwealth Bank of Australia	3.51
Macquarie Group Ltd	3.34
Rio Tinto Ltd	3.27
Woodside Energy Group Ltd	3.06
Aristocrat Leisure Ltd	3.04
James Hardie Industries PLC	2.84

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## Fund Performance

The Fund posted a strong positive return and significantly outperformed its benchmark in the December quarter, mainly due to the impact of gearing. Of the Fund's three underlying managers, all gained ground, with Vinva also outperforming the benchmark whereas DNR Capital and Macquarie lagged somewhat. The Fund continues to deliver robust returns over the medium to long-term, and has outperformed its benchmark over 1 year, 3 years and 5 years.

Sector allocation detracted from relative returns, however this was partially outweighed by stock selection which added value overall. Regarding sector allocation, the Fund's cash holding detracted most, with an overweight position in consumer discretionary as well as being underweight in materials hampering relative returns. On the flipside, an underweight exposure to consumer staples was the main contributor. Stock selection was strongest in materials, however financials positions were the main drag on returns.

The largest individual contributor to relative returns was an overweight position in building materials company James Hardie Industries (+38%), which surged after reporting solid results. The share price also found support from the improving outlook for housing in North America and benefitted from the prospect of interest rate cuts, which is buoying the environment for home builders. Other major contributors included the overweight holdings in online employment company SEEK (+21%) and Westfield-branded shopping centre operator Scentre Group (+22%).

The largest individual detractor from relative returns was an underweight exposure in iron ore miner Fortescue (+39%), which performed strongly as iron ore prices rose by around 20% during the quarter, driven by ongoing demand from China. Other major detractors included the overweight holdings in insurer QBE Insurance Group (-6%) and petroleum explorer and producer Woodside Energy Group (-15%).

## Market Review

Driven by a surge in global equities on the back of normalising inflation levels in Europe and the US, Australian shares finished the December quarter up by 8.4%, as measured by the ASX200 total return index. Market sentiment took a pronounced positive turn mid-quarter, as Australian equities began to price in a global soft-landing scenario, along with expectations for falling global interest rates in the coming months. This was despite continued weak domestic economic indicators, such as low levels of disposable income, poor consumer confidence, negative economic growth per-capita and moderately rising unemployment.

## Outlook

Corporate earnings in Australia remain reasonable, though should be considered in real terms, given ongoing inflation. Businesses remain focussed on cost pressures, which are generally being passed onto customers. While the economic climate remains difficult, the stability of Australian earnings and dividends over the long-term, and their ability to generate a growing, tax effective income stream should be kept in mind. Over the long-term, we believe Australian shares will continue to rise, with volatility being necessary to provide opportunities for greater returns.

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## Availability

Product Name	APIR
Flexible Lifetime - Investments (Series 1)	AMP0850AU**
Flexible Lifetime - Investments (Series 2)	AMP1416AU**
SignatureSuper	AMP0823AU
SignatureSuper - Allocated Pension	AMP1154AU
SignatureSuper Term Pension	AMP1154AU*

\*Closed to new investors

\*\*Closed to new and existing investors

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