

Alphinity Australian Share

Quarterly Investment Option Update

30 September 2019

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

Investment Option Overview

Investment Category	Aust. Shares
Suggested Investment timeframe	At least 5 years
Relative risk rating	6 / High
Investment style	Growth

Asset Allocation	Benchmark (%)	Actual (%)
Australian Shares	100%	98.11%
Cash	0%	1.89%

Sector Allocation	%
COMMUNICATION SERVICES	2.96%
CONSUMER DISCRETIONARY	4.02%
CONSUMER STAPLES	4.14%
ENERGY	4.12%
FINANCIALS EX PROPERTY	35.09%
HEALTH CARE	9.02%
INDUSTRIALS	10.56%
INFORMATION TECHNOLOGY	1.74%
MATERIALS	15.79%
PROPERTY TRUSTS	4.53%

Top Holdings	%
CSL LIMITED	7.76%
BHP GROUP LIMITED	7.37%
COMMONWEALTH BANK OF AUSTRALIA	7.07%
NATIONAL AUSTRALIA BANK LIMITED	5.41%
AUSTRALIA AND NEW ZEALAND BANKING GROUP LTD	5.13%
MACQUARIE GROUP LIMITED	4.64%
WESTPAC BANKING CORPORATION	4.23%
TRANSURBAN GROUP	3.41%
SANTOS LIMITED	3.40%
WESFARMERS LIMITED	3.03%

Portfolio Summary

- The investment option underperformed the ASX300 benchmark over the quarter and underperformed the benchmark on a year-on year basis.
- From an overall perspective Alphinity is relatively defensive. The investment team need to remain focused on identifying companies with superior management, able to manage industry challenges and take best advantage of opportunities that arise. Alphinity remains confident that applying our investment process will keep uncovering these opportunities.

Investment Option Commentary

The investment option's performance was a little below the market in the September quarter. The companies which contributed most to performance were gas explorer Santos, global wine producer Treasury Wine Estates, gas explorer Beach Energy; not owning diversified resource company South 32 also added value. These were more than offset by performance headwinds from resource exposures BHP Group and Iluka Resources; being underweight gold producer Newcrest and not owning property developer Lendlease also hurt a little.

Market Commentary

The Australian and global equity markets continue to oscillate between worrying about slowing economic growth and anticipating the positive impact on equity valuations to come from reduced interest rates and, potentially, the positive impact of the lower rates on the trajectory of economic growth. Significant monetary stimulus across the globe in 2019 has been the primary reason behind strong equity market returns year to date. The US Federal Reserve Bank's change in heart, going from raising short term interest rates as recently as December last year to cutting rates in July and again more recently has been matched by two rate cuts by the Reserve Banks of both Australia and New Zealand, not to mention the reversion to quantitative easing by the European Central Bank.

Outlook

The Australian equity market is trading well above long term averages and, from the manager's perspective, this has been largely driven by low interest rates rather than any signs of a positive inflection point in corporate profit growth. While any truce in the trade war has the potential to reduce growth concerns, the manager believes a relatively defensive stance for the portfolio is warranted. The question in the current environment however is: what is defensive? Growth stocks which are trading at close to record multiples? Bond proxies which have attractive dividend yields compared to bonds, but only because those bond yields are at very low absolute levels? Or are cyclically challenged companies defensive as they generally trade well below cycle averages? The answer, in our view, is that the manager should continue to focus on owning companies and sectors that are providing earnings leadership.

Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP0345AU
AMP Flexible Super - Retirement account	AMP1617AU
AMP Flexible Super - Super account	AMP1608AU
CustomSuper	AMP0345AU
Flexible Lifetime - Allocated Pension	AMP0629AU
Flexible Lifetime - Term Pension	AMP0936AU
Flexible Lifetime Investment	AMP0834AU
Flexible Lifetime Investment (Series 2)	AMP1639AU
SignatureSuper	AMP0805AU
SignatureSuper Allocated Pension	AMP1164AU

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