

AMP Capital Equity

Quarterly Investment Option Update

31 December 2019

Aim and Strategy

To provide investors with long-term capital growth through investment in a portfolio of Australian securities, listed or about to be listed, on the Australian Securities Exchange. Investment is diversified across a range of industries and sectors, with a focus on the largest 200 companies. In constructing the portfolio, AMP Capital 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

Investment Option Performance

To view the latest investment performances for each product, please visit www.amp.com.au

Investment Option Overview

Investment category	Australian Shares
Suggested minimum investment timeframe	5 years
Relative risk rating	High
Investment style	Active
Manager style	Single

Asset Allocation	Benchmark (%)
Australian Shares	100
Cash	0

Actual Allocation	%
International Shares	3.18
Australian Shares	88.73
Listed Property and Infrastructure	6.96
Cash	1.13

Sector Allocation	%
Financials	29.58
Materials	18.09
Health Care	10.25
Industrials	8.19
Real Estate	7.06
Consumer Discretionary	6.70
Consumer Staples	5.67
Energy	5.44
Communication Services	3.53
Information Technology	2.53
Utilities	1.87
Cash	1.10

Top Holdings	%
COMMONWEALTH BANK AUST	7.73
CSL Ltd	6.87
BHP Group Ltd	6.32
Westpac Banking Corp	4.63
Australia & New Zealand Banking Group Ltd	4.00
National Australia Bank Ltd	3.81
Wesfarmers Ltd	2.52
Woolworths Group Ltd	2.49
Macquarie Group Ltd	2.43
Telstra Corp Ltd	2.28

Fund Performance

The Fund performed in line with the S&P/ASX 200 Accumulation Index over the December quarter, primarily due to a positive contribution from our positioning in the health care sector. It maintained a neutral exposure to both risk appetite and market beta.

The largest positive stock-level contributor came from an overweight position in A2 Milk, which experienced a marked rise in its share price during the quarter. At the AGM in November, the company released solid first-half revenue guidance and upgrades to EBITDA margins for FY20. In addition, they have been able to extend their manufacturing and supply agreements with Synlait Milk.

The largest stock-level detractor came from an overweight position in Jumbo Interactive, which experienced a major share price fall over the quarter. Despite inclusion in the ASX200 during the quarter, the company share price experienced a negative rerating. The December release of its half-yearly trading update disappointed the market. While revenue was in line with expectations, profit margins weren't as good as expected.

The Fund is characterised as being a highly diversified portfolio with a breadth of stock holdings. Across the sectors, the Fund's largest overweights are towards energy and utilities, whilst it is underweight on the real estate and consumer discretionary sectors.

Market Review

Australian shares finished the December quarter slightly higher, returning 0.68% as measured by the S&P/ASX200 index on a total return basis. Stripping the effect of dividends out of the return, the market's performance was effectively flat for the period. Shares were generally flat early in the quarter, before rising in November amid bullish broader global sentiment. Subsequently, the market gave up some of these gains in December on a lack of material company news and some end-of-year profit taking. At a sector level, health care was the standout performer, though energy and information technology stocks were also generally strong. Financials however pulled the market down, as did consumer staples to a lesser degree.

Outlook

Australian shares are likely to continue to be largely driven by global markets, despite constrained growth in Australia. The government is thus likely to introduce accommodative policy changes and the Reserve Bank of Australia (RBA) will likely experience increasing pressure to further reduce the interest rate, particularly as inflation remains below target. The Governor of the RBA has indicated quantitative easing may be considered once the cash rate reaches 0.25%. The consensus is this threshold will likely be reached sometime in 2020 (despite the RBA's optimism) and is thereby supportive for Australian shares.

Despite some expensive-looking pockets, valuations remain reasonable, particularly when compared against low bond yields. Supportive Australian monetary and fiscal policy should support market over the medium term. Investors are likely to continue to benefit by being highly selective and focussing on companies with robust business fundamentals.

Availability

Product Name	APIR
AMP Flexible Lifetime Super	AMP0468AU*
AMP Flexible Super - Retirement account	AMP1324AU*
AMP Flexible Super - Super account	AMP1454AU*
CustomSuper	AMP0468AU*
Flexible Lifetime - Allocated Pension	AMP0598AU*
Flexible Lifetime - Investments (Series 1)	AMP0018AU*
Flexible Lifetime - Investments (Series 2)	AMP1394AU*
Flexible Lifetime - Term Pension	AMP0898AU*
SignatureSuper	AMP2047AU*
SignatureSuper - Allocated Pension	AMP2048AU*

*Closed to new investors

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