

# AMP Capital Equity Income Generator

Quarterly Investment Option Update

31 March 2020

## Aim and Strategy

To provide annual dividend income (including franking credits) above the dividend income of the performance benchmark, the S&P/ASX 200 Accumulation Index (adjusted to include franking credits). The option also aims to provide a total return (including franking credits) in excess of the performance benchmark on a rolling 5 year basis. The option invests in an actively managed portfolio of Australian securities listed, or about to be listed, on the Australian Securities Exchange. The strategy also aims to provide these returns with a lower volatility than the broader Australian equity market.

## Investment Option Performance

To view the latest investment performances for each product, please visit [www.amp.com.au](http://www.amp.com.au)

## Investment Option Overview

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

Asset Allocation	Benchmark (%)
Australian Shares	100
Cash	0

Actual Allocation	%
International Shares	2.97
Australian Shares	85.87
Listed Property and Infrastructure	6.41
Cash	4.74

Sector Allocation	%
Financials	23.56
Materials	13.62
Industrials	13.13
Consumer Discretionary	10.79
Communication Services	9.43
Utilities	6.69
Health Care	6.08
Energy	4.79
Cash	4.75
Real Estate	4.66
Consumer Staples	2.49

Top Holdings	%
Aurizon Holdings Ltd	6.65
BHP Group Ltd	5.20
Westpac Banking Corp	4.78
Telstra Corp Ltd	4.74
Commonwealth Bank of Australia	4.42
QBE Insurance Group Ltd	3.91
Crown Resorts Ltd	3.77
APA Group	3.38
Investec Australia Property Fu	3.15
TPG Telecom Ltd	3.13

## Fund Performance

Australian shares were hit heavily by the COVID19 crisis in March, falling by 20.7%, as measured by the S&P/ASX200 index on a total return basis. Fears grew during the month that the virus would cause a very sharp economic recession and this, in some cases, manifested in indiscriminate panic selling, particular mid-month. While the virus (and its associated lockdowns) will obviously have a significant and sharp effect on earnings, it is still the general (and a mostly logical) consensus that this will be temporary in nature, although the timeframe is hard to accurately forecast. Positively, some areas of apparent good value emerged from the broad sell-down, albeit many companies withdrew their forward guidance given a lack of earnings visibility and flagged dividend cuts. Also positive for shares, the Australian government announced an enormous amount of targeted fiscal stimulus, totalling around A\$200 billion or 10% of GDP, which is nearly double that of the stimulus injected in the Global Financial Crisis. The RBA also cut the official cash rate to 0.25% and announced low-cost funding for banks, at 0.25% for three years.

## Portfolio Positioning

Coronavirus (COVID-19) has created a very challenging and unnerving time for communities and investors. Prior to the outbreak, the Fund was positioned defensively and conservatively given stretched company valuations. Now, given the significant pullback in the market, we are rotating out of these defensive companies into more cyclical companies we believe are set to potentially benefit from an economic recovery. The Fund aims to invest in sectors and companies with highly defensible income streams and or reasonable dividend growth prospects This underpins the objective of delivering a stable tax-effective income to investors and ultimately creates a more robust portfolio in uncertain times. Relative to the benchmark, we are overweight telecommunications, industrials and utility stocks, as we like the resilience of the earnings in these businesses and their ability to pay reliable dividends. We are underweight on healthcare, due to their low dividend levels and banks, as we believe their dividends will come under further pressure later in the year.

## Market Review

Australian shares were hit heavily by the COVID-19 crisis in the March quarter, falling by 23.1%, as measured by the S&P/ASX200 index on a total return basis. This was despite a strong performance in January which led to record highs being touched early in the quarter, before fears grew around the COVID-19 virus and the likely sharp economic downturn it has caused. This resulted in large amounts of indiscriminate panic-selling, particularly during mid-to-late quarter. While the virus and its associated lockdowns are causing a significant and sharp effect on earnings, it is still the general (and a mostly logical) consensus that this will be temporary in nature, although the timeframe is hard to accurately forecast. Nonetheless, some areas of apparent good value emerged from the broad sell-down, albeit many companies withdrew their forward guidance given a lack of earnings visibility and flagged that dividends may be impacted. Positive for shares, the Australian government announced an enormous amount of targeted fiscal stimulus, totalling around A\$200 billion or 10% of GDP, which is nearly double that of the stimulus injected during the Global Financial Crisis. The RBA also cut the official cash rate to 0.25% and announced low-cost funding for banks, at 0.25% for three years.

## Outlook

Australian shares will likely remain to be strongly influenced by global markets, as the impact of the COVID-19 virus plays out. Australia's economic growth is likely to sharply fall, though similar to its international peers, this is likely to be temporary and bounce back at some stage. Valuations now appear significantly cheaper after the recent virus-related falls and relative to low bond yields, though given the lack of earnings visibility over the shorter term, a degree of caution is appropriate. Highly supportive Australian monetary and fiscal policy should also aid markets over the medium term.

## Availability

Product Name	APIR
AMP Flexible Lifetime Super	AMP9036AU
AMP Flexible Super - Retirement account	AMP9037AU
AMP Flexible Super - Super account	AMP9035AU
CustomSuper	AMP9036AU
Flexible Lifetime - Allocated Pension	AMP9038AU
Flexible Lifetime - Investments (Series 2)	AMP2044AU
SignatureSuper	AMP9039AU
SignatureSuper - Allocated Pension	AMP9040AU

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