

# Plato Australian Shares Income

Quarterly Investment Option Update

31 March 2020

## Aim and Strategy

To provide an annual gross yield (including franking) that exceeds the gross yield of the S&P/ASX200 Franking Credit Adjusted Daily Total Return Index (Tax Exempt). The fund also aims to outperform the benchmark before fees. The fund is a long-only equity income fund managed specifically for pension and superannuation investors. The fund takes advantage of income opportunities available in the Australian tax system that can specifically benefit low tax investors such as franking credits, special dividends and off market buy-backs.

The portfolio will invest in ASX listed entities and listed SPI futures and will typically hold between 50 and 120 stocks, with +/- 5% of the weight in the benchmark.

## Investment Option Performance

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

## Investment Option Overview

|                                       |                   |
|---------------------------------------|-------------------|
| <b>Investment Category</b>            | Australian Shares |
| <b>Suggested Investment timeframe</b> | 5 to 7 years      |
| <b>Relative risk rating</b>           | 6 / High          |
| <b>Investment style</b>               | Value             |
| <b>Manager style</b>                  | Single Manager    |

| Asset Allocation  | Benchmark (%) | Actual (%) |
|-------------------|---------------|------------|
| Australian Shares | 100           | 97.5       |
| Cash              | 0             | 2.5        |

| Sector Allocation           | %     |
|-----------------------------|-------|
| Energy                      | 3.25  |
| Industrials                 | 5.38  |
| Materials                   | 20.87 |
| Consumer Discretionary      | 7.52  |
| Consumer Staples            | 9.19  |
| Healthcare                  | 12.83 |
| Financials (ex Property)    | 27.09 |
| Property                    | 4.00  |
| Information Technology      | 0.66  |
| Telecommunications Services | 3.95  |
| Utilities                   | 2.75  |

| Top Holdings                   | %    |
|--------------------------------|------|
| Commonwealth Bank of Australia | 10.7 |
| CSL                            | 8.2  |
| BHP Group                      | 7.5  |
| Australia and New Zealand Bank | 6.7  |
| Woolworths                     | 6.2  |
| Rio Tinto                      | 4.5  |
| Macquarie Group                | 4.0  |
| Telstra Corporation            | 3.6  |
| Wesfarmers                     | 3.4  |
| Aristocrat Leisure             | 2.0  |

## Portfolio Summary

- Plato's proprietary long-term factors were mixed in Q1 our earnings and price momentum factors outperforming in contrast to their value factor. Quality was neutral during the quarter.
- After hitting a high on the 20th February, the Australian market fell 36% until the 23rd March before staging a late, albeit volatile rally to finish 23.1% lower over the quarter, in line with global market falls as COVID-19 spread throughout Europe and the United States and was officially declared a global pandemic.
- The investment option remains actively positioned to deliver superior income / franking whilst also being able to allocate to companies who are providing solid capital returns.

## Investment Option Commentary

Plato's proprietary long-term factors were mixed in Q1 our earnings and price momentum factors outperforming in contrast to our value factor. Quality was neutral during the quarter. Our run-up model was slightly negative during the quarter. In total, our Income Strategies outperformed the benchmark by 0.9% after tax during the quarter.

In terms of sector performance, the investment option gained alpha in the Property Trusts and Mining sectors but lost relative performance in the Industrials and Financials sectors. Overweight positions in Rio Tinto, Woolworths and Resmed as well as underweight positions in Scentre and OilSearch aided relative returns. In contrast, overweight positions in Qantas, Santos and Macquarie as well as underweights in CSL and A2 Milk detracted from relative performance.

The strategy has added 1.09% more franking credits than the S&P/ASX 200 Index over the last 12mths and 1.17% p.a. more franking credits since inception.

## Market Commentary

After hitting a high on the 20th February, the Australian market fell 36% until the 23rd March before staging a late, albeit volatile rally to finish 23.1% lower over the quarter, in line with global market falls as COVID-19 spread throughout Europe and the United States and was officially declared a global pandemic. This resulted in most countries instituting variations of lockdowns to stop the spread of the virus but with the side effect of severely hampering economic activity around the globe. Countries in East Asia first hit with the virus, have managed to control its spread and are restarting their economies to various degrees. The Reserve Bank of Australia responded by cutting interest rates by 50bps and launching quantitative easing which saw Australia's 10-year bond yield fall 62bps during the quarter to 0.76% and the Australian dollar followed suit falling 13% to 61 US cents. The best performing industries during the quarter were defensive in nature (particularly to the effects of COVID-19), Health Care, Consumer Staples and Utilities in contrast to the underperformance of Energy, Real Estate and Consumer Discretionary which are being massively affected by the social distancing measures employed across the globe.

## Outlook

The investment option remains actively positioned to deliver superior income / franking whilst also being able to allocate to companies who are providing solid capital returns.

## Availability

| Product name                          | APIR      |
|---------------------------------------|-----------|
| Flexible Super – Choice (Retirement)  | AMP1872AU |
| Flexible Super – Choice (Super)       | AMP1868AU |
| Flexible Lifetime – Allocated Pension | AMP1856AU |
| Flexible Lifetime – Super             | AMP1852AU |
| Signature Super                       | AMP1860AU |
| Signature Super – Allocated Pension   | AMP1864AU |

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