

AMP Capital Equity Income Generator

Quarterly Investment Option Update

30 June 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

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	5.84
Australian Shares	80.16
Listed Property and Infrastructure	12.63
Cash	1.36

Sector Allocation	%
Financials	22.23
Consumer Discretionary	12.49
Materials	11.97
Real Estate	11.81
Industrials	11.55
Communication Services	9.71
Energy	8.79
Health Care	3.69
Consumer Staples	3.43
Utilities	2.96
Cash	1.36

Top Holdings	%
Commonwealth Bank Australia	7.83
Aurizon Holdings Ltd	6.23
BHP Group Ltd	5.18
TPG Telecom Ltd	4.12
Telstra Corp Ltd	3.90
Crown Resorts Ltd	3.86
QBE Insurance Group Ltd	3.84
Oil Search Ltd	3.22
Virgin Money UK PLC	3.21
APA Group	2.96

Fund Performance

In line with global markets, Australian shares continued to rise in June, finishing the month up solidly. Economic indicators, such as business confidence, retail sales and trade figures, continued to signal the Australian economy is in recovery mode and this, combined with rising global markets, and significant stimulus remaining in place, drove Australian shares higher over the month. Similar concerns of recent months however remained, such as tensions with China, potential second waves of infections, a rising Australian dollar and still most pressingly, COVID-19's effect on company earnings. At a sector level, information technology, consumer discretionary and consumer staples all performed strongly, while real estate, industrials, energy and utilities fell slightly.

Portfolio Positioning

During June, we continued to preference holdings that we believe have more "COVID-safe" dividends. Overall, we are now slightly more defensively positioned, given the lockdown restrictions easing and the subsequent virus outbreak issues faced by Victoria. Until we see more evidence that earnings have stabilised and are recovering, we are likely to remain more cautious and defensively positioned. We remain tilted towards the telecommunication services and energy sectors, as we like the resilience of the earnings in many of these businesses and their ability to pay reliable dividends. We are meanwhile tilted away from healthcare relative to the broader market, due to low dividend levels currently on offer.

The Fund aims to invest in sectors and companies with highly defensible income streams and or reasonable dividend growth prospects in the medium term. This underpins the objective of delivering a stable tax-effective income to investors and ultimately creates a more robust portfolio in uncertain times

Market Review

In line with broader global markets, Australian shares recorded an extremely strong June quarter, as stocks rebounded from their lows experienced at the height of the COVID-19 related market panic in late March. The market finished the quarter up by 16.5%, as measured by the S&P/ASX 200 index on a total return basis. The relative success of Australia's COVID-19 containment measures, which saw authorities begin lifting mandatory lockdowns, combined with unprecedented fiscal stimulus drove the market's surge. Later in the quarter, economic indicators, such as business confidence, retail sales and trade figures, appeared to confirm the Australian economy was indeed in recovery mode. Amid all the bullishness, concerns of recent months however remained - and in some cases actually grew - such as tensions with China, potential second waves of infections (particularly in Melbourne), a rising Australian dollar and still most pressingly, COVID-19's effect on company earnings. The standout performer at a sector level was information technology (IT), which rose by a remarkable 48.7% during the period. This small, but fast-growing sector of the Australian economy appears to have benefitted in many ways from the COVID-19 crisis, as changing consumer behaviour and a shift towards online activities has led to increasing tailwinds for many IT businesses. Consistent with a rebound in the economy, defensive sectors underperformed.

Outlook

Australian shares will likely continue to be primarily driven by global markets. Like its international peers, Australia's economic growth has slumped, though evidence of a bounce-back is already emerging. Australia's greater degree of government stimulus (relative to other countries) should help support Australian shares, though there are some near-term risks, such as souring trade relations with China and a lack of earnings visibility for many companies. Given large price-rises since the March lows, we believe investors should be selective and, as always, keep an eye on the longer-term.

Availability

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

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