



AMP Capital Equity Income Generator

Quarterly Investment Option Update

30 September 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/performance

Investment Option Overview

Investment category	Australian Shares
Suggested minimum investment timeframe	5 years
Relative risk rating	6 / High
Investment style	Active
Manager style	Single

Asset Allocation	Benchmark (%)
Australian Shares	100
Cash	0

Actual Allocation	%
International Shares	4.73
Australian Shares	82.92
Listed Property and Infrastructure	10.63
Cash	1.72

Sector Allocation	%
Financials	21.82
Materials	15.76
Consumer Discretionary	13.72
Real Estate	10.63
Industrials	9.29
Consumer Staples	6.54
Health Care	6.00
Energy	5.64
Communication Services	5.32
Utilities	3.57
Cash	1.70

Top Holdings	%
BHP Group Ltd	6.25
Aurizon Holdings Ltd	4.85
National Australia Bank Ltd	4.34
COMMONWEALTH BANK AUST	3.58
APA Group	3.57
QBE Insurance Group Ltd	3.43
Coca-Cola Amatil Ltd	3.36
Australia & New Zealand Banking Group Ltd	3.24
Crown Resorts Ltd	3.13
Telstra Corp Ltd	2.75

Fund Performance

Australian shares pulled back in September, with the S&P/ASX 200 index finishing down by 3.66% on a total return basis. As usual, the main driver was global markets. The energy sector was particularly weak amid new lockdowns and COVID-19 concerns overseas, as well as generally high levels of supply. Financials also struggled over the month, as concerns remain around the phasing out of government income support payments as well as further potential falls in areas of the Australian property market. The health care sector was one of the few segments of the market to produce a positive return for the month, as traders continued to favour defensives in the current climate. Overall, many businesses in Australia are still struggling, particularly those more reliant on physical trading, open borders or strong financial markets. However, the unique COVID-19 environment has allowed other businesses to flourish amid significant changes in consumer dynamics. This, combined with significant underlying stimulus from the government, has resulted in significantly contrasting performances from business to business.

Portfolio Positioning

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 these uncertain times. Relative to the benchmark, we are overweight consumer discretionary and real estate, as we like the resilience and diversity of the earnings in some of those businesses and their ability to pay reliable dividends over the medium term. We are investing in companies whose earnings can sustain the changing and challenging trading environment which COVID-19 has created. We are significantly underweight healthcare and financials due to their low dividends on offer. We continue to favour the stocks which provide a desirable mix of reasonable dividends, good expected dividend growth and defensive characteristics against a challenging COVID-19 economic backdrop.

Market Review

Australian shares initially rose in July and August, before pulling back in September to end the quarter down by 0.44% as measured by the S&P/ASX 200 index, on a total return basis. Early to mid-quarter, Australian shares were driven by rising global markets, amid broader global optimism and the continued presence of massive levels of economic stimulus, with central banks (including the RBA) continuing to indicate they will do whatever is necessary to support economies. The August reporting season then saw the market rise further, with many companies beating unsurprisingly low consensus forecasts. Given the unique COVID-19 backdrop, as expected results were variable from business to business and across sectors. Information technology, healthcare, some of the miners, gold producers and even some consumer discretionary stocks reported relatively strong results, given the circumstances. Retailers focussed on e-commerce, rather than traditional bricks and mortar, also reported strong results. Meanwhile, airlines, other travel-related businesses and financials generally struggled. Late in the quarter, Australian shares fell alongside global markets, as concerns rose around continued and further lockdowns, such as those being experienced in Melbourne, which have now lasted longer than Wuhan's, where the virus originated.

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 has emerged in some sectors, supported by Chinese demand. 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 soured trade relations with China and a continued lack of medium-term earnings visibility for many companies. Given large price rises since the March lows, there may be an increased risk of corrections, though we believe the longer-term trend is likely to remain positive. We continue to believe investors should be selective and, as always, maintain a longer-term perspective.

Availability

Product Name	APIR
AMP Flexible Super - Retirement	AMP9037AU
AMP Flexible Super - Super	AMP9035AU
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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