

# AMP Capital Equity Income Generator

Quarterly Investment Option Update

31 December 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](http://www.amp.com.au/performance)

## 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	5.14
Australian Shares	88.31
Listed Property and Infrastructure	5.58
Cash	0.96

Sector Allocation	%
Financials	24.51
Materials	22.81
Consumer Discretionary	12.52
Industrials	7.45
Health Care	6.92
Energy	6.49
Real Estate	5.58
Communication Services	4.90
Consumer Staples	4.30
Utilities	3.54
Cash	0.96

Top Holdings	%
BHP Group Ltd	5.40
IGO Ltd	4.94
COMMONWEALTH BANK AUST	4.64
Telstra Corp Ltd	4.24
Crown Resorts Ltd	3.60
Aurizon Holdings Ltd	3.51
National Australia Bank Ltd	3.45
Australia & New Zealand Banking Group Ltd	3.37
Virgin Money UK PLC	3.21
Metcash Ltd	2.97

## Fund Performance

January was a reasonably quiet month for the Australian share market, with the Fund close to flat for the month. Australian shares managed a small gain of 0.31% in January, as measured by the S&P/ASX 200 index on a total return basis, as the domestic economy continued to recover from the lows of last year. Similar to international peers however, Australian markets experienced a tempering of the bullish sentiment seen in recent months, amid worsening COVID-19 numbers in the US and Europe and their associated impacts on the global economy. Broadly though, a cautious level of optimism remained, as markets treaded water for much of the period, before becoming more volatile towards month-end as a re-emergence COVID-19 came to light domestically, albeit an extremely low number of cases that appeared to be well contained. Individual sector performances were mixed, with the top performers including consumer discretionary and communication services, while sectors such as real estate, industrials, health care and materials underperformed.

## Portfolio Positioning

As we navigate the rollout of vaccines globally, we continue to favour the stocks which provide a desirable mix of reasonable dividends, good expected dividend growth and leverage to an economic recovery. During the month, we increased our weighting in the healthcare sector, having been light on the sector for most of last year. We are favouring the aged care names, as we see potential for improving fundamentals within the sector. We are also tilted towards the consumer discretionary and energy sectors, as we like their ability to leverage an economic rebound and to then pay reasonable dividends in the medium term. We are significantly tilted away from information technology due to the low dividend growth and yields on offer.

As we look ahead to February's financial reporting season, we will be monitoring closely for any large earnings per share changes or upgrades. The Fund aims to invest in sectors and companies with highly defensible income streams and or reasonable dividend growth prospects for the medium term. This underpins the objective of delivering a stable tax-effective income to investors and ultimately creates a more robust portfolio during different market cycles.

## Market Review

Australian shares had an extremely strong December quarter, rising by 13.70%, as measured by the S&P/ASX 200 index on a total return basis. Moves in the Australian share market broadly reflected optimistic sentiment around the globe. In October, stocks rose amid improving domestic economic indicators, as well as further stimulus measures introduced in the Australian Federal Budget. Victoria also announced its intention to "reopen" its economy after one of the harshest lockdowns so far seen. An RBA rate cut, combined with a quantitative easing programme announcement in the first week of November further spurred stocks, although the real booster came shortly after multiple successful vaccine trials were announced overseas, causing markets to surge. Victoria also continued to emerge from its second wave of COVID-19 cases, with the virus apparently all but eliminated across the state by the end of November. Towards the quarter's end, news-flow continued to centre around the rollout of COVID-19 vaccines, though continued solid economic indicators in the US and a Brexit deal finally being reached in the UK added further support. The Australian economy meanwhile moved out of recession and this, combined with improving consumer confidence, continued ultra-low interest rates and continued RBA quantitative easing, all helped push markets higher, even despite a new COVID-19 outbreak emerging in Sydney around Christmas time.

## Outlook

Australian shares will likely continue to be strongly influenced by global markets and events. Like its international peers, Australia's economic growth has slumped, though evidence of a bounce-back has emerged in some sectors as borders are opened, pandemic restrictions wound down, and GDP returns to some form of normalcy. Australia's greater degree of government stimulus (relative to other countries) and low COVID-19 cases from an international perspective should help support domestic shares, though there are continuing issues, such as soured trade relations with China and a continued lack of medium-term earnings visibility for many companies. Given the large price rises through most of 2020, 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.

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## 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

\*\*Closed to new and existing investors

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