

AMP Australian Share

Quarterly Investment Option Update

30 June 2016

Aim and Strategy

To provide a total return (income and capital growth) after costs and before tax, above the S&P/ASX 200 Accumulation Index on a rolling 12 month basis.

The portfolio uses a number of diverse styles including Enhanced Index, Core, Quant, Value and Sustainable Alpha styles to invest. The Enhanced Index approach takes on slightly higher levels of risk, relative to benchmark, than an indexed investment. The Core style is based on the belief that a key driver of share value is a company's ability to grow earnings. The Quant style uses a number of quantitative techniques to target pricing anomalies across a large number of shares using a highly disciplined investment process. The Value approach aims to identify companies that are currently undervalued in the belief that they will offer better returns. The Sustainable Alpha approach addresses environmental, social and governance issues as part of the financial assessment of companies.

Investment style: Multi-style

Investment Option Performance

To view the latest investment performances please visit www.amp.com.au

Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP0163AU
AMP Flexible Super - Retirement account	AMP1320AU
AMP Flexible Super - Super account	AMP1450AU
CUSTOM SUPER	AMP0163AU
Flexible Lifetime - Allocated Pension	AMP0591AU
Flexible Lifetime - Term Pension	AMP0891AU
Flexible Lifetime Investment	AMP0827AU
Flexible Lifetime Investment (Series 2)	AMP1389AU
Investment Linked Deferred Annuity	AMP0747AU
Investment Linked Regular Premium	AMP0246AU
METCASH SUPERANNUATION PLAN	AMP0163AU
MultiFund Flexible Income Plan	AMP0476AU
Signature Super	AMP0739AU
Signature Super Allocated Pension	AMP1129AU

Investment Option Overview

Investment category Australian Equities

Suggested investment timeframe 5-7 years

Relative risk rating High

Investment style Multi-style

Asset Allocation	Benchmark	Range (%)
Australian Shares	100	90-100
Cash	0	0-10

Top Ten Australian Securities	%
Commonwealth Bank of Australia	9.77
Westpac Banking Corp	6.16
National Australia Bank Ltd	5.23
Telstra Corp Ltd	5.11
Australia & New Zealand Banking Group Ltd	5.06
BHP Billiton Ltd	4.50
Westfield Corp	3.34
Goodman Group	2.76
Rio Tinto Ltd	2.68
APA Group	2.41

Industry Exposure	%
Financials	45.56
Materials	12.31
Health Care	7.84
Industrials	6.82
Telecommunication Services	6.33
Consumer Staples	5.05
Utilities	4.06
Consumer Discretionary	3.47
Cash	3.39
Energy	3.06
Information Technology	2.11

Portfolio Summary

- > The Option posted a positive return over the quarter but underperformed the benchmark.
- > The Option's relative underperformance was driven by both negative stock selection and sector allocation.
- > Australian shares are likely to improve from current levels as the effect from slumping resources profits washes through the market.

Investment Option Commentary

The Option posted a positive return over the quarter but underperformed the benchmark. The Option's relative underperformance was driven by both negative sector allocation and stock selection. In terms of sector allocation, the main detractor was an underweight allocation to the materials sector which was the strongest performer over the quarter. In terms of stock selection, the energy, financials and materials sectors were the main sources of underperformance. Stock selection in the information technology and health care sectors and underweight allocations to the consumer staples and financials sectors were the main contributors to relative performance. In terms of stocks, our best performing positions were a nil holding in Qantas Airways (-30.7%) and an overweight position in Cochlear (+18.5%). An overweight position in Henderson Group (-20.6%) and underweight positions in CSL (+10.6%), Aristocrat Leisure (+35.0%) and Newcrest Mining (+35.6%) were the main detractors.

Market commentary

Australia's S&P/ASX 200 Accumulation Index rose over the quarter, closing higher by 3.9%. The materials sector did particularly well amid improved commodity prices relative to the depths of early 2016. Australian economic figures are still generally positive yet unexciting, and the Reserve Bank of Australia seems to be maintaining a reasonably dovish undertone in their wording. International investors continue to be wary of macro-prudential intervention by governments and potential further changes to tax (though this is a risk to the positive-side too, particularly with smaller companies). Small caps yet again outperformed the broader market, returning 5.8% as measured by the S&P ASX Small Ordinaries Accumulation index.

Outlook

Australian shares are likely to improve from current levels as the ill effects from slumping resources profits wash through the market. Interest rates remain low and growth is gradually rebalancing away from the resources sector. However, Australian shares are likely to lag their global counterparts as a weak commodity backdrop weighs on growth for a while yet. Expect the ASX 200 to rise to around 5700 by end 2016.

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