

Plato Australian Share Income

Quarterly Investment Option Update

31 December 2017

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

Investment Option Performance

Investment performances are subject to product fees and where relevant tax as outlined in the product PDS. Therefore investment performance may differ between products. In addition, activity on your account such as contributions and deductions will also impact the investment performance specific to you. To view the latest investment performances for each product, please visit www.amp.com.au. You can also view the last investment performance specific to you by visiting your My Portfolio account.

Contact Us

Web: www.amp.com.au

Email: askamp@amp.com.au

Phone: 133 267 (Mon. to Fri. 8:00am to 8:00pm AEST)

Overview

Aim & Strategy: To provide an annual gross yield (including franking) that exceeds the gross yield of the S&P/ASX 200 Franking Credit Adjusted Daily Total Return Index (Tax-Exempt) ('Benchmark') after fees. The portfolio also aims to outperform the Benchmark after fees.

The Plato Australian Shares Income Fund ('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 S&P/ASX 200 weighting.

Investment category: Australian equities

Suggested Investment Timeframe: 3 to 5 years

Relative Risk Rating: High

Investment Style: Active / Quantitative

Asset Allocation	Benchmark (%)	Range (%)
100%	S&P/ASX 200 Franking Credit Adjusted Daily Total Return Index (Tax-Exempt)	1-4% Tracking Error

Holdings

Industry Exposure	%
Energy	5.18%
Materials-X-Metals & Mining	4.58%
Metals & Mining-X-Gold	13.02%
Gold	2.11%
Consumer Discretionary-X-Media	4.20%
Media	0.46%
Financials-X-Property Trusts	36.83%
Property Trusts	6.46%
Industrials	9.22%
Consumer Staples	5.14%
Health Care	5.57%
Utilities	1.90%
Information Technology	1.13%
Telecommunication Services	3.06%

Regional Exposure	%
Australia	100%

Top Ten Securities	%
Commonwealth Bank of Australia	11.5%
Australia and New Zealand Banking Group Ltd	8.2%
BHP Billiton Ltd	6.2%
Woolworths Ltd	3.9%
Westpac Banking Corporation	3.8%
Macquarie Group Ltd	3.6%
CSL Ltd	3.4%
Insurance Australia Group Ltd	3.1%
Telstra Corporation Ltd	2.9%
National Australia Bank Ltd	2.5%

Market Commentary

The Australian Equity market rose strongly in Q4, up over 7% as synchronized global growth led international markets higher. The best performing sectors were energy, technology and resources, as commodity prices rose strongly over the quarter. Banks, utilities and industrials lagged as the Australian government announced a royal commission into the financial sector.

Investment Option Commentary

Plato's proprietary long-term factors were negative in Q4 with value and quality underperforming and earnings and price momentum underperforming in large caps. The only positive contributor was earnings and price momentum in small caps. Our run-up model also underperformed in the quarter as there were a number of disappointments, most notably from NAB, Orica and G8 Education.

In terms of sector performance, we gained alpha in the Gold and Utilities sectors but lost relative performance in the Consumer Discretionary and Consumer Staples sectors. Our largest sector positions are overweights in Industrials, Metals and Mining and Financials as well as underweights in Consumer Staples, Healthcare and Property Trusts.

Our long-term positions in St Barbara, IAG, Beach Petroleum, Cimic and Seven Group performed strongly during the quarter. In contrast, our overweights in Qantas and Lend Lease, underweights in Origin Energy and Westfield (which received a takeover offer) as well as our rotation in NAB hurt relative Fund performance.

2017 has been the toughest year for active performance in the history of the Fund, due to a number of one-off announcements which have hurt the Fund's performance such as CBA's Austrac issue and Telstra's forecast dividend cut which both occurred during the period leading up to their dividend ex-dates. In addition, the current market environment has been favouring low yield high growth stocks such as A2 Milk, Cochlear, Treasury Wines to name a few. We hold some exposure to stocks such as CSL which has also performed very strongly, however we are always likely to be underweight this segment of the market.

In contrast to the Fund's 9.7% return, a portfolio that was equally weighted between the 4 major banks and Telstra would have been down 0.3% (including franking credits) in 2017. Plato has been disappointed with the Fund's performance but doesn't expect the same market environment to continue going forward.

Outlook

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

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