

AMP Capital Equity

Quarterly Investment Option Update

31 December 2017

Aim and Strategy

Aim and strategy: To provide high returns over the long term while accepting high levels of volatility in returns, by investing in a portfolio of shares listed on the Australian Securities Exchange.

The portfolio aims to provide returns, after costs and before tax, above the S&P/ASX 200 Accumulation Index.

Investment Option Performance

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

Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP0468AU
AMP Flexible Super - Retirement account	AMP1324AU
AMP Flexible Super - Super account	AMP1454AU
CUSTOM SUPER	AMP0468AU
Flexible Lifetime - Allocated Pension	AMP0598AU
Flexible Lifetime - Term Pension	AMP0898AU
Flexible Lifetime Investment	AMP0018AU
Flexible Lifetime Investment (Series 2)	AMP1394AU
METCASH SUPERANNUATION PLAN	AMP0468AU
Signature Super	AMP2047AU
Signature Super Allocated Pension	AMP2048AU

Investment Option Overview

Investment category	Australian Equities
Suggested investment timeframe	5 - 7 years
Relative risk rating	High
Investment style	Growth

Asset Allocation	Benchmark	Range (%)
Australian Shares	100	80-100
Cash	0	0-20

Top Ten Australian Shares	%
COMMONWEALTH BANK AUST	8.59
Westpac Banking Corp	6.44
BHP Billiton Ltd	5.87
Australia & New Zealand Banking Group Ltd	5.10
National Australia Bank Ltd	4.85
CSL Ltd	4.00
Wesfarmers Ltd	3.16
Telstra Corp Ltd	2.55
Woolworths Group Ltd	2.22
Macquarie Group Ltd	2.02

Industry Exposure	%
Financials	36.67
Materials	16.64
Consumer Staples	8.88
Health Care	6.92
Industrials	6.76
Real Estate	6.32
Energy	5.14
Consumer Discretionary	4.38
Telecommunication Services	2.87
Information Technology	2.07
Utilities	2.06
Cash	1.28

Portfolio Summary

- > The Portfolio's outperformance during the period was driven by positive stock selection
- > The Australian share market made good gains during the period across all sectors
- > Australian companies remain sensitive to banking capitalisation requirements, any residential housing downturn and commodity prices

Investment Option Commentary

The AMP Capital Equity Fund outperformed the S&P/ASX 200 Index, due to positive stock selection.

The Australian equity market made good gains during the period, with returns positive across most sectors. Energy, information technology and materials, performed strongly, while utilities, financials and industrials made more modest, but still positive returns. Bank weakness followed the announcement of a Royal Commission into alleged misconduct in the financial services industry.

Overweight positions in materials, information technology and consumer discretionary contributed to relative performance. However this was offset by the Fund's underweight positions in utilities and industrials and also an overweight position in financials.

Positive stock selection in financials, industrials and consumer discretionary contributed to relative performance; however this was offset by negative stock selection in health care, telecommunication services and information technology.

At a stock level the strongest contributors to relative performance were overweight positions in BlueScope Steel, QBE Insurance Group and Boral. BlueScope Steel outperformed the market as it recovered from a temporary contraction in global steel spreads. The Portfolio maintains an overweight position in QBE Insurance Group in order to benefit from the hardening commercial insurance cycle.

Key individual stocks that detracted from relative performance included the overweight position in Fletcher Building and Orica and also the underweight position in James Hardie Industries.

The portfolio remains positioned for a favourable cyclical environment and maintains overweight positions in diversified financial companies that are expected to benefit from rising bond yields but is underweight the interest rate sensitive real estate sector.

While valuations appear elevated, stocks do not appear expensive relative to bonds and are likely to remain expensive in absolute terms while improving economic conditions support healthy earnings growth. While portfolio construction includes a top-down overlay, company-specific stock selection continues to be the main driver of portfolio returns.

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