

AMP Australian Share

Quarterly Investment Option Update

30 June 2018

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

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

Investment Option Overview

Investment category Australian Equities

Suggested investment timeframe 5-7 years

Relative risk rating High

Investment style Multi-style

Top Ten Australian Securities	%
COMMONWEALTH BANK AUST	7.34
BHP Billiton Ltd	6.94
Westpac Banking Corp	5.60
CSL Ltd	5.59
Australia & New Zealand Banking Group Ltd	5.01
National Australia Bank Ltd	4.67
WESFARMERS LTD	3.37
Macquarie Group Ltd	3.05
WOOLWORTHS GROUP LTD	2.58
Rio Tinto Ltd	2.51

Industry Exposure	%
Financials	33.29
Materials	18.12
Consumer Staples	8.39
Health Care	7.71
Industrials	7.67
Real Estate	6.70
Energy	5.69
Consumer Discretionary	4.14

Industry Exposure	%
Information Technology	2.80
Cash	2.11
Utilities	1.77
Telecommunication Services	1.60

Portfolio Summary

- > The Fund outperformed its benchmark (before fees) during the June quarter
- > Alphinity was the main contributors to the outperformance.
- > The Australian share market delivered strong gains during the quarter

Investment Option Commentary

The Fund outperformed its benchmark (before fees) during the June quarter. In terms of the underlying managers, the largest component of the Fund, the low risk AMP Capital Enhanced Index managed by **AMP Capital**, marginally outperformed its benchmark. The **Alphinity** portfolio comfortably outperformed the benchmark during the period.

Stock selection drove the Fund's strong performance, whilst sector allocation was broadly neutral during the period. Within the Alphinity portfolio, notable positive contributors included gaming company Aristocrat Leisure and financial services company Macquarie Group, both of which announced strong results during the period, as well as plumbing products company Reliance Worldwide which made a significant and quite accretive acquisition. Performance was also enhanced by underweight positions which included financial services group AMP, telecoms company Telstra and global logistics service provider Brambles. The only companies that detracted noticeably from returns were registry company Link Administration and financial services company IOOF.

Market commentary

Australian shares were up very strongly in the June quarter, the S&P/ASX200 Accumulation Index soaring 8.5% during the period. Energy and healthcare were the standout sectors for the quarter, rising 19.7% and 16.5% respectively, largely driven by rising resource prices and the rising US dollar; which is heavily tied to the earnings expectations for many Australian businesses, notably (and respectively) BHP and CSL, who were the market's top contributors for the quarter. Telecommunications was the only negative performing sector, down 13.7% for the period, as Telstra fell further on continued shorter-term concerns of reducing profits and dividends, despite the business announcing cost-cutting to be on track and further detailing their new strategy to gain market share. Meanwhile, one of the top performing stocks was poker machine manufacturer Aristocrat Leisure, which rose by 29% over the June quarter as the company announced soaring revenue amid strong growth in its digital gaming division.

Outlook

Top-line growth remains elusive for Australian shares, with many companies still focussing on cost-cutting. Banking profitability is also likely to be constrained by macro-prudential and capital-holding requirements. Banking stocks are also likely to see ongoing volatility until the final Royal Commission's final findings are released. Credit is also likely to be constrained as banks tighten lending standards. In the general economy, investors should benefit by being highly selective and focussing on companies with strong business models that are more cyclical and which tend to perform well as global economic activity picks up. The mining sector remains highly susceptible to any pause in activity from China.

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