

# Specialist 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 300 Accumulation Index on a rolling 3 year basis. The portfolio primarily invests in shares listed on the Australian Securities Exchange. Managers are also permitted to purchase up to 5% in international listed securities, where those securities are also listed on the Australian Securities Exchange. In normal circumstances the portfolio's international investments are fully hedged back to Australian dollars.

The portfolio may use derivatives such as options, futures or swaps to protect against risks or enhance returns. The portfolio may also short sell securities.

## Investment Option Performance

To view the latest investment performances please visit [www.amp.com.au](http://www.amp.com.au)

## Availability

Product name	APIR
<a href="#">AMP Flexible Lifetime Super</a>	AMP0655AU
<a href="#">AMP Flexible Super - Retirement account</a>	AMP1346AU
<a href="#">AMP Flexible Super - Super account</a>	AMP1475AU
<a href="#">AMP Growth Bond</a>	AMP1193AU
<a href="#">CUSTOM SUPER</a>	AMP0655AU
<a href="#">Flexible Lifetime - Allocated Pension</a>	AMP0600AU
<a href="#">Flexible Lifetime - Term Pension</a>	AMP0921AU
<a href="#">METCASH SUPERANNUATION PLAN</a>	AMP0655AU
<a href="#">MultiFund Flexible Income Plan</a>	AMP0734AU
<a href="#">Signature Super</a>	AMP0797AU
<a href="#">Signature Super Allocated Pension</a>	AMP1150AU

## Investment Option Overview

<b>Investment category</b>	Australian Equities
<b>Suggested investment timeframe</b>	5 - 7 years
<b>Relative risk rating</b>	High
<b>Investment style</b>	Multi-Manager

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

Top Ten Securities Exposure	%
BHP Billiton Ltd	7.65
COMMONWEALTH BANK AUST	7.13
Australia & New Zealand Banking Group Ltd	5.49
Westpac Banking Corp	5.44
National Australia Bank Ltd	4.03
Rio Tinto Ltd	3.89
Macquarie Group Ltd	3.44
Suncorp Group Ltd	3.24
CSL Ltd	3.23
WESFARMERS LTD	3.08

Industry Exposure	%
Financials	33.15
Materials	21.08
Industrials	7.83
Consumer Staples	7.13
Energy	6.52
Consumer Discretionary	6.17
Health Care	4.58
Real Estate	4.39
Cash	3.28
Information Technology	2.08
Telecommunication Services	1.93
Utilities	1.47
Others	0.39
Other	0.00

## Portfolio Summary

- > The Fund outperformed its benchmark (before fees) during the June quarter
- > Fidelity and Aphinity were 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, Alphinity and Fidelity outperformed the benchmark. Alphinity outperformed the market by 2.8% over the quarter, taking its full year excess over benchmark to 4.3%. Fidelity was the other strong performer during the quarter and delivered 2.3% over the benchmark. Four of the Fund's underlying managers have now outperformed the market index over the past financial year, with Perennial, running a value strategy, lagging the benchmark.

From a sector allocation perspective, relative to the benchmark, healthcare was the largest detractor, offsetting gains from positioning in the telecommunications and materials sectors. Stock selection in financials, materials and consumer staples contributed positively to performance.

Over the quarter, overweights to Wisetech Global (+66%), Macquarie Group (+24%) and BHP Billiton (+20%) were top contributors to returns. Wisetech Global, a developer of cloud-based software, enjoyed a strong run in share price on the back of stellar cashflow and earnings growth over the past 12 months. The underweight to AMP (-29%) was also a contributor to relative returns, as the company fell out of favour with investors amidst the ongoing Royal Commission sessions.

The largest detractors to Fund performance during the quarter were from underweights to CSL (+24%), Woodside Petroleum (+21%) and Scentre Group (+15%). CSL, has been one of the best blue-chip performers on the ASX (+48% over the past twelve months), and despite generating strong profit growth, high valuations compared to earnings are starting to look frothy. An overweight to Star Entertainment Group (-6.8%) also detracted from relative performance.

## 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.

## Contact Us

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