

# Specialist Geared Australian Share

Quarterly Investment Option Update

30 June 2018

## Aim and Strategy

To provide high returns over the long term through geared exposure to securities listed on the Australian Securities Exchange. The aim is to manage gearing to a level that is supported by expected income. Therefore an investor can gain greater exposure to the Australian share market than an investor with a non-geared exposure. The objective of the investment portfolio before gearing is applied is 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 3 year basis.

## 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="#">Flexible Lifetime Investment</a>	AMP0850AU
<a href="#">Flexible Lifetime Investment (Series 2)</a>	AMP1416AU
<a href="#">AMP Flexible Super – Super</a>	AMP1481AU
<a href="#">Signature Super</a>	AMP0823AU
<a href="#">Signature Super Allocated Pension</a>	AMP1154AU
<a href="#">Flexible Lifetime – Term Pension</a>	AMP0924AU
<a href="#">Custom Super</a>	AMP0820AU
<a href="#">Flexible Lifetime – Allocated Pension</a>	AMP0819AU
<a href="#">AMP Flexible Lifetime Super</a>	AMP1352AU

### Investment Option Overview

<b>Investment category</b>	Specialist 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	7.01
Westpac Banking Corp	5.79
COMMONWEALTH BANK AUST	5.21
National Australia Bank Ltd	5.06
WOOLWORTHS GROUP LTD	3.72
Macquarie Group Ltd	3.68
Australia & New Zealand Banking Group Ltd	3.38
LendLease Group	2.84
CSL Ltd	2.81
Rio Tinto Ltd	2.65

Industry Exposure	%
Financials	28.51
Materials	16.93
Industrials	10.13
Consumer Staples	7.57
Real Estate	6.87
Cash	6.65
Health Care	5.98
Energy	5.88
Information Technology	5.10
Consumer Discretionary	4.81
Telecommunication Services	0.78
Utilities	0.78

## Portfolio Summary

- > The Fund outperformed its benchmark during the June quarter and the financial year
- > Fund gearing, and underlying managers Vinva and AMP Capital were the main contributors to outperformance.
- > The Australian share market delivered strong gains during the quarter

## Investment Option Commentary

The Fund significantly outperformed the benchmark during the June quarter. Two of the Fund's underlying managers delivered excess returns, led by Vinva and AMP Capital, with gearing levels adding to the Fund's return.

At the sector level, underweight allocations to telecommunication services and financials sectors, as well as the overweight to information technology contributed to returns. The underweight exposures to health care and materials were the main detractors.

The overall effect of stock selection was negative, primarily reflecting detractors within the industrials and information technology sectors, which more than offset contributors from the financials and materials sectors.

At the individual stock level, the largest contributors to performance were underweight exposures in Telstra (-17%) and AMP Limited (-29%) and overweight positions in Macquarie Group (+24%) and Lend Lease (+14%). The main detractors were overweight positions in Brambles (-11%) and Link Administration (-12%), and an underweight position in CSL (+24%) and Wesfarmers (+19%).

## 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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