

UBS Australian Small Companies

Quarterly Investment Option Update

30-June-2018

Availability

Product name	APIR
Flexible Super – Choice (Retirement)	AMP1329AU
Flexible Super – Choice (Super)	AMP1485AU
CustomSuper	AMP0469AU
Flexible Lifetime – Allocated Pension	AMP1094AU
Flexible Lifetime – Investments (Series 1)	AMP0019AU
Flexible Lifetime – Investments (Series 2)	AMP1398AU
Flexible Lifetime – Super	AMP0469AU
Flexible Lifetime – Term Pension	AMP1095AU
Growth Bond	AMP1194AU

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: 131 267 (Mon. to Fri 8:30am to 6:00pm AEST)

Overview

Aim & Strategy: To provide investors with a total return (after costs) in excess of the S&P/ASX Small Ordinaries Accumulation Index when measured over rolling 5 year periods. The portfolio is best suited to investors who seek a well-diversified portfolio of small capitalisation securities. Due to the inherent volatility of share markets, and in particular smaller capitalisation companies, investment returns will fluctuate and may even be negative in some periods. The portfolio is an actively managed portfolio of securities listed on recognised exchanges in Australia and New Zealand, or those the manager reasonably expects to list within 6 months. The portfolio may invest in financial derivatives to gain exposure to the Australian share market or to manage investment risk. Normally the portfolio will hold between 30 and 90 stocks with the majority of investments to be made in securities not in the S&P/ASX 100 Index, with the flexibility to also invest up to 25% of the portfolio into the S&P MidCap50 Index.

Investment category: Small capitalisation equities

Suggested Investment Timeframe: 5+ years

Relative Risk Rating: High

Investment Style: Core / Style neutral

Asset Allocation	Actual (%)	Range (%)
Australian & NZ Shares	92.54	90-100
Cash	7.46	0-10

Holdings

Industry Exposure	%
Consumer Discretionary	21.24
Materials	19.71
Information Technology	11.92
Energy	8.30
Financials	7.17
Industrials	7.13
Real Estate	6.35
Health Care	5.94
Consumer Staples	3.78
Utilities	-
Telecommunication Services	-

Top Ten Securities	%
NextDC	5.51
Worleyparsons	4.65
Bapcor	4.24
Technology One	3.97
Synlait Milk	3.78
Beach Energy	3.65
Summerset	3.47
Steadfast	3.27
Collins Foods	3.23
Ooh!Media	3.22

Market Commentary

The S&P/ASX Small Ordinaries Index rose 1.06% during June, underperforming the ASX100 which gained 3.46%. The Small Resources sector (flat) underperformed the Small Industrials (+1.4%).

Best performing sectors for June were Real Estate Management and Development +11.3% (Gateway Lifestyle +32%, Ingenia Communities +11.8%), IT Services +9.5% (Appen +31%, WiseTech Global +7%), Energy +7.7% (Liquefied Natural Gas +32%, FAR +13%, Whitehaven Coal +8%), Healthcare +4% (Australian Pharmaceutical Industries +25%, Nanosonics +19%) and Banks +3.9% (Mystate +4%).

The worst performing sectors during June were IT Products - 11.1% (Integrated Research -11%), Metals and Mining (Other) - 9.8% (Global Geoscience -24%, Clean Teq -21%, Kidman Resources -17%), Chemicals -6.6% (Nufarm -7%) and Infrastructure and Utilities -6.3% (Infigen Energy -11%, ERM Power -4%).

Best performing stocks in June for the Small Ordinaries index were Gateway Lifestyle, Liquefied Natural Gas, Amaysim, Appen and iSelect. Worst performers for the month were Blue Sky Alternative Investments, Retail Food Group, Hansen Technologies, Ausdrill and ImpediMed.

Investment Option Commentary

The largest positive contributors to portfolio performance during the June quarter were Synlait Milk, Emeco, Dominos and Mineral Deposits. Synlait Milk continued to perform well as sales of A2 Milk continued to climb and it announced plans for a second processing site south of Auckland. Emeco completed its takeover of Matilda Equipment and continued to benefit from the strength in demand for mining equipment. Dominos rose on little news during the quarter other than speculation by the market that the company may achieve its FY18 earnings guidance which is for growth of around 20%. Mineral deposits received a second and higher takeover offer from jv partner Eramet.

The main relative detractors during the June quarter were Technology One, AirXpanders, Ainsworth Gaming and Kogan.com. Technology One reported earnings that were below market expectations. There was also some confusion about the impact of the new software related accounting standards. AirXpanders ran into sales problem for its innovative breast reconstruction product. Its cash burn was also higher than expected and has resulted in restructuring. Ainsworth announced a sharp decline in its earnings outlook. Kogan.com declined on the back of a clumsy sell-down by 2 insiders late in the earnings reporting cycle.

Outlook

The S&P/ASX Small Ordinaries Index finished June 2018 priced at PER of 16.2x, a premium to the S&P/ASX 100 at 15.2x. The Small Ordinaries index (-1.1%) underperformed the ASX 100 (3.5%).

The Australian economy is generally performing well despite mixed data on retail sales and Australian housing. Inflation remains low and employment growth is strong. Official interest rates are on hold for at least the next 12 months although recent wholesale funding costs have risen in the US.

Global growth remains synchronised with European and US economies on sustained growth paths. The Chinese economy however appears to be weaning itself off the government stimulus of the past 2 years.

Most of the global macro risks remain similar including elevated consumer debt and a windback of global quantitative easing. Volatility in equity markets is also rising as evidenced by some large daily moves over the past quarter.

Australian small companies remain an attractive asset class, offering long term investors unique opportunities for excess returns in a low growth, highly indebted world. We prefer well managed, growing and quality-biased businesses with high returns on capital and lower debt levels. Many of these businesses also have enduring structural tailwinds that should deliver investors good returns over the typical five year investment horizon.

What you need to know

This publication has been prepared by AMP Life Limited ABN 84 079 300 379, AFSL No. 233671 (AMP Life). The information contained in this publication has been derived from sources believe to accurate and reliable as at the date of this document. Information provided in this investment option update are views of the underlying Investment Manager only and not necessarily the views of the AMP Group. No representation is given in relation to the accuracy or completeness of any statement contained in it. Whilst care has been taken in the preparation of this publication, to the extent permitted by law, no liability is accepted for any loss or damage as a result of reliance on this information. AMP Life is part of the AMP Group. In providing the general advice, AMP Life and AMP Group receives fees and charges and their employees and directors receive salaries, bonuses and other benefits.

The information in this document is of a general nature only and does not take into account your financial situation, objectives and needs. Before you make any investment decision based on the information contained in this document you should consider how it applies to your personal objectives, financial situation and needs, or speak to a financial planner.

The investment option referred to in this publication is available through products issued by AMP Superannuation Limited ABN 31 008 414 104, AFSL No. 233060 (ASL) and/or AMP Life. Before deciding to invest or make a decision about the investment options, you should read the current Product Disclosure Statement for the relevant product, available from ASL, AMP Life or your financial planner.

Any references to the "Fund", strategies, asset allocations or exposures are references to the underlying managed fund that the investment option either directly or indirectly invests in (underlying fund). The investment option's aim and strategy mirrors the objective and investment approach of the underlying fund. An investment in the investment option is not a direct investment in the underlying fund.

Neither AMP Life, ASL, any other company in the AMP Group nor underlying fund manager guarantees the repayment of capital or the performance of any product or particular rate of return referred to in this document. Past performance is not a reliable indicator of future performance.