

# AMP Australian Share

## Quarterly Investment Option Update

30 September 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 several 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 Option Performance

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

### Investment Option Overview

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

<b>Asset Allocation</b>	<b>Benchmark (%)</b>
Australian shares	100
Cash	0

<b>Sector Allocation</b>	<b>(%)</b>
Financials	32.65
Materials	17.24
Consumer staples	8.02
Health care	7.84
Industrials	7.57
Real estate	7.03
Energy	5.55
Consumer discretionary	3.89
Cash	3.28
Information technology	3.01
Telecommunication services	2.09
Utilities	1.83

## Portfolio Summary

- > The Fund made a positive return, but marginally underperformed its benchmark over the quarter.
- > Both of the underlying managers marginally underperformed.
- > The Australian share market closed up 1.5%.

## Fund Performance

The Fund made a positive absolute return, but marginally underperformed its benchmark over the quarter (before fees). Both underlying managers, Alphinity and AMP Capital, marginally underperformed the benchmark.

Stock selection made a positive contribution to relative returns, but sector allocation detracted more from relative returns.

Within the Alphinity portfolio, the best returns came from global registry Computershare, Caterpillar dealer Seven Group and gas producers Beach Energy and Woodside Petroleum. Offsetting these however was the position in global gaming company Aristocrat, and being underweight or not owning global pallet renter Brambles, domestic incumbent telco Telstra or gas producer Origin Energy, all of which outperformed the market during the quarter.

## Market Commentary

Australian shares closed the September quarter up 1.5%, as measured by the S&P/ASX200 Accumulation Index.

In July the market climbed higher on positive expectations on earnings growth for the reporting season and was driven by a particularly strong communications sector.

Stocks continued to rise in August through the reporting season, where businesses showed reasonable levels of earnings growth, roughly in line with overall expectations. Key themes were continuing strong dividend payments, some pressure from higher raw material costs, outperformance by high quality offshore exposed companies and softer than expected guidance. On the negative side, some small but marked rises in consumer arrears, within areas such as mortgages and utility bills, indicated a degree of stress in some household finances.

In September, the market gave back some of the gains, as sentiment towards the banking sector continued to sour, culminating with the release of the Royal Commission's scathing preliminary report late in the month. Further residential property declines amid worsening credit conditions, combined with banks raising their interest rates during the month, sparked further pullbacks in bank shares.

Telecommunications and industrials were standout performers during the quarter, while utilities, consumer staples and financials all underperformed. Australian stocks with US dollar earnings generally did well as the US dollar continued to rise.

## 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 Royal Commission's final findings are released in full. 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.

## Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP0163AU*
AMP Flexible Super - Retirement account	AMP1320AU*
AMP Flexible Super - Super account	AMP1450AU*
CustomSuper	AMP0163AU*
Flexible Lifetime - Allocated Pension	AMP0591AU*
Flexible Lifetime - Term Pension	AMP0891AU*
SignatureSuper	AMP0739AU*
SignatureSuper - Allocated Pension	AMP1129AU*

\* Closed to new investors

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