

# Australian Share Index

Quarterly Investment Option Update

30 September 2018

## Aim and Strategy

To provide investors with access to a portfolio of shares listed on the Australian Securities Exchange, with diversification achieved primarily through investment across a range of industries and issuers. In identifying share opportunities for the investment option we take an 'enhanced index' approach to investment. This enhanced index approach is tailored to the Australian market and provides greater potential for enhanced, risk-adjusted returns.

## 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 years
<b>Relative risk rating</b>	High
<b>Investment style</b>	Index

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

## Market Review

Australian shares closed the September quarter up 1.53%, 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, indicating 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	AMP0057AU
CustomSuper	AMP0057AU
Flexible Lifetime - Allocated Pension	AMP0592AU
Flexible Lifetime - Term Pension	AMP0892AU
SignatureSuper	AMP0782AU
SignatureSuper - Allocated Pension	AMP1136AU

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