

# Responsible Investment Leaders 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 five-year basis. The portfolio primarily invests in shares listed on the Australian Securities Exchange and is managed using a responsible investment approach.

In certain market conditions, the portfolio may hold a higher level of cash.

## 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>	Responsible investing / Multi-Manager

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

<b>Actual allocation</b>	<b>%</b>
Global shares	2.62
Australian shares	91.68
Listed property & infrastructure	2.06
Cash	3.64

<b>Sector allocation</b>	<b>%</b>
Utilities	0.29
Telecommunication services	1.40
Real estate	7.01
Materials	14.47
Information technology	6.79
Industrials	11.56
Health care	10.31
Financials	31.23
Energy	6.22
Consumer staples	3.85
Consumer discretionary	3.23
Cash	3.64

## What happened last period

- > The Fund posted a positive return, outperforming its benchmark over the September quarter.
- > Three of the Fund's four underlying managers posted positive returns and two of them outperformed the benchmark.
- > Australian shares rose over the period as businesses showed reasonable levels of earnings growth, but this was muted as sentiment towards the banking sector continued to sour.

## Fund performance

The Fund posted a positive absolute return (before fees) for the September quarter and outperformed its benchmark. Three of the Fund's four underlying managers posted positive returns, and two of them outperformed the benchmark, namely DNR and AMP Capital. Bennelong made a negative return and underperformed the benchmark after performing strongly in the June quarter. Ausbil continued to underperform the benchmark.

Sector allocation contributed to relative returns, while stock selection detracted from relative returns over the quarter. Regarding sector allocation, the Fund benefited most from an overweight position in the information technology sector, as well as an underweight position in the consumer staples sector. However, an underweight allocation to the communication services sector weighed on relative returns.

Regarding stock selection, performance was strong in industrials and energy stocks, but information technology, communication services and consumer staples stocks detracted from relative returns. More specifically, the largest contributor to relative returns was an overweight position in intellectual property holding company IPH, which continued its recovery (+38.0%) from a sharp fall in February, and in response to strong financial year earnings. Other contributors were no holding in Woolworths which declined (-5.7%) as sales came under pressure, and an overweight position in Brambles which rose (+24.3%) after announcing plans to offload its reusable containers business.

The largest detractors from relative returns included overweight positions in BWX and Nufarm, and an underweight position in Telstra. Natural skincare group, BWX declined (-36.2%) due to continued delays in its takeover by private equity interests and financial year results which were below expectations. Nufarm fell (-24.4%) as the extended drought in Australia lowered earnings and concerns about the use of glyphosate grew, and Telstra rose (+26.1%) due to the merger announcement of two of its key rivals TPG Telecom and Hutchison Telecommunications, as this is expected to reduce price competition.

## 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.

## Environmental, social and governance

Over the September quarter, responsible finance remained in focus amid continued investigations by the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. RIL managers, including Bennelong, Ausbil and AMP Capital continued to engage with companies, as it is evident that the sector needs to rebuild trust and take ownership of their past conduct.

Human rights and supply chains was also a key topic of engagement over the period. Notably, Australian share manager Ausbil was very active in this area, presenting at the Stop Slavery Summit in Hong Kong, and at a United Nations Global Compact Network Australia member meeting on slavery from an investment perspective.

Responsible Investment Leader managers also continued to engage with companies on climate change and specifically the need to disclose climate change risk consistent with the guidelines outlined by the Taskforce for Climate-related Financial Disclosure.

## Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP1032AU
AMP Flexible Super - Retirement account	AMP1370AU
AMP Flexible Super - Super account	AMP1499AU
CustomSuper	AMP1032AU
Flexible Lifetime - Allocated Pension	AMP1021AU
Flexible Lifetime - Term Pension	AMP1042AU
Flexible Lifetime - Investments (Series 1)	AMP1055AU
Flexible Lifetime - Investments (Series 2)	AMP1433AU
SignatureSuper	AMP0976AU
SignatureSuper - Allocated Pension	AMP1172AU

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