

Specialist Australian Small Companies

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 performance benchmark, the S&P/ASX Small Ordinaries Accumulation Index, on a rolling three-year basis. The portfolio invests in small companies listed on the Australian Securities Exchange (ASX). For this portfolio small companies are considered to be those outside the top 100 listed companies (by market value). Up to 20% of the portfolio may be invested in unlisted companies that the investment manager believes are likely to be listed in the next 12 months, or in companies between the top 50 and 100 listed on the ASX.

Investment Option Performance

To view the latest investment performances please visit www.amp.com.au

Investment Option Overview

Investment category	Australian shares
Suggested investment timeframe	7 years
Relative risk rating	Very High
Investment style	Multi-Manager

Asset Allocation	Benchmark (%)
Australian shares	100
Cash	0

Industry Exposure	%
Materials	18.21
Consumer discretionary	17.56
Industrials	14.13
Financials	9.27
Energy	8.88
Information technology	8.71
Cash	8.04
Health care	6.77
Real estate	3.50
Consumer staples	2.85
Utilities	1.30
Telecommunication services	0.79

What Happened Last Period

- > The Fund substantially outperformed its benchmark over the September quarter.
- > All of the underlying managers contributed to the strong result.
- > Both sector allocation and stock selection contributed to relative returns.

Fund Performance

The Fund produced a positive absolute return (before fees) and substantially outperformed its benchmark over the September quarter. All of the three underlying managers contributed to the strong result, as they each made positive returns and outperformed the benchmark.

Both sector allocation and stock selection contributed to relative returns over the quarter. Regarding sector allocation, the largest contributors to relative returns were an underweight position in the consumer staples sector and an overweight position in the energy sector. The largest detractor from relative performance was an underweight position in the communication services sector. Cash held in the Fund also detracted from relative returns.

Regarding stock selection, the Fund benefited from strong selections within the materials and consumer discretionary sectors. However, selections within the energy, health care and industrial sectors weighed on relative returns. More specifically, the largest contributor to relative returns was an underweight position in Bellamy's Australia, which fell (-34.2%) despite strong financial year results, as a key Chinese license continues to be delayed and it faces tough market conditions. Other contributors include overweight positions in Pinnacle Investment Management Group (Pinnacle) and engineering company PWR Holdings. Pinnacle continued its long-term climb (+5.2%) after reporting strong profits and funds under management growth over the financial year and PWR Holdings rose (+20.3%) after reporting healthy results and upgraded earnings forecasts.

The largest detractors from relative returns included underweight positions in Washington H. Soul Pattison and internet services company Vocus Group. Washington H Soup Pattison continued its long-term climb (+25.5%) bolstered by a record financial year profit result, and Vocus Group rose sharply (+42.0%) despite a 17% profit drop, after its new CEO announced plans to double revenue over the next 5 years. Another detractor was an overweight position in Metals X, which declined (-26.3%) on concerns about production at the Nifty copper mine.

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	AMP0863AU
AMP Flexible Super - Retirement account	AMP1347AU
AMP Flexible Super - Super account	AMP1476AU
CustomSuper	AMP0863AU
Flexible Lifetime - Allocated Pension	AMP0879AU
Flexible Lifetime - Term Pension	AMP0933AU
Flexible Lifetime - Investments (Series 1)	AMP1005AU
Flexible Lifetime - Investments (Series 2)	AMP1411AU
SignatureSuper	AMP0951AU
SignatureSuper - Allocated Pension	AMP1147AU
SignatureSuper Select	AMP0951AU

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