

Specialist Geared Australian Share

Quarterly Investment Option Update

30 September 2018

Aim and Strategy

To provide high returns over the long term through geared exposure to securities listed on the Australian Securities Exchange. The aim is to manage gearing to a level that is supported by expected income. Therefore an investor can gain greater exposure to the Australian share market than an investor with a non-geared exposure. The objective of the investment portfolio before gearing is applied is 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 three-year basis. The strategy invests in a diversified portfolio of equities listed on the Australian Securities Exchange (ASX). The investment portfolio is geared, which allows it the ability to borrow in order to increase the amount that can be invested. The aim of gearing is to contribute more capital and to provide greater exposure to the Australian share market. Underlying managers are also permitted to purchase up to 5% in international listed securities, where those securities are also listed on the ASX. The strategy may also invest up to 10% in cash. However, in certain market conditions the strategy may hold higher levels of cash and short selling may also be used. Any currency exposure will be hedged back to Australian dollars using derivatives, and they may also be used to gain equity market exposure.

Industry Exposure	(%)
Financials	27.40
Materials	15.45
Industrials	10.22
Cash	9.90
Consumer staples	6.83
Health care	6.55
Real estate	6.16
Energy	5.93
Information technology	5.21
Consumer discretionary	4.48
Telecommunication services	1.13
Utilities	0.74

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	High
Investment style	Multi-Manager

Asset Allocation	Benchmark (%)
Australian shares	100
Cash	0

Portfolio Summary

- > The Fund posted a positive return and comfortably outperformed its benchmark over the September quarter.
- > All of the Fund's four managers posted positive returns and DNR outperformed its benchmark.
- > Australian shares rose over the period as businesses showed reasonable levels of earnings growth.

Fund Performance

The Fund posted a positive absolute return (before fees) for the September quarter, comfortably outperforming its benchmark. All of the Fund's three underlying managers posted positive returns, and DNR outperformed its benchmark while AMP Capital and Vinva Investment Management modestly underperformed, after performing strongly over the previous quarter.

Both sector allocation and stock selection contributed to relative returns over the quarter. Regarding sector allocation, the largest contributor to relative returns was an overweight position in the information technology sectors, while the largest detractor from relative returns was an underweight position in the communications services sector. Cash held in the Fund also detracted from relative returns.

Regarding stock selection, the Fund benefited from strong selections within the industrials and energy sectors. However, selections within the consumer staples and health care sectors weighed on relative returns. More specifically, the largest contributors to relative returns were overweight positions in Brambles which rose (+24.3%) after announcing plans to offload its reusable containers business, and Tabcorp Holdings which rallied after reporting strong headline results for the financial year and improved growth prospects. An underweight position in Newcrest Mining also benefited relative performance as it declined (-10.3%) along with the price of gold.

The largest detractor from relative returns was an underweight position in Telstra which 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. Other detractors were an underweight position in biotechnology company CSL which continued to climb (+5.1%), bolstered by strong financial year results, and an overweight position in James Hardie Industries which, despite reporting improved June quarter results, declined (-7.6%) due to concerns about the Australian and US housing markets.

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	AMP0820AU
AMP Flexible Super - Super account	AMP1481AU
CustomSuper	AMP0820AU
Flexible Lifetime - Allocated Pension	AMP0819AU
Flexible Lifetime - Term Pension	AMP0924AU
Flexible Lifetime - Investments (Series 1)	AMP0850AU
Flexible Lifetime - Investments (Series 2)	AMP1416AU
SignatureSuper	AMP0823AU
SignatureSuper - Allocated Pension	AMP1154AU
AMP Flexible Super - Retirement account	AMP1352AU

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