

Super Easy Australian Share

Quarterly Investment Option Update

30 September 2018

Aim and Strategy

The strategy aims to provide returns that track the S&P/ASX 300 Accumulation Index with net dividends reinvested.

Investments into the Australian shares asset class will be attained through the use of low cost index-focused investment managers.

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	5 – 7 years
Relative risk rating	High
Investment style	Index

Asset Allocation	Benchmark (%)
Australian shares	100
Cash	0

Actual Allocation	(%)
Global shares	1.82
Australian Shares	89.43
Listed property & infrastructure	6.93
Cash	1.82

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
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