

Australian Share Index

Quarterly Investment Option Update

31 December 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

Investment Option Overview

Investment category	Australian Shares
Suggested investment timeframe	5 years
Relative risk rating	High
Investment style	Index

Asset Allocation	Benchmark (%)
Australian shares	100
Cash	0

Market Commentary

Australian shares' trajectory followed the US's lead, closing down significantly in the December quarter and returning -8.24% as measured by the S&P/ASX200 total returns Index. This came as traders began to factor in the possibility of a domestic interest rate reduction, rather than a hike sometime in the nearer future, perhaps in 2019 or 2020. Negative sentiment was also added to by political noise, following recent political resignations within the Liberal Party and subsequent moves to the crossbench weakening the government, with an upcoming general election due in May 2019. Despite reasonable corporate profitability and earnings growth, the economic backdrop is presenting some significant hurdles for equities to overcome, such as weak economic growth, poor levels of consumer spending and perhaps most significantly, a falling house market with high and still-increasing levels of supply, falling demand and rising vacancy rates. The health care segment was one of the better performers over the period, given the "flight to safety" which occurred over the period.

Outlook

Australian shares remain exposed to a Chinese slowdown and the recent global sell-off. Banking profitability is also likely to be constrained by increased macro-prudential regulation, capital-holding requirements and a shifting banking structural landscape. Banking stocks are likely to see ongoing volatility until the Royal Commission's final findings are released in full in early 2019. Credit will continue to be subdued as banks tighten lending standards. Economic uncertainty could also be amplified by a volatile political situation as we approach the general election in 2019. In the current environment, investors should benefit by being highly selective and focussing on companies with strong business fundamentals.

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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