

Plato Australian Shares Income

Quarterly Investment Option Update

31 December 2018

Aim and Strategy

To provide an annual gross yield (including franking) that exceeds the gross yield of the S&P/ASX 200 Franking Credit Adjusted Daily Total Return Index (Tax-Exempt) ('Benchmark') after fees. The portfolio also aims to outperform the Benchmark after fees.

The Plato Australian Shares Income Fund ('Fund') is a long-only equity income fund managed specifically for pension and superannuation investors. The Fund takes advantage of income opportunities available in the Australian tax system that can specifically benefit low tax investors such as franking credits, special dividends and off market buy-backs.

The portfolio will invest in ASX listed entities and listed SPI futures and will typically hold between 50 and 120 stocks, with +/- 5% of the weight in the S&P/ASX 200 weighting.

Investment Option Performance

To view the latest investment performances for each product please visit amp.com.au

Investment Option Overview

Investment category	Australian Shares
Suggested investment timeframe	3 to 5 years
Relative risk rating	High
Investment style	Active / Quantitative

Asset Allocation	Benchmark (%)	Actual (%)
Australian Shares	100	99.6
Cash	0	0.4

Sector Allocation	%
Energy	6.53
Industrials	10.48
Materials	16.96
Consumer Discretionary	7.49
Consumer Staples	5.88
Healthcare	7.36
Financials (ex Property)	33.31
Property	6.36
Information Technology	1.69
Telecommunications Services	2.46
Utilities	1.05

Top Holdings	%
Commonwealth Bank of Australia	12.0
Australia and New Zealand Bank	8.0
BHP Billiton Ltd	7.4
CSL Ltd	4.8
Woolworths Ltd	4.4
Macquarie Group Ltd	4.4
Wesfarmers Ltd	3.8
Woodside Petroleum Ltd	2.8
Insurance Australia Group Ltd	2.7
Westpac Banking Corporation	2.6

Portfolio Summary

- Plato's proprietary long-term factors were positive in Q4 with an outperformance of their value factor in small caps outweighing the minor underperformance of earnings momentum and quality factors.
- The Australian Equity market fell heavily in Q4, down 8% (including franking credits) - its worst calendar quarter performance for 7 years.
- The Fund remains actively positioned to deliver superior income / franking whilst also being able to allocate to companies who are providing solid capital returns.

Investment Option Commentary

Plato's proprietary long-term factors were positive in Q4 with an outperformance of their value factor in small caps outweighing the minor underperformance of earnings momentum and quality factors. Plato's price sentiment factor logged small gains during the quarter. Plato's run-up model was positive during the quarter particularly in the defensive sectors of REITs and Utilities which outperformed the market in their run-up period. In total, their Income Strategies strongly outperformed the benchmark after tax during the quarter.

In terms of sector performance, we gained alpha in the Consumer Staples and Financials sectors but lost relative performance in the Industrials and Consumer Discretionary sectors.

Overweight positions in Woolworths, St Barbara and Regis Resources as well as their underweights in Lend Lease (which took another \$350m of provisions for its underperforming engineering projects) and Santos aided relative returns. In contrast, their overweights in Seven Group, Aristocrat Leisure and Beach Petroleum and an underweight in Newcrest hurt relative fund performance.

Market Commentary

The Australian Equity market fell heavily in Q4, down 8% (including franking credits) - its worst calendar quarter performance for 7 years. Worries about rising interest rates, reductions in global liquidity as a result of central banks quantitative tightening, slowing in economic activity and the continuing trade war between the U.S. and China spooked markets. Long term U.S. bond yields were driven lower by the risk off mood causing the yield curve to invert using some but not all measures, which is generally regarded as the best predictor of recessions in the next 12-24mths, which further added to market concern. Despite this U.S. jobs and wage growth were strong. Not surprisingly, the best performing sectors were defensive in nature, Gold (which was up over 20%), Property Trusts and Utilities which benefit from a reduction in interest rates. The higher beta sectors, Energy, Information Technology and Consumer Discretionary underperformed. Resources held up relatively well as the Iron Ore price rallied with Rio Tinto and BHP completing off market buybacks which were highly profitable for low tax rate investors.

Outlook

The Fund remains actively positioned to deliver superior income / franking whilst also being able to allocate to companies who are providing solid capital returns.

Availability

Product name	APIR
Flexible Super – Choice	AMP1872AU
Flexible Super – Choice (Super)	AMP1868AU
Flexible Lifetime – Allocated	AMP1856AU
Flexible Lifetime – Super	AMP1852AU
Signature Super	AMP1860AU
Signature Super – Allocated	AMP1864AU

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