

Specialist Australian Share

Quarterly Investment Option Update

31 March 2019

Aim and Strategy

To provide a total return (income and capital growth) after costs and before tax, above the S&P/ASX 300 Accumulation Index on a rolling three-year basis. The portfolio primarily invests in shares listed on the Australian Securities Exchange (ASX). The portfolio may also hold up to 5% in international shares, where those securities are also listed on the ASX. In normal circumstances the portfolio's international investments are fully hedged back to Australian dollars. The portfolio may use derivatives such as options, futures or swaps to protect against risks or enhance returns. The portfolio may also short sell securities.

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

Actual Allocation	%
International shares	1.27
Australian shares	92.82
Listed property & Infrastructure	2.51
Cash	3.40

Sector Allocation	%
Financials	31.60
Materials	20.14
Industrials	5.71
Consumer Discretionary	7.65
Energy	6.22
Health Care	5.71
Consumer Staples	4.08
Real Estate	4.12
Cash	3.40
Communication Services	3.04
Information Technology	2.12
Utilities	1.81
Others	0.34

What happened last period

- The Fund posted a positive return and outperformed the benchmark over the March quarter.
- Three of the Fund's four underlying managers outperformed the benchmark.
- Australian shares posted very strong gains over the period.

Fund Performance

The Fund posted a positive absolute return (before fees) and outperformed the benchmark over the March quarter. All of the Fund's five underlying managers posted positive returns and three of them outperformed their respective benchmarks, namely Alphinity, Fidelity and Schroders. However, Ironbark and Perennial underperformed their respective benchmarks.

Stock selection made a positive contribution to relative returns over the period, while sector allocation detracted. Regarding sector allocation, the main positive contributions came from an underweight position in the health care sector and an overweight position in the materials sector. The main detraction came from an underweight position in the real estate sector.

Regarding stock selection, the main positive contributors to relative returns were financials, real estate and industrial stocks, while the main detractors were consumer discretionary and consumer staples. More specifically, the largest contributor to relative returns was an overweight position in mining giant Rio Tinto, which rose (32.8%) as iron ore prices increased and the company reported better-than-expected results for the full-year 2018. Other contributors included overweight positions in software company WiseTech Global, which rallied (+36.9%) following positive trade talks between the US and China, and Cleanaway Waste Management, which rallied (+32.8%) after announcing better-than-expected 1H 2019 profits.

The largest detractor from relative returns was an underweight position in Fortescue Metals Group which rocketed (+78.1%) as iron ore prices increased and the company reported better-than-expected results for the 1H 2019. Other detractors were an overweight position in gaming giant Star Entertainment Group, which fell (-6.2%) on news of a sharp pullback in spending by foreign high-rollers, and an underweight position in a2 Milk Company, which surged (+32.0%) after reporting better-than-expected 1H 2019 results.

Market Review

In line with broader global equities, Australian shares posted very strong gains in the March quarter, after significant falls in late 2018. The S&P/ASX200 total return index finished up by 10.89% for the period. The bulk of the quarter's gains came in January and February, as both the banking Royal Commission and domestic reporting season proved to be largely free of any negative surprises, allowing global bullish sentiment to remain the prime driver of the domestic market. Despite the strong performance, uncertainty remains around the upcoming Federal Election and the Labor opposition's proposed tax changes, which include the removal of franking credits for individuals who do not pay tax or receive a tax refund, mainly impacting self-funded retirees who largely own shares for income purposes. Speculation of an interest rate cut from the Reserve Bank (RBA) has also increased, which is also positive for Australian equities, though balancing this, fears of a pull-back in global growth remain, particularly in the US and parts of Europe.

Outlook

Australian shares remain exposed to a global slowdown, particularly in the resources segment. Banking profitability is also likely to be constrained by increased macro-prudential regulation, capital-holding requirements and a shifting banking structural landscape. Credit will likely continue to be subdued as banks tighten lending standards and business confidence pulls back. Economic uncertainty could also amplify market volatility as we approach the general election in 2019 and the parties stake-out their economic plans for the future. 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	AMP0655AU
AMP Flexible Super - Retirement account	AMP1346AU
AMP Flexible Super - Super account	AMP1475AU
AMP Growth Bond	AMP1193AU
CustomSuper	AMP0655AU
Flexible Lifetime - Allocated Pension	AMP0600AU
Flexible Lifetime - Term Pension	AMP0921AU
SignatureSuper	AMP0797AU
SignatureSuper - Allocated Pension	AMP1150AU
Flexible Lifetime - Investments (Series 2)	AMP1410AU
Flexible Lifetime - Investments (Series 1)	AMP0854AU
SignatureSuper Select	AMP0797AU

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