

Responsible Investment Leaders Australian Share

Quarterly Investment Option Update

30 June 2019

Aim and Strategy

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 five-year basis. The portfolio primarily invests in shares listed on the Australian Securities Exchange and is managed using a responsible investment approach. In certain market conditions, the portfolio may hold a higher level of cash. (see additional information about Responsible Investment Leaders for more information).

Investment Option Performance

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

Investment Option Overview

Investment category	Australian Shares
Suggested minimum investment timeframe	5 years
Relative risk rating	High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
Australian Shares	100
Cash	0

Actual Allocation	%
International Shares	2.43
Australian Shares	89.98
Listed Property and Infrastructure	3.49
Cash	4.10

Sector Allocation	%
Financials	28.69
Materials	15.85
Industrials	11.04
Health Care	9.63
Real Estate	8.45
Energy	5.84
Consumer Discretionary	5.38
Information Technology	4.41
Cash	4.10
Communication Services	3.88
Consumer Staples	1.40
Utilities	1.33

Top Holdings	%
BHP Group Ltd	8.05
National Australia Bank Ltd	6.39
COMMONWEALTH BANK AUST	6.31
CSL Ltd	5.17
Macquarie Group Ltd	5.03
Westpac Banking Corp	4.39
Rio Tinto Ltd	3.81
Woodside Petroleum Ltd	2.81
Australia & New Zealand Banking Group Ltd	2.59
Wesfarmers Ltd	2.53

Fund Performance

The Fund posted a strong positive absolute return (before fees), but modestly underperformed its benchmark over the June quarter. All of the Fund's four underlying managers posted strong positive returns and Ausbil outperformed the benchmark, while DNR, Bennelong and AMP Capital underperformed the benchmark.

Stock selection made a positive contribution to relative returns over the period, but sector allocation detracted from relative returns. Regarding sector allocation, the main detractors were an underweight position in financial and an overweight position in information technology. The main contributors were an underweight position in consumer staples and an overweight position in health care.

Regarding stock selection, the main positive contributors to relative returns were industrials, communication services, energy and real estate, while the main detractors were information technology and financials. More specifically, the main positive contributor to relative returns was an overweight position in online real estate advertising company REA Group. The company soared (+28.6%) after reporting strong Q3 2019 results despite difficult market conditions, and as the re-election of the Coalition Government provided some certainty to the property market. Other positive contributors included an underweight position in diversified miner South32, which plunged (-14.8%) as the alumina price fell, and an overweight position in employment giant SEEK, which rallied (+20.6%) after reaffirming its revenue growth guidance for the full-year 2019.

The largest individual detractor from relative returns was an overweight position in record-keeping technology company Link Administration Holdings. The company plunged (-32.3%) after releasing a disappointing trading update which showed its UK business has been negatively impacted by ongoing Brexit issues. Other detractors included an overweight position in investment bank Macquarie Group, which fell (-0.2%) despite announcing record results for the full-year 2019, as its earnings are expected to be "slightly" lower next year, and an underweight position in Australia's largest bank Commonwealth Bank, which enjoyed a relief rally (+17.2%), despite reporting lacklustre results for Q3 2019.

Environmental Social Governance

Since Australia's Modern Slavery Act was passed into law in November 2018, Australian companies have been called to examine the human impacts of their supply chains. AMP Capital's Ethical Leaders (EL) managers continue to engage with companies as they work through what this means for their business in terms of reporting, disclosure and initiatives to detect and address modern slavery in their supply chains.

Climate change also continues to be a key area of focus for EL managers. Through the Investor Group on Climate Change Policy and Advocacy Working Group, AMP Capital's ESG Research team has been helping develop not only an energy sector policy strategy but also a strategy to get policies that help other sectors transition to a lower carbon world.

Australia's mini proxy season occurs in April/May each year, which meant the June quarter was busy for EL managers. A key focus was on engaging with companies who are restructuring their remuneration reports following shareholder dissatisfaction at their 2018 annual general meetings.

Market Review

Australian equities surged in the June quarter, the S&P/ASX200 total return index finishing up by 7.97%. Speculation of official interest rate cuts drove markets early in the quarter, despite uncertainty around the Federal Election and ongoing housing market falls. In May, the market was pushed higher on the Coalition's "surprise" election victory, which removed risks around changes to the use of franking credits, which are particularly important to many Australian investors. Comments from the RBA continued to grow more dovish, culminating in a rate cut in early June to a historically low 1.25%. This, along with the possibility of further cuts, spurred on Australian markets through the remainder of June. Communication services, financials and health care were top performers over the quarter, while energy and utilities stocks were generally behind the pack.

Outlook

Australian shares remain exposed to global economic uncertainty, despite the greater visibility imparted by the recent return of the Liberal Coalition to government. Much of this uncertainty is outside the Australian government's control.

The Reserve Bank of Australia cut the cash rate to an historically low 1.25% in early June, with communications suggesting further likely reductions, which is positive for equities and should feed into earnings. However, looking ahead, generally higher valuations and increased global economic uncertainty have increased the shorter-term

downside risk. However, this does not mean momentum cannot carry the market higher. In the current environment, investors should benefit by being highly selective and focussing on companies with robust business fundamentals.

Availability

Product Name	APIR
AMP Flexible Lifetime Super	AMP1032AU
AMP Flexible Super - Retirement account	AMP1370AU
AMP Flexible Super - Super account	AMP1499AU
CustomSuper	AMP1032AU
Flexible Lifetime - Allocated Pension	AMP1021AU
Flexible Lifetime - Investments (Series 1)	AMP1055AU*
Flexible Lifetime - Investments (Series 2)	AMP1433AU
Flexible Lifetime - Term Pension	AMP1042AU
SignatureSuper	AMP0976AU
SignatureSuper - Allocated Pension	AMP1172AU

*Closed to new investors

Contact Details

Web: www.amp.com.au

Email: askamp@amp.com.au

Phone: 131 267



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