

Specialist 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 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 for each product, please visit www.amp.com.au

Investment Option Overview

Investment category	Australian Shares
Suggested minimum investment timeframe	7 years
Relative risk rating	High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
Australian Shares	100
Cash	0

Actual Allocation	%
International Shares	1.47
Australian Shares	93.43
Listed Property and Infrastructure	2.32
Cash	2.79

Sector Allocation	%
Financials	31.60
Materials	20.39
Industrials	10.13
Consumer Discretionary	7.46
Energy	6.33
Health Care	5.99
Consumer Staples	4.28
Real Estate	4.26
Communication Services	3.38
Cash	2.79
Information Technology	1.79
Utilities	1.26
Others	0.35

Top Holdings	%
BHP Group Ltd	7.34
COMMONWEALTH BANK AUST	7.11
Australia & New Zealand Banking Group Ltd	5.28
Westpac Banking Corp	4.67
CSL Ltd	3.75
National Australia Bank Ltd	3.39
Rio Tinto Ltd	3.35
Suncorp Group Ltd	2.93
Macquarie Group Ltd	2.92
Wesfarmers Ltd	2.36

Fund Performance

The Fund posted a positive absolute return (before fees) but underperformed its benchmark over the June quarter. All of the Fund's five underlying managers posted positive returns, and one, Alphinity, outperformed its benchmark. Both sector allocation and stock selection detracted from relative returns.

In terms of sector allocation, the main detractors from relative returns were underweight positions in health care and communication services, and an overweight position in energy. The main contributors were underweight positions in real estate and consumer staples.

In terms of stock selection, the main detractors from relative returns were financials, consumer discretionary and industrials, while the main contributors were real estate.

The largest individual detractors from relative returns were overweight positions in Oil Search, Suncorp Group and Downer EDI. Oil and gas exploration company Oil Search, which operates all of Papua New Guinea's oilfields, fell (-9.9%) amid political upheaval in the country. Financial services company Suncorp Group, declined (-1.7%) after announcing that its chief executive officer and managing director, Michael Cameron, would be leaving after almost four years in the job and seven years as a board member. Engineering group Downer EDI, tumbled (-9.9%) after a leading broker downgraded its rating of the company.

The largest individual contributors to relative returns were underweight positions Scentre Group and South32, and an overweight position in WiseTRech Global. Shopping centre owner Scentre Group fell (-6.6%) after completing a share buyback of over 7 million shares and as investors lowered their exposure to retail real estate due to the growing threat from online shopping. Diversified miner South32, plunged (-14.8%) as the alumina price fell when production amounting to approximately three per cent of global supply resumed, after being sidelined since early last year. Logistics software company WiseTech Global rallied (+19.9%) after providing an investor update and reaffirming its guidance for revenue growth of up to 53% for the 2019 financial year.

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	AMP0655AU
AMP Flexible Super - Retirement account	AMP1346AU
AMP Flexible Super - Super account	AMP1475AU
CustomSuper	AMP0655AU
Flexible Lifetime - Allocated Pension	AMP0600AU
Flexible Lifetime - Investments (Series 1)	AMP0854AU*
Flexible Lifetime - Investments (Series 2)	AMP1410AU
Flexible Lifetime - Term Pension	AMP0921AU
SignatureSuper	AMP0797AU
SignatureSuper - Allocated Pension	AMP1150AU
SignatureSuper Select	AMP0797AU

*Closed to new investors

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