

AMP Capital Equity Income Generator

Quarterly Investment Option Update

30 June 2019

Aim and Strategy

To provide annual dividend income (including franking credits) above the dividend income of the performance benchmark, the S&P/ASX 200 Accumulation Index (adjusted to include franking credits). The option also aims to provide a total return (including franking credits) in excess of the performance benchmark on a rolling 5 year basis. The option invests in an actively managed portfolio of Australian securities listed, or about to be listed, on the Australian Securities Exchange. The strategy also aims to provide these returns with a lower volatility than the broader Australian equity market.

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	Single

Asset Allocation	Benchmark (%)
Australian Shares	100
Cash	0

Actual Allocation	%
International Shares	2.52
Australian Shares	81.62
Listed Property and Infrastructure	12.59
Cash	3.27

Sector Allocation	%
Financials	28.14
Materials	14.94
Industrials	13.63
Utilities	9.55
Energy	8.71
Real Estate	6.96
Communication Services	6.54
Consumer Discretionary	3.95
Cash	3.30
Health Care	3.20
Information Technology	1.06

Top Holdings	%
COMMONWEALTH BANK AUST	8.55
BHP Group Ltd	5.99
Aurizon Holdings Ltd	5.36
Rio Tinto Ltd	4.06
QBE Insurance Group Ltd	3.67
Spark Infrastructure Group	3.53
AGL Energy Ltd	3.46
Woodside Petroleum Ltd	3.29
Downer EDI Ltd	3.25
INSURANCE AUSTRALIA GRP	3.07

Fund Performance

Australian shares rose strongly in June. The S&P/ASX200 total return index closed the month up by 3.70%, a level approaching its all-time high, not seen since late 2007. The market was buoyed by the RBA's rate cut and increasing likelihood of further stimulus being on the cards. Materials, industrials and health care stocks were strong performers, however consumer discretionary stocks struggled. The fund had a slightly disappointing month, however it continues to be well positioned to deliver stable tax-effective income.

Portfolio Positioning

Our positioning reflects our view that a range of traditional large cap yield sectors, such as banks, are facing headwinds given the maturity of the cycle. The Fund has instead moved to increase its exposure towards mid and small-cap stocks, particularly those where we see strong balance sheets, sustainable dividends, and a stronger growth outlook. We continue to favour the utilities sector, in particular stocks such as AGL Energy, APA Group and Spark Infrastructure. The sector provides a desirable mix of high dividends, good expected dividend growth and defensive characteristics against a worsening economic backdrop. The Fund continues to be built around companies and sectors which provide strong dividend growth prospects, or highly defensible income streams and can therefore underpin the objective of delivering stable, tax-effective income.

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	AMP9036AU
AMP Flexible Super - Retirement account	AMP9037AU
AMP Flexible Super - Super account	AMP9035AU
CustomSuper	AMP9036AU
Flexible Lifetime - Allocated Pension	AMP9038AU
Flexible Lifetime - Investments (Series 2)	AMP2044AU
SignatureSuper	AMP9039AU
SignatureSuper - Allocated Pension	AMP9040AU

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