AMP Capital Equity Income Generator

Quarterly Investment Option Update

30 June 2022

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 this product, please visit www.amp.com.au/performance

Investment Option Overview

Investment category	Australian Shares
Suggested minimum investment timeframe	5 years
Relative risk rating	Very high
Investment style	Active
Manager style	Single

Asset Allocation	Benchmark (%)
Australian shares	100
Cash	0

Actual Allocation	%
International Shares	4.04
Australian Shares	78.97
Listed Property and Infrastructure	6.12
Cash	10.87

Sector Allocation	%
Materials	24.46
Financials	24.08
Futures	7.63
Energy	7.10
Communication Services	6.85
Real Estate	6.12
Consumer Staples	4.51
Health Care	4.33
Consumer Discretionary	3.67
Industrials	3.23
Cash	3.06
Information Technology	2.60
Utilities	2.36

Top Holdings	%
BHP Group Ltd	8.64
WESTPAC BANKING CORP	6.32
Rio Tinto Ltd	4.91
TELSTRA CORP LTD	4.70
NATIONAL AUSTRALIA BANK	4.29
Woodside Energy Group Ltd	4.28
COMMONWEALTH BANK AUST	3.97
Metcash Ltd	3.54
Genworth Mortgage Insurance Au	2.67
GDI Property Group Partnership	2.62

Fund Performance

Australian equities continued to decline in June, with the S&P/ASX 200 and S&P/ASX 300 Accumulation Index finishing the month down -8.80% and -9.11% respectively, as tighter monetary policy pushed up real yields and pressured valuations. Investors flocked to defensive assets amid growing concerns of a global recession. Consumer Staples (+2.2%) was the only sector with a positive return for the period, as investors sought names with defensive characteristics including Endeavour Group (+4.3%), Woolworths (+2.7%) and Coles (+1.6%). Materials (-12.4%) was the worst performing sector, as weaker commodity prices saw resources companies underperform. Gold producers fell sharply, with Evolution Mining (-38%) down after downgrading production guidance and warning of higher costs, which impacted other gold companies

Portfolio Positioning

The Fund benefitted from holdings in financials companies such as Computershare and Commonwealth Bank of Australia.

Forward looking dividend yield remains our focus when managing the portfolio. Many companies reduced dividends during the COVID period, but have since resumed paying them. As such, the outlook for dividends continues to improve. During May, the banking sector announced strong semi-annual dividends, paid in late June and July. Our current estimate of the forward dividend yield for the portfolio is 6.75%, versus a benchmark yield of 5.15%.

The portfolio's sector diversification remains sound, with only modest active weights relative to the benchmark. The manager believes the portfolio is appropriately positioned for a higher inflationary environment, with reasonable exposure to metals and mining, and consumer staples.

Future portfolio changes will be focused on high yielding companies which can strengthen their market position in a higher inflationary environment. The portfolio remains focused on delivering consistent monthly income by investing in companies with solid balance sheets, dependable cash flows and reliable dividends.

Market Review

Australian shares fell significantly over the June quarter on the back of broader global falls, with the S&P/ASX 200 index returning -11.9% (on a total return basis) for the period. Similar to international shares, Australian share prices continued to be driven by rising interest rates, higher inflation and fears of recession. Australian corporate earnings, which are weighted towards financials largely on the back of residential property, also added to concern as the housing sector came under further pressure amid the rising rate environment. A number of major home builders also experienced financial strife during the period, further impacting confidence. On the positive side, Australia's economy continues to reap benefits from high commodity prices, particularly coal, which recently overtook iron ore as our largest export. However, a turbulent, struggling energy market, not helped by the war in eastern Europe, impacted energy stocks over the period. At a sector level, information technology (IT) was the weakest performer as the segment continued its global correction which began in 2021. Real estate and financials also struggled over the quarter. Relatively better performance meanwhile was seen in more defensive sectors, such as utilities and healthcare.

Outlook

Corporate earnings growth in Australia remains reasonably strong, with earnings and dividends still growing, though at a slightly reduced rate. Cost pressures however are impacting businesses and, in many cases, are being passed onto the customer. The broader economy exhibits strong employment levels and terms of trade, however consumers' ability to spend is falling as interest rates rise. Like overseas markets, inflation remains a prime concern, reflected by a hawkish RBA. The downturn in housing is also a concern for equity markets as interest rates rise. Longer-term, we believe the market will continue its upwards path, with volatility in the shorter-term likely to provide opportunities along the way.

Availability

Product Name	APIR
Flexible Lifetime - Investments (Series 2)	AMP2044AU**
SignatureSuper	AMP9039AU*
SignatureSuper - Allocated Pension	AMP9040AU*

*Closed to new investors

**Closed to new and existing investors

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