

# AMP Capital Equity Income Generator

Quarterly Investment Option Update

30 September 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](http://www.amp.com.au)

## Investment Option Overview

<b>Investment category</b>	Australian Shares
<b>Suggested minimum investment timeframe</b>	5 years
<b>Relative risk rating</b>	High
<b>Investment style</b>	Active
<b>Manager style</b>	Single

Asset Allocation	Benchmark (%)
Australian Shares	100
Cash	0

Actual Allocation	%
International Shares	3.68
Australian Shares	82.87
Listed Property and Infrastructure	12.25
Cash	1.20

Sector Allocation	%
Financials	29.55
Industrials	15.00
Materials	12.56
Utilities	8.31
Energy	8.23
Communication Services	7.53
Real Estate	7.05
Health Care	3.98
Consumer Discretionary	3.20
Information Technology	1.72
Consumer Staples	1.67
Cash	1.20

Top Holdings	%
BHP Group Ltd	6.10
Commonwealth Bank of Australia	5.46
Aurizon Holdings Ltd	5.04
Australia & New Zealand Banking Group Ltd	4.38
Origin Energy Ltd	3.91
QBE Insurance Group Ltd	3.87
National Australia Bank Ltd	3.74
CYBG PLC	3.68
Spark Infrastructure Group	3.12
AUB Group Ltd	3.06

## Fund Performance

The Fund produced another positive performance for the September quarter. Driven largely by rising global markets and dovish central banks, more record-highs were hit by Australian shares during the period. Australian shares did pull back somewhat in August amid a mostly lacklustre corporate reporting season, though pockets of relative strength were evident in some of the more-niche medium and smaller cap stocks. Some positive indications from the Melbourne and Sydney property markets, which have undergone a significant correction over the past two years, also helped domestic sentiment, given the Australian economy's very large exposure to the sector.

## Portfolio Positioning

The Fund continues to be conservatively positioned for the later stages of a market cycle. We aim to invest in companies that have good balance sheets and strong cash flow that can either grow their dividend over time or provide a highly defensible income stream. This underpins the objective of delivering a stable, tax-effective income to investors and ultimately creates a more robust portfolio in uncertain times. One of the challenges of income investing is maintaining adequate diversification. The ASX200 is heavily reliant on a small number of stocks and sectors for its income, the largest being the banking sector. To address this, we set portfolio weights without reference to market capitalisation. This means the Fund's income sources are more diversified and more evenly distributed than the broader market. One of our favoured sectors continues to be infrastructure, in particular stocks such as AGL Energy, APA Group and Atlas Arteria. The sector provides a desirable mix of high dividends, good expected dividend growth and defensive characteristics against a worsening economic backdrop.

## Market Review

Australian shares rose over the September quarter, the S&P/ASX200 total return index closing up by 2.37%, with more record-highs being hit during the period. A Reserve Bank of Australia (RBA) rate cut buoyed Australian markets in July, as did solid rises from the US and other international exchanges. Australian shares subsequently pulled back in August amid a mostly lacklustre corporate reporting season. Unsurprisingly, retail earnings were generally weak, although this was not across the board with some major retailers surprising on the upside. Pockets of relative strength were also evident in some of the more niche medium and smaller cap stocks. The market then rose in September, as did broader international markets, as traders became slightly less pessimistic on the now-familiar concerns of US economic growth and China/US trade tensions. Some positive indications from the Melbourne and Sydney property markets, which have undergone a significant correction over the past two years, also helped domestic sentiment, given the Australian economy's very large exposure to the sector. The share market also appeared to largely price-in an early October official interest rate rise, which materialised one day after quarter-end.

## Outlook

Australian shares remain exposed to global economic uncertainty and constrained growth in Australia. As a result, further short-term weakness is a high risk. Against this background, the Reserve Bank of Australia has issued accommodating communications.

However, valuations are reasonable, particularly when compared against low bond yields. Global growth indicators are expected to improve by next year and Australian monetary and fiscal policy are supportive, all of which should support decent gains for share markets on a 6-12 month horizon.

In the current environment, investors should benefit by being highly selective and focusing 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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