

AMP Capital Equity Income Generator

Quarterly Investment Option Update

30 June 2021

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/performance

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	4.47
Australian Shares	89.19
Listed Property and Infrastructure	5.74
Cash	0.60

Sector Allocation	%
Financials	25.11
Materials	21.28
Health Care	12.68
Consumer Discretionary	8.90
Consumer Staples	8.89
Industrials	5.82
Real Estate	5.74
Energy	4.83
Communication Services	3.60
Utilities	2.54
Cash	0.60

Top Holdings	%
Commonwealth Bank of Australia	7.09
Aurizon Holdings Ltd	4.86
Virgin Money UK PLC	4.47
Genworth Mortgage Insurance Au	3.94
Estia Health Ltd	3.62
Telstra Corp Ltd	3.60
Regis Healthcare Ltd	3.34
Healius Ltd	3.32
Metcash Ltd	3.16
Super Retail Group Ltd	3.10

Fund Performance

Equity Income Generator underperformed the benchmark in the June quarter, but significantly outperformed for the 12 month period to 30 June 2021. Income for the year has been tracking ahead of our expectations and we will be updating our distribution payout for the six-month period from June 21-Dec 21 shortly. In line with bullish international markets, Australian shares rose strongly over the June quarter, with the S&P/ASX 200 index closing the period 8.29% higher, on a total return basis. While the global recovery was the prime driver, the Reserve Bank of Australia (RBA) continued to play its part, as it again reiterated its commitment to low cash rates for as long as necessary. Domestic economic indicators, such as jobs figures, also remained strong, leading to rising speculation towards the end of the quarter on the timing of future rate hikes. Growth segments of the market generally did well over the quarter as the economic recovery continued.

Portfolio Positioning

As we head into the August reporting season, we continue to favour sectors and stocks which provide a desirable mix of good dividend growth potential and leverage to an economic recovery. With elevated cashflows coming through, we are looking to harvest income from potential buybacks and special dividends. Relative to the benchmark, the portfolio is tilted towards diversified financials, retail and transport, as we believe the segments have the ability to leverage an economic rebound and then pay reasonable dividends in the medium-term.

The Fund aims to invest in sectors and companies with reliable income streams and or reasonable dividend growth prospects in the medium term. This underpins the objective of delivering a stable tax-effective income to investors and, we believe, ultimately creates a more robust portfolio during different market cycles.

Market Review

In line with bullish international markets, Australian shares rose strongly over the June quarter, with the S&P/ASX 200 index closing the period 8.29% higher, on a total return basis. While the global recovery was the prime driver, the Reserve Bank of Australia (RBA) continued to play its part, as it again reiterated its commitment to low cash rates for as long as necessary. Domestic economic indicators, such as jobs figures, also remained strong, leading to rising speculation towards the end of the quarter on the timing of future rate hikes. Growth segments of the market generally did well over the quarter as the global economic recovery continued. At a sector level, information technology shares were the strongest performers over the quarter amid stabilising bond yields as well as further merger and acquisition activity. Communications services and consumer discretionary stocks also did well, while the energy and the utilities sectors meanwhile posted negative returns for the period. The market's focus is now clearly on the RBA showing any sign of changing its timeline for rate rises, as well as any tapering of its bond purchases.

Outlook

Australian equities continue to be strongly influenced by global markets and events. The economic backdrop is complicated by shifting policy on vaccine rollout by the Federal Government, most recently by a pivot in rollout emphasis from the AstraZeneca to the Pfizer option, which will push out the herd immunity date as further Pfizer supplies need to be sourced. The risk is that a prolonged rollout period could dent business and consumer confidence which could feed into equity prices in the short term.

Despite this, Australia's greater degree of government stimulus relative to other countries, low COVID-19 cases from an international perspective, and a supportive commodities backdrop do look to be aiding the recovery process. The effect of the wind-down in government support programmes has proved so far to be relatively benign. Although large equity price rises have increased the risk of a correction, we believe the longer-term trend is likely to remain positive. We continue to believe investors should be selective and, as always, maintain a longer-term perspective.

Availability

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

**Closed to new and existing investors

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