

# AMP CAPITAL EQUITY FUND - ON-PLATFORM CLASS A

Seeks to generate capital growth over the long term by investing in a diversified portfolio of shares listed on the Australian Securities Exchange.

## Performance summary

- > The Fund's outperformance during the period was driven by positive sector and stock selection
- > Australian share markets were little changed during July
- > Australian companies remain sensitive to residential house prices, the impact on commodities of economic growth in China and the path of global interest rates

## Investment approach

The investment style is unconstrained, that is, the Fund is not biased towards value or growth type companies. This allows the Fund to actively take advantage of companies we believe represent attractive investment opportunities as they arise.

## Performance – as at 31 July 2017

**Inception Date:** 21 Jun 2000

**Performance benchmark:** S&P/ASX 200 Accumulation Index AUD

**Management costs:** 0.9716%

%	1 mth	3 mth	1 yr	3 yr	5 yr	Incept
Total return - after fees	0.33	-2.09	3.26	3.35	10.09	7.76
Benchmark	-0.01	-2.59	7.33	5.10	10.87	7.98

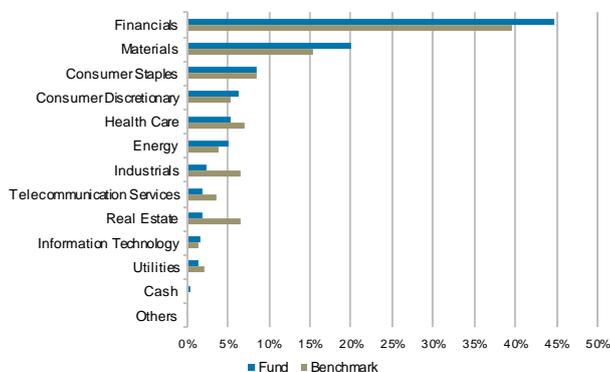
Past performance is not a reliable indicator of future performance.

Performance is annualised for periods greater than one year.

Total returns are calculated using the unit price which uses the net asset values for the relevant month end. This price may differ from the actual unit price for an investor applying for or redeeming an investment. Actual unit prices will be confirmed following any transaction by an investor. Returns quoted are before tax, after Class 'A' fees and costs, assume all distributions are reinvested.

For more information visit [ampcapital.com.au](http://ampcapital.com.au)

## Asset allocation



## \$500,000 invested since inception



## Top 10 holdings

Security Details	% Portf	% Bench
COMMONWEALTH BANK AUST	8.85	9.59
WESTPAC BANKING CORP	8.52	7.15
AUSTRALIA & NEW ZEALAND BANKING GROUP LTD	6.67	5.76
BHP BILLITON LTD	6.47	5.50
NATIONAL AUSTRALIA BANK	5.71	5.33
WESFARMERS LTD	5.14	3.06
CSL LTD	4.08	3.79
MACQUARIE GROUP LTD	3.68	1.93
QBE INSURANCE GROUP LTD	3.55	1.07
ORIGIN ENERGY LTD	2.66	0.80

### Performance and activity

The AMP Capital Equity Fund outperformed the S&P/ASX 200 Index over the course of the month due largely to positive sector selection but also positive stock selection.

The Australian equity market was virtually unchanged over the month; gains in mining and retail were offset by weakness across a number of sectors, especially healthcare.

The Fund's outperformance was driven by an overweight position in mining, underweight positions in healthcare and transport and positive stock selection in media. This was somewhat offset by the overweight positions in gaming, diversified financial and chemicals.

The portfolio's overweight exposure to mining contributed to relative performance. The overweight position in Oz Minerals was the Fund's strongest single contributor to relative returns over the month. Its stock price gained 12% upon a strong rally in the copper price and the company also made progress in the approval process for its Carrapateena development during this period. The overweight position in BHP Billiton was another significant contributor to relative returns over the month; its stock price gained 11%.

Transport was negatively impacted by the upwards bounce in the oil price, which led to the Fund's underweight position contributing to relative performance. Qantas was directly impacted by higher oil prices, Aurizon announced a large write-down in its bulk haulage business and Brambles suffered from concerns around the outlook for margins in its core US pallets division; the Fund benefitted from its zero holding in all these companies.

The underweight position in healthcare also contributed to relative performance during the month as investors took profits following the record high reached by the sector in June. The sector was generally weaker in July, however Sonic Healthcare was particularly impacted, falling approximately 8% over the period, following its recent outperformance and Cochlear was also down 8% on news of the unexpected departure of its CEO.

Stock selection in media also contributed to the Fund's relative performance. The overweight in Carsales.com contributed when its share price rose 7% during the month following the announcement of stronger than expected national auto sales for the June quarter; the company also increased prices for private listings on its website during the period. The Fund's overweight position in REA Group, a key participant in the online classified advertisement market which outperformed upon signs of firmer advertising prices and listing volumes, also contributed to relative performance.

At a stock level the underweight position in Coca Cola Amatil also contributed to relative performance when its market value fell sharply. It reached a 12-month low after losing a key supply contract with Domino's

Pizza to a competitor and faces de-stocking from the major supermarket group Woolworths.

One detractor from relative performance was the Fund's overweight position in APA Group, whose market valuation fell 6% during the month. It was impacted as the market became more concerned about the impact of the Vertigan Review of Australian energy markets upon future returns from its gas pipeline network.

The appreciation of the Australian dollar impacted companies with significant overseas earnings. The overweight position in CYBG, which was also impacted by the fall in UK bond yields, detracted from performance; meanwhile the underweight in Aristocrat Leisure contributed to relative performance.

There were no major changes in the overall positioning of the portfolio, which continues to be positioned for the ongoing cyclical recovery. This is reflected through overweight positions in the mining, energy, building materials and gaming sectors. The portfolio continues to anticipate rising global interest rates through the underweight position in long duration sectors such as listed real estate, infrastructure, and utilities.

### Market commentary

The ASX 200 Accumulation finished flat in July, having traded in a tight range throughout the month. Positive returns from banking stocks and a resurgent commodities sector were offset by weak healthcare, utilities and telecommunications stocks. Top performers were BHP Billiton, Fortescue and South 32, which rallied on strong commodity prices in July. CSL fell 8.7%, reversing recent gains, partly due to the headwind of the rising Australian dollar. Other companies with substantial foreign earnings also took a hit, with Aristocrat, Brambles and Amcor all lower over the month. Telstra fell 4.6%, on fears that it may not be able to sustain its dividend. Australian stock valuations are still relatively high, with earnings multiples above the long term average. This implies growth in corporate profits, which may be driven by commodities stocks. However, low wages growth and high levels of household debt may constrain consumer spending, with retailers and the financial sector feeling the effects.

### Outlook

Top-line growth remains elusive for Australian shares, with many companies still focussing on cost-cutting rather than investing back into the business for growth. Banking profitability is likely to continue to be stifled by capital-holding requirements. The mining sector, despite benefitting from a bounce-back in resource prices (in particular iron ore) remains highly susceptible to any pause in activity from China. Defensive companies that historically offer high and stable dividends are likely to continue to underperform in a rising US interest rate environment, so investors will likely benefit by being highly selective and focussing on businesses that are more cyclical and tend to perform well as global economic activity picks up. It is however positive to see non-mining profit expectations for the next year looking stronger compared to a year ago.

### Investment objective

To provide total returns (income and capital growth) after costs and before tax, above the Fund's performance benchmark on a rolling 3 year basis.

### Facts

Fund size	\$987.18 million
Minimum suggested time frame	5 years
Minimum initial investment	\$500,000
Buy/sell spread	+0.25/-0.25

Distribution frequency	Half Yearly
Date of last distribution	Jun 2017
Distribution cents per unit	1.37

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