

# AMP CAPITAL WHOLESALE AUSTRALIAN EQUITY VALUE FUND

## Performance summary

- > In May, before fees, the portfolio outperformed its benchmark, the S&P/ASX 300.
- > Australian shares rose again in May despite uncertainty in the financial sector.
- > AB still sees a wide valuation gap between the cheapest and the most expensive stocks.

## Investment approach

The Fund is managed by Bernstein Value Equities. Bernstein manages Australian equities using an active, fundamental research-driven, bottom-up approach. Bernstein seeks to purchase stocks with the most promising long-term earnings for the best price.

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

## Sector allocation

%	Current	Benchmark
Energy	12.14	5.47
Materials	26.45	18.64
Industrials	12.40	7.46
Consumer Discretionary	0.51	4.97
Consumer Staples	7.12	7.86
Health Care	2.73	8.43
Financials	23.36	32.13
Information Technology	0.00	2.43
Telecommunication Services	1.51	2.42
Utilities	8.85	1.95
Real Estate	2.09	8.23
Cash	2.83	0.00

## Performance – as at 31 May 2018

**Inception Date:** 30 Apr 2003

**Performance benchmark:** S&P/ASX 300 Accumulation Index

**Management costs\*\*:** 0.84%

\*\*The Fund PDS outlines management costs components, as well as other fees and costs that may apply to your investment. You can review the PDS at [www.ampcapital.com.au](http://www.ampcapital.com.au)

%	1 mth	3 mth	1 yr	3 yr	5 yr	incept
Total return - after fees	1.45	2.64	10.85	5.65	9.57	9.58
Distribution	0.00	0.00	4.30	4.27	4.15	6.40
Growth	1.45	2.64	6.55	1.38	5.42	3.17
Benchmark	1.19	1.10	9.99	6.05	8.77	9.33

Past performance is not a reliable indicator of future performance.

Performance is annualised for periods greater than one year.

Performance figures are calculated using exit prices, are net of management fees, ongoing fees and expenses, assume distributions are reinvested and tax is not deducted. The growth return reflects change in the capital value of units, while the Distribution return reflects total distributions paid from the fund.

## Top 10 holdings

Security Details	% Portf	% Bench
AUSTRALIA & NEW ZEALAND BANKING GROUP LTD	6.53	4.79
SYDNEY AIRPORT	5.37	0.99
QANTAS AIRWAYS LTD	5.10	0.67
NATIONAL AUSTRALIA BANK LTD	5.07	4.39
FLETCHER BUILDING LTD	4.54	0.10
CONTACT ENERGY LTD	4.49	0.00
WESFARMERS LTD	4.08	3.11
WESTPAC BANKING CORP	3.93	5.71
WOODSIDE PETROLEUM LTD	3.04	1.83
SOUTH32 LTD	2.96	1.16

## > AMP CAPITAL WHOLESALE AUSTRALIAN EQUITY VALUE FUND

In May, before fees, the portfolio outperformed its benchmark, the S&P/ASX 300. Stock selection in industrials, financials and utilities generated most of the outperformance. The underweights to selected telecommunications and financial stocks also contributed. Materials holdings underperformed, mostly due to an underweight position in BHP Billiton.

Qantas Airways contributed positively to the performance. During the month, the company issued a trading update guiding for underlying profit to be above consensus expectations. In addition, the company indicated domestic revenue was up 8%, highlighting its continued ability to lift prices to compensate for rising fuel costs. AB sees Qantas as being increasingly exposed to the domestic market, where good market structure and capacity discipline are allowing price increases to pass through any increase in oil prices.

Contact Energy was a contributor in the month as the shares outperformed. Contact's generation business struggled in the past six months due to poor rainfall over its South Island hydro plant assets, but this trend recently reversed due to above-average rainfall, which AB believes should result in a lower cost of energy and an acceleration of earnings into the second half of the year.

An underweight position in CBA contributed to performance, as regulatory and legal issues continued to drag.

AB's underweight position in BHP Billiton detracted from performance. Positive demand data continues to be supportive for resources stocks. An underweight position in CSL also detracted. The Australian biotherapeutics company's core business continues to perform strongly, and the company upgraded earnings guidance during the month.

characteristics on measures such as price to earnings (P/E), price to book and cash flow. Importantly, AB believe stocks in the portfolio have a stronger balance sheet than average, which will help insulate the portfolio and leave it well positioned to capture the value opportunity.

### Market commentary

Australian shares remained buoyant in May, with the S&P/ASX200 Accumulation Index rising 1.09% over the month. Despite uncertainty in the financial sector, impacted by the ongoing Royal Commission, the resources and industrials sectors saw support over the month; with the S&P/ASX 200 Resources Accumulation Index rising 2.61% and the S&P/ASX 200 Industrials Accumulation Index rising 0.72%. Toughening lending standards are likely to put a cap on credit for the time being and concerns remain over residential property valuations in key centres.

### Outlook

AB continues to see the valuation gap between the cheapest and the most expensive stocks as wide, indicating extensive mispricing across many parts of the market. AB believes their portfolio exhibits strong value

### Investment objective

To outperform the S&P/ASX 300 Accumulation Index (S&P/ASX 300) after costs and over rolling five year periods.

### Facts

Fund size	46216239.60	Distribution frequency	Half Yearly
Minimum suggested time frame	5 years	Date of last distribution	Dec 2017
Minimum initial investment	\$25,000	Distribution cents per unit	2.80
Buy/sell spread	+0.20/-0.20		

### Important Information

This publication has been prepared to provide general information only and does not take into account the financial objectives, situation of needs of any particular person. It is not intended to take the place of professional advice and you should not take action on specific issues in reliance on this information. Before making an investment decision, you need to consider (with or without the assistance of an adviser) whether this information is appropriate to your needs, objectives and circumstances. Past performance is not necessarily indicative of future performance. Unless specifically stated, the repayment of capital or performance of our products is not guaranteed. This information is provided for persons in Australia only and is not provided for the use of any person who is in any other country.

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