

11 May 2017

AMP Limited reports first quarter cashflows, AUM and provides Australian wealth protection update

AMP Limited (ASX: AMP; ADR: AMLYY) today reported cashflows and assets under management (AUM) for the first quarter to 31 March 2017 and provided an update on its Australian wealth protection business.


- Q1 17 Australian wealth management inflows increased 11 per cent from Q1 16 to A\$6.4 billion. This was offset by a 19 per cent increase in outflows resulting in net cash outflows of A\$199 million.
- Outflows primarily driven by increased consolidation activity across the superannuation sector and as customers transitioned to MySuper.
- Net cashflows on AMP retail platforms were A\$188 million in Q1 17. North continues to perform well, with net cashflows up 27 per cent from Q1 16.
- AMP Capital net external cashflows of A\$228 million driven by strong cashflows from China Life AMP Asset Management.
- AMP Bank's mortgage book grew by 5 per cent over the quarter.
- Positive Q1 17 Australian wealth protection claims and lapse experience, with the business performing in line with revised assumptions.
- Cashflows strong since beginning of Q2 with wealth management net cashflows now positive year to date.

AMP Chief Executive Craig Meller said:

“Q1 17 cashflows reflect an extraordinarily high level of activity across Australia’s superannuation industry as customers transitioned to MySuper prior to 1 July 2017, consolidate their funds and allocate more investments to SMSFs, amid a changing regulatory environment. As a result, both Australian wealth management cash inflows and outflows were higher.

“Cashflows into North increased, reflecting our continued investment in the market leading platform. AMP’s SMSF business, SuperConcepts, also increased its assets under administration as it builds on its market-leading position.

“Wealth management cashflows have been strong since the beginning of Q2 as we near the 1 July 2017 effective date for superannuation contribution changes and from the transition of a large corporate super mandate to AMP. Final MySuper transitions were completed in April and net cashflows in wealth management are positive for the year to date.

“Q1 claims and lapse experience in Australian wealth protection indicate that the measures we’ve taken to stabilise the performance of the business are working.” 

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Commentary

Australian wealth management

Australian wealth management net cash outflows were A\$199 million during the quarter, down from net cashflows of A\$209 million in Q1 16. While cash inflows increased 11 per cent from Q1 16, they were more than offset by a 19 per cent increase in outflows. The decline in net cashflows was driven by increased superannuation consolidation across the industry, the migration of default funds to MySuper, fewer corporate super mandate inflows and increased outflows to self-managed super funds (SMSFs).

Superannuation outflows increased by A\$278 million (24 per cent) on last year driven by increased competitor consolidation activity and higher outflows as customers transitioned to MySuper. Higher outflows to SMSFs were driven, in part, by customer preference for residential property investment.

Inflows were up A\$652 million (11 per cent), with member contributions up 25 per cent on Q1 16 continuing the trend experienced in Q4 16. Superannuation consolidation inflows of A\$129 million were up 42 per cent on Q1 16.

Net cashflows on AMP retail platforms were A\$188 million in Q1 17, down from A\$274 million in Q1 16, driven by higher superannuation outflows in legacy products.

North net cashflows grew by A\$218 million (27 per cent) to A\$1,038 million in Q1 17. Cash inflows increased by A\$956 million (41 per cent) to A\$3,270 million, driven by continuing preference for customers to use North following the launch of MyNorth late in Q1 16. Externally sourced inflows were up 34 per cent on Q1 16. North AUM grew 6 per cent in the quarter to A\$28.7 billion and was up 35 per cent from A\$21.2 billion at the end of Q1 16.

AMP Flexible Super reported net cash outflows of A\$109 million in Q1 17, down from net cashflows of A\$84 million in Q1 16, driven by increasing preference for North by new and existing retirement customers. Flexible Super AUM grew 1 per cent in the quarter to A\$16.1 billion and was up 8 per cent from A\$14.9 billion at the end of Q1 16.

In Flexible Lifetime Super (superannuation and pension), which was closed to new business from 1 July 2010, net cash outflows increased by A\$104 million from Q1 16 to A\$380 million, driven by increased competitor consolidation activity and higher outflows as customers transitioned to MySuper.

Corporate superannuation net cash outflows were A\$2 million in Q1 17 compared to net cashflows of A\$109 million in Q1 16. There were no large mandate transitions during the quarter (Q1 16 A\$79 million), however a major mandate with WaterCorp has transitioned in Q2 17.

External platform net cash outflows were A\$385 million in Q1 17 driven by higher outflows on investment products and lower platform inflows as advisers continue to use North as the preferred platform.

Total Australian wealth management AUM was A\$122.8 billion at 31 March 2017, up 2 per cent from A\$120.8 billion at the end of Q4 16 (and 9 per cent from A\$112.6 billion at Q1 16). The increase since 31 December largely reflects positive investment market movements during the quarter. Average AUM was A\$121 billion in the quarter.

AMP's SMSF business, SuperConcepts, added approximately 3,600 funds across administration and software services during Q1 17. It now supports more than 57,100 SMSFs (an increase from approximately 38,400 in Q1 16) with AMP providing professional administrative services to 34 per cent of these funds. Assets under administration were A\$22.5 billion at the end of the first quarter, an increase of A\$111 million. The growth in the number of funds, which are not included in AUA, are mainly attributed to the acquisition of BPO Connect's SMSF business.

Australian wealth management	Cash inflows		Cash outflows		Net cashflows	
Cashflows by product (A\$m)	Q1 17	Q1 16	Q1 17	Q1 16	Q1 17	Q1 16
North ¹	3,270	2,314	(2,232)	(1,494)	1,038	820
AMP Flexible Super ²	949	1,064	(1,058)	(980)	(109)	84
Summit, Generations and iAccess ³	228	300	(575)	(616)	(347)	(316)
Flexible Lifetime Super (superannuation and pension) ⁴	421	435	(801)	(711)	(380)	(276)
Other retail investment and platforms ⁵	59	56	(73)	(94)	(14)	(38)
Total retail on AMP platforms	4,927	4,169	(4,739)	(3,895)	188	274
SignatureSuper and AMP Flexible Super - Employer	742	717	(655)	(514)	87	203
Other corporate superannuation ⁶	386	433	(475)	(527)	(89)	(94)
Total corporate superannuation	1,128	1,150	(1,130)	(1,041)	(2)	109
Total retail and corporate super on AMP platforms	6,055	5,319	(5,869)	(4,936)	186	383
External platforms ⁷	303	387	(688)	(561)	(385)	(174)
Total Australian wealth management	6,358	5,706	(6,557)	(5,497)	(199)	209

Australian wealth management cash inflow composition (A\$m)	Q1 17	Q1 16
Member contributions	888	708
Employer contributions	988	1,010
Total contributions	1,876	1,718
Transfers and rollovers in ⁸	4,482	3,988
Total Australian wealth management	6,358	5,706

¹ North is a market leading fully functioning wrap platform which includes guaranteed and non-guaranteed options.

² AMP Flexible Super is a flexible all in one superannuation and retirement account for individual retail business.

³ Summit and Generations are owned and developed platforms. iAccess is ipac's badge on Summit.

⁴ Flexible Lifetime Super (superannuation and pension) was closed to new business from 1 July 2010. A small component of corporate superannuation schemes are included.

⁵ Other retail investment and platforms include Flexible Lifetime - Investments, AMP Personalised Portfolio and Synergy. The Synergy platform was closed in Q2 2016, with customer accounts transferred to North.

⁶ Other corporate superannuation comprises CustomSuper, SuperLeader and Business Super.

⁷ External platforms comprise Asgard, Macquarie and BT Wrap platforms.

⁸ Transfers and rollovers in includes the transfer of accumulated member balances into AMP from both internal (e.g. retail superannuation to allocated person/annuities) and external products.

Australian wealth management	Q4 16		Q1 17 Net cashflows			Total net cashflows	Other movements ¹	Q1 17
AUM (A\$m)	AUM	Superannuation	Pension	Investment				AUM
North	27,092	330	497	211		1,038	535	28,665
AMP Flexible Super	15,948	(4)	(105)	-		(109)	290	16,129
Summit, Generations and iAccess	12,153	(119)	(166)	(62)		(347)	314	12,120
Flexible Lifetime Super (superannuation and pension)	23,836	(247)	(133)	-		(380)	427	23,883
Other retail investment and platforms	2,455	-	-	(14)		(14)	41	2,482
Total retail on AMP platforms	81,484	(40)	93	135		188	1,607	83,279
SignatureSuper and AMP Flexible Super - Employer	16,124	59	28	-		87	258	16,469
Other corporate superannuation	12,770	(89)	-	-		(89)	133	12,814
Total corporate superannuation	28,894	(30)	28	-		(2)	391	29,283
Total retail and corporate superannuation on AMP platforms	110,378	(70)	121	135		186	1,998	112,562
External platforms ³	10,374	(120)	(132)	(133)		(385)	238	10,227
Total Australian wealth management	120,752	(190)	(11)	2		(199)	2,236	122,789
Australian wealth management - SuperConcepts²	22,361						111	22,472
Assets under administration								

¹ Other movements include fees, investment returns, distributions and taxes.

² SuperConcepts assets under administration includes AMP SMSF, Multiport, Cavendish, SuperIQ, yourSMSF and Ascend administration platforms, but does not include Multiport Annual, BPO Connect and Just Super.

³ Q416 adjusted to remove assets under advice of \$382m on external platforms.

Australian wealth management	Q4 16	Q1 17
AUM (A\$m)	AUM	AUM
AUM by product		
Superannuation	70,720	71,786
Pension	35,772	36,475
Investment	14,260	14,528
Total	120,752	122,789
AUM by asset class		
Cash and fixed interest	31%	31%
Australian equities	31%	32%
International equities	26%	25%
Property	6%	6%
Other	6%	6%
Total	100%	100%

Australian wealth management	Q4 16	Q1 17
AUM summary (A\$b)	AUM	AUM
Closing AUM	120.8	122.8
Average AUM	117.7	121.0

AMP Capital

AMP Capital had net cash outflows in Q1 17 of A\$625 million, comprising external net cashflows of A\$228 million offset by internal net cash outflows of A\$853 million. Internal cashflows were impacted by outflows from default super funds sourced via Australian wealth management. External net cashflows again benefited from strong flows from China Life AMP Asset Management (CLAMP) and Infrastructure Debt Fund III fundraising.

Net cashflows from AMP's share of the CLAMP alliance increased to A\$314 million up from A\$22 million in Q1 16. In Japan, net cashflows of A\$83 million were assisted by institutional flows into AMP Capital's global debt and equity infrastructure funds.

AMP Capital AUM at the end of Q1 17 was A\$165.7 billion, up 0.2 per cent from A\$165.4 billion at end of Q4 16 and up 6 per cent from A\$156.5 billion at Q1 16. Average AUM increased 2 per cent over the quarter to A\$165.2 billion.

AMP Capital	Q4 16	Q1 17 Net cashflows		Total net cashflows	Other movements ¹	Q1 17
AUM (A\$m)	AUM	Cash inflows	Cash outflows			AUM
External	55,649	2,494	(2,266)	228	(625)	55,252
Internal	109,751	14,921	(15,774)	(853)	1,582	110,480
Total AMP Capital	165,400	17,415	(18,040)	(625)	957	165,732

AMP Capital	Q4 16	Q1 17
AUM summary (A\$b)	AUM	AUM
Closing AUM	165.4	165.7
Average AUM	161.7	165.2

¹ Other movements include investment returns, distributions, taxes and foreign exchange movements.

AMP Bank

AMP Bank's mortgage book increased to A\$17.9 billion at the end of Q1 17 from A\$17.1 billion at Q4 16. Both the AMP aligned adviser and mortgage broker channels experienced mortgage book growth in Q1 17. The deposit book increased A\$617 million (5 per cent) in Q1 17 relative to December 2016.

AMP Bank by product	Q4 16		Q1 17	
Deposits and loans (A\$m)	end balance	Other movements ¹	end balance	
Deposits (super and platform) ²	5,173	(61)	5,112	
Deposits (retail) ²	5,594	678	6,272	
Deposits (other) ²	782	0	782	
Loans	17,120	787	17,907	

1. Represents movements in AMP Bank's deposits and loan books.

2. At 31 Mar 2017, deposits include AMP Bank retail deposits (A\$6.3b), AMP Supercash and Super TDs (A\$2.1b), North and platform deposits (A\$3.0b), internal deposits (A\$0.6b) and other wholesale deposits (A\$0.2b).

Australian wealth protection

Australian wealth protection annual premium in-force was down 1 per cent in Q1 17 to A\$1,943 million compared to A\$1,964 million in Q4 16. The small decline was primarily driven by a 1 per cent fall in API for individual lump sum. Q1 17 claims and lapse experience was positive, with the business performing in line with revised assumptions.

Australian wealth protection	Cash inflows		Cash outflows		Net cashflows	
Cashflows by product (A\$m)	Q1 17	Q1 16	Q1 17	Q1 16	Q1 17	Q1 16
Individual risk	356	358	(124)	(164)	232	194
Group risk	120	121	(85)	(84)	35	37
Total Australian wealth protection	476	479	(209)	(248)	267	231

Australian wealth protection	Q4 16	Q1 17
Annual Premium In-force – API (A\$m)	API	API
Individual lump sum	1,122	1,107
Individual income protection	400	396
Group Risk	442	440
Total	1,964	1,943

New Zealand financial services

AMP New Zealand financial services' net cashflows of A\$23 million in Q1 17 were down A\$37 million from A\$60 million in Q1 16, driven by increased outflows in both KiwiSaver and Other, partially offset by stronger inflows.

New Zealand financial services	Cash inflows		Cash outflows		Net cashflows	
Cashflows by product (A\$m)	Q1 17	Q1 16	Q1 17	Q1 16	Q1 17	Q1 16
KiwiSaver	151	139	(96)	(74)	55	65
Other ¹	231	206	(263)	(211)	(32)	(5)
Total New Zealand	382	345	(359)	(285)	23	60

New Zealand financial services	Q4 16		Q1 17 Net cashflows			Total	Q1 17
AUM (A\$m)	AUM	Superannuation	Pension	Investment	Other	Net cashflows	Other movements ²
KiwiSaver	4,215	55	-	-	-	55	(86)
Other ¹	10,895	4	(1)	(38)	3	(32)	(258)
Total New Zealand	15,110	59	(1)	(38)	3	23	(344)

¹ Other New Zealand financial services cashflows and AUM include New Zealand wealth protection, mature and non-KiwiSaver wealth management products.

² Other movements include fees, investment returns, taxes, as well as foreign currency movements on New Zealand AUM.

New Zealand wealth protection	Q4 16	Q1 17
Risk Insurance Annual Premium In-force – API (A\$m)	API	API
Individual lump sum	243	231
Individual income protection	45	43
Group Risk	39	36
Total	327	310

Australian mature

Australian mature net cash outflows in Q1 17 were A\$335 million, compared to a net cash outflow of A\$319 million in Q1 16.

Australian mature	Cash inflows			Cash outflows		Net cashflows	
Cashflows by product (A\$m)	Q1 17	Q1 16	Q1 17	Q1 16	Q1 17	Q1 16	
Australian mature	129	131	(464)	(450)	(335)	(319)	

Australian mature	Q4 16		Q1 17 Net cashflows				Total net cashflows	Other movements ¹	Q1 17
AUM (A\$m)	AUM	Superannuation	Pension	Investment	Other			AUM	
Australian mature	21,182	(170)	(44)	(18)	(103)	(335)	264	21,111	

¹ Other movements include fees, investment returns, distributions and taxes.