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AMP Limited (ASX/NZX: AMP)

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

Please refer to the attached documents. 

23 October 2015

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

AMP Limited today reported cashflows, assets under management (AUM) and an update on its Australian wealth protection business for the third quarter to 30 September 2015.

AMP Chief Executive Craig Meller said: "Our performance in the third quarter demonstrates continued momentum across AMP in what was a volatile period for markets. Our products and platforms performed well and the focus on Asia is delivering results. Despite volatile insurance claims experience during the quarter, our improvement program remains on track."

Australian wealth management net cashflows were \$241 million for the quarter, down from \$476 million in Q3 14, driven in large part by the closure of Genesys Wealth Advisers announced in November 2014. Excluding those Genesys advisers that left AMP during the third quarter, net cashflows were \$531 million, an increase of 11 per cent from Q3 14. Cashflows were also impacted by increased investment market volatility and continued implementation of the FOFA reforms. Internal inflows were \$4.3 billion in Q3 15 (\$5.0 billion in Q3 14), representing 57 per cent (61 per cent in Q3 14) of total cash inflows.

Total AUM was \$111.1 billion, down 3 per cent from \$114.0 billion at the end of Q2 15 (and up 6 per cent from \$105.2 billion at Q3 14). The decline since June 30 largely reflected negative investment market movements during the quarter. Average AUM fell by 2 per cent to \$114.1 billion over the same period.

Retail net cashflows in to AMP platforms fell 8 per cent to \$707 million in Q3 15 from \$771 million in Q3 14, as lower adviser cashflow activity impacted cash inflows during the quarter and higher pension payments mitigated the benefit from retention activities.

AMP's leading wrap platform North reported net cashflows of \$1.1 billion in Q3 15, down 24 per cent from Q3 14. Over 60 per cent of North's net cashflows were externally sourced. North AUM grew to \$19.1 billion at the end of the quarter, up 3 per cent from \$18.6 billion at the end of Q2 15 (and \$13.8 billion at Q3 14).

AMP Flexible Super reported net cashflows of \$274 million in Q3 15, down from \$500 million in Q3 14, in part driven by lower superannuation to pension transitions. Flexible Super AUM increased by 1 per cent or \$85 million in Q3 15 to \$14.4 billion and increased 21 per cent from \$11.9 billion at Q3 14.

Corporate superannuation net cashflows were \$27 million in Q3 15 compared to \$16 million in Q3 14. The improvement in net cashflows was largely due to a number of mandate wins, in part offset by higher outflows to internal products. Flows are expected to benefit through the fourth quarter of 2015 as members transition from new mandate wins.

External platform net cash outflows were \$493 million in Q3 15 compared to a net cash outflow of \$311 million in Q3 14. This increase in net outflows was largely the result of significantly higher outflows from Genesys advisers leaving AMP after the licensee was closed. At 30 September 2015, 39 practices had transitioned to the Charter and AMPFP licensees, 23 practices had left AMP and 5 practices remained within Genesys. External platform inflows also fell in Q3 15, with North the preferred contemporary platform for advisers.

AMP SMSF assets under administration were \$19.4 billion at the end of the third quarter, an increase of \$478 million from Q2 15. At the end of Q3 15 AMP SMSF had 16,642 member accounts under administration (including SuperIQ), up from 15,388 at the end of Q2 15, after AMP SMSF's acquisition of Justsuper in July 2015.

AMP Capital net cashflows for Q3 15 were \$1,078 million, comprising external net cash inflows of \$1,760 million for the quarter and internal net cash outflows of \$682 million.

Strong flows into goals based funds and a number of domestic fixed income mandate wins contributed to pleasing third quarter flows for AMP Capital, along with good institutional flows from international investors into the infrastructure asset class.

AMP's share of the China Life AMP Asset Management Company (CLAMP) alliance delivered strong flows of \$866 million in the third quarter, largely reflecting the 'flight to safety' to fixed income products arising from recent volatility in the Chinese equity market.

AMP Capital AUM at the end of Q3 15 was \$157.5 billion, up 1 per cent from \$156.1 billion at the end of Q2 15 (and \$145.4 billion at Q3 14). Average AUM fell 1 per cent over the quarter to \$159.0 billion, reflecting investment market volatility during the period.

AMP New Zealand financial services' net cashflows of A\$185 million in Q3 15 were up A\$80 million from A\$105 million in Q3 14. Other net cashflows increased strongly following a funds transfer after a successful acquisition and after the NMLA staff superannuation fund was transferred to AMP.

Australian mature net cash outflows in Q3 15 were \$392 million, compared to a net cash outflow of \$456 million in Q3 14.

AMP Bank's mortgage book increased 1 per cent to \$15.3 billion at the end of Q3 15 from \$15.1 billion at Q2 15. The AMP aligned adviser channel contributed 25 per cent of AMP Bank's mortgage new business. The deposit book increased \$954 million (11 per cent) in Q3 15 relative to Q2 15.


Australian wealth protection annual premium in-force (API) increased 3 per cent in Q3 15 to \$1,972 million compared to \$1,918 million in Q2 15. The increase in API was primarily driven by a 4.5 per cent increase in individual lump sum.

Business update on Australian wealth protection business

The third quarter result for the Australian wealth protection business was impacted by claims experience losses primarily relating to the retail income protection book. This negative experience has not given rise to any revised best estimate claims assumptions for the retail income protection book.

Claims experience outcomes for lump-sum and group risk insurance were in line with best estimate assumptions. Lapse experience, while seasonally higher, was also in line with best estimate assumptions.

Volatility in wealth protection experience is to be expected from period to period given the size of AMP's in-force book in Australia. Further, as remediation of the Australian wealth protection business progresses, there continues to be potential for increased experience volatility.

AMP's insurance claims improvement program in Australia continues to track well against expected outcomes. Since commencing in Q1 14 it has delivered considerable value and remains important to the long-term sustainability of the wealth protection business. Encouraging results from management actions to date include a revised claims philosophy and claims management platform. 

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Q3 15 cashflows Australian wealth management

| Australian wealth management Cashflows by product (A\$m) | Cash inflows | | Cash outflows | | Net cashflows | |
|---|--------------|--------------|----------------|----------------|---------------|------------|
| | Q3 15 | Q3 14 | Q3 15 | Q3 14 | Q3 15 | Q3 14 |
| AMP Flexible Super ¹ | 1,761 | 2,075 | (1,487) | (1,575) | 274 | 500 |
| North ² | 3,001 | 3,113 | (1,889) | (1,656) | 1,112 | 1,457 |
| Summit, Generations and iAccess ³ | 553 | 608 | (856) | (1,068) | (303) | (460) |
| Flexible Lifetime (superannuation and pension) ⁴ | 527 | 521 | (905) | (1,101) | (378) | (580) |
| Other retail investment and platforms ⁵ | 123 | 101 | (121) | (247) | 2 | (146) |
| Total retail on AMP platforms | 5,965 | 6,418 | (5,258) | (5,647) | 707 | 771 |
| SignatureSuper and AMP Flexible Super - Employer | 820 | 711 | (613) | (562) | 207 | 149 |
| Other corporate superannuation ⁶ | 363 | 360 | (543) | (493) | (180) | (133) |
| Total corporate superannuation | 1,183 | 1,071 | (1,156) | (1,055) | 27 | 16 |
| Total retail and corporate super on AMP Platforms | 7,148 | 7,489 | (6,414) | (6,702) | 734 | 787 |
| External platforms ⁷ | 396 | 658 | (889) | (969) | (493) | (311) |
| Total Australian wealth management | 7,544 | 8,147 | (7,303) | (7,671) | 241 | 476 |
| Genesys practices that have left AMP | 11 | 113 | (301) | (115) | (290) | (2) |
| Total Australian wealth management (pro forma)⁸ | 7,533 | 8,034 | (7,002) | (7,556) | 531 | 478 |

¹ AMP Flexible Super is a flexible all in one superannuation and retirement account for individual retail business.

² North is a market leading fully functioning wrap platform which includes guaranteed and non-guaranteed options.

³ Summit and Generations are owned and developed platforms. iAccess is ipac badged 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.

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

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

⁸ Australian wealth management excluding cashflows relating to Genesys practices that have left AMP.

| Australian wealth management AUM (A\$m) | Q2 15 | | Q3 15 Net cashflows | | | Total net cashflows | Other movements ¹ | Q3 15 AUM |
|--|----------------|----------------|---------------------|------------|----------|---------------------|------------------------------|----------------|
| | AUM | Superannuation | Pension | Investment | | | | |
| AMP Flexible Super | 14,355 | 94 | 180 | - | - | 274 | (189) | 14,440 |
| North | 18,553 | 208 | 620 | 284 | - | 1,112 | (542) | 19,123 |
| Summit, Generations and iAccess | 13,633 | (161) | (77) | (65) | - | (303) | (533) | 12,797 |
| Flexible Lifetime Super (superannuation and pension) | 24,920 | (240) | (138) | - | - | (378) | (676) | 23,866 |
| Other retail investment and platforms | 3,073 | (16) | (10) | 28 | - | 2 | (136) | 2,939 |
| Total retail on AMP platforms | 74,534 | (115) | 575 | 247 | - | 707 | (2,076) | 73,165 |
| SignatureSuper and AMP Flexible Super - Employer | 13,765 | 182 | 25 | - | - | 207 | (255) | 13,717 |
| Other corporate superannuation | 13,227 | (180) | - | - | - | (180) | (306) | 12,741 |
| Total corporate superannuation | 26,992 | 2 | 25 | - | - | 27 | (561) | 26,458 |
| Total retail and corporate super on AMP platforms | 101,526 | (113) | 600 | 247 | - | 734 | (2,637) | 99,623 |
| External platforms | 12,460 | (104) | (185) | (204) | - | (493) | (494) | 11,473 |
| Total Australian wealth management | 113,986 | (217) | 415 | 43 | - | 241 | (3,131) | 111,096 |
| Australian wealth management - AMP SMSF² | 18,958 | | | | | | 478 | 19,436 |
| Assets under administration | | | | | | | | |

¹ Other movements include fees, investment returns and taxes.

² AMP SMSF includes Multiport, Cavendish, SuperIQ, Your SMSF, Ascend and Justsuper administration platforms. SuperIQ is 49% owned by AMP, however 100% of assets under administration are included.

| Australian wealth management AUM (A\$m) | Q2 15 AUM | Q3 15 AUM |
|--|----------------|----------------|
| AUM by product | | |
| Superannuation | 67,022 | 65,084 |
| Pension | 33,406 | 32,947 |
| Investment | 13,558 | 13,065 |
| Total | 113,986 | 111,096 |
| AUM by asset class | | |
| Cash and fixed interest | 31% | 32% |
| Australian equities | 32% | 32% |
| International equities | 26% | 25% |
| Property | 6% | 6% |
| Other | 5% | 5% |
| Total | 100% | 100% |

| Australian wealth management AUM summary (A\$b) | Q2 15 AUM | Q3 15 AUM |
|--|--------------|--------------|
| Closing AUM | 114.0 | 111.1 |
| Average AUM | 115.9 | 114.1 |

AMP Capital

| AMP Capital | Q2 15 | Q3 15 Net cashflows | | | Total | | Q3 15 |
|--------------------------|----------------|---------------------|----------------|--|---------------|-----------------|----------------|
| AUM (A\$m) | AUM | Cash inflows | Cash outflows | | net cashflows | Other movements | AUM |
| External | 50,490 | 4,460 | (2,700) | | 1,760 | 491 | 52,741 |
| Internal | 105,561 | 6,223 | (6,905) | | (682) | (127) | 104,753 |
| Total AMP Capital | 156,051 | 10,683 | (9,605) | | 1,078 | 364 | 157,494 |

| AMP Capital | Q2 15 | Q3 15 |
|--------------------|-------|-------|
| AUM summary (A\$b) | AUM | AUM |
| Closing AUM | 156.1 | 157.5 |
| Average AUM | 160.3 | 159.0 |

New Zealand financial services

| New Zealand financial services | Cash inflows | | Cash outflows | | Net cashflows | |
|--------------------------------|--------------|------------|---------------|--------------|---------------|------------|
| Cashflows by product (A\$m) | Q3 15 | Q3 14 | Q3 15 | Q3 14 | Q3 15 | Q3 14 |
| KiwiSaver | 203 | 204 | (84) | (80) | 119 | 124 |
| Other ¹ | 301 | 247 | (235) | (266) | 66 | (19) |
| Total New Zealand | 504 | 451 | (319) | (346) | 185 | 105 |

| New Zealand financial services | Q2 15 | Q3 15 Net cashflows | | | | Total | | Q3 15 |
|--------------------------------|---------------|---------------------|------------|-------------|----------|---------------|------------------------------|---------------|
| AUM (A\$m) | AUM | Superannuation | Pension | Investment | Other | net cashflows | Other movements ² | AUM |
| KiwiSaver | 3,267 | 119 | - | - | - | 119 | 17 | 3,403 |
| Other ¹ | 9,823 | 92 | (1) | (25) | - | 66 | 8 | 9,897 |
| Total New Zealand | 13,090 | 211 | (1) | (25) | - | 185 | 25 | 13,300 |

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 | Q2 15 | Q3 15 |
|---|------------|------------|
| Risk Insurance Annual Premium In-force – API (A\$m) | API | API |
| Individual lump sum | 217 | 225 |
| Individual income protection | 44 | 44 |
| Group Risk | 33 | 35 |
| Total | 294 | 304 |

Australian mature

| Australian mature | Cash inflows | | Cash outflows | | Net cashflows | |
|-----------------------------|--------------|------------|---------------|--------------|---------------|--------------|
| Cashflows by product (A\$m) | Q3 15 | Q3 14 | Q3 15 | Q3 14 | Q3 15 | Q3 14 |
| Australian mature | 105 | 146 | (497) | (602) | (392) | (456) |

| Australian mature | Q2 15 | Q3 15 Net cashflows | | | | Total | | Q3 15 |
|--------------------------|---------------|---------------------|-------------|-------------|--------------|---------------|------------------------------|---------------|
| AUM (A\$m) | AUM | Superannuation | Pension | Investment | Other | net cashflows | Other movements ¹ | AUM |
| Australian mature | 22,550 | (201) | (51) | (17) | (123) | (392) | (188) | 21,970 |

¹ Other movements include fees, investment returns and taxes.

AMP Bank

| AMP Bank by product | Q2 15 | | Q3 15 | |
|---|-------------|------------------------------|-------------|--|
| Deposits and loans (A\$m) | end balance | Other movements ¹ | end balance | |
| Deposits (Supercash, Super TDs & Platform TDs) ² | 3,676 | 138 | 3,814 | |
| Deposits (retail) | 5,118 | 816 | 5,934 | |
| Loans | 15,124 | 136 | 15,260 | |

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

² At 30 September 2015, deposits include AMP Bank customer deposits (A\$5.1bn), AMP Super Cash and Super TD's (A\$2.3bn), platform and investment fund deposits (A\$1.7bn), and other deposits (A\$0.6bn).

Australian wealth protection

| Australian wealth protection | Cash inflows | | Cash outflows | | Net cashflows | |
|---|--------------|------------|---------------|--------------|---------------|------------|
| Cashflows by product (A\$m) | Q3 15 | Q3 14 | Q3 15 | Q3 14 | Q3 15 | Q3 14 |
| Total Australian wealth protection | 444 | 456 | (208) | (207) | 236 | 249 |

| Australian wealth protection | Q2 15 | Q3 15 |
|--------------------------------------|--------------|--------------|
| Annual Premium In-force – API (A\$m) | API | API |
| Individual lump sum | 1,064 | 1,112 |
| Individual income protection | 412 | 414 |
| Group Risk | 442 | 446 |
| Total | 1,918 | 1,972 |