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AMP Limited (ASX/NZX: AMP)

AMP Financial Services reports solid third quarter net cashflows

AMP Limited today reported third quarter cashflows and Assets Under Management (AUM) for AUM-driven businesses, AMP Financial Services and AMP Capital Investors, for the three months ending 30 September 2009.

Total AMP Financial Services net cashflows were \$103 million for the quarter, down from \$414 million in the third quarter of 2008, with 2008 benefiting from a significant corporate superannuation mandate win. Excluding corporate superannuation mandate wins, net cashflows almost doubled from \$52 million to \$103 million.

Net cashflows reflect both lower cash inflows and lower cash outflows. Retail inflows, which are mainly discretionary in nature continue to be impacted by subdued investor sentiment as a result of the global financial crisis. Corporate superannuation inflows remained resilient.

AMP Financial Services Managing Director Craig Meller said: "Despite the recent market rally we are yet to see an improvement in discretionary superannuation contributions. Employer contributions into corporate superannuation remained stable, highlighting the strength of this business."

Overall persistency for AMP Financial Services improved to 90.2 per cent, compared to 89.3 per cent in the corresponding period in 2008.

The attached table contains cashflows and AUM for the three months ending 30 September 2009.

Retail superannuation and allocated pensions

Total net cashflows for retail superannuation and allocated pensions were \$99 million, down 55 per cent on the corresponding period. Net cashflows were impacted by both lower cash inflows and lower outflows.

Inflows into retail superannuation and allocated pensions were \$1,397 million, a decrease of 17 per cent on the corresponding period. Retail superannuation cash inflows, which are mainly discretionary in nature, continued to suffer from the impact of declining investment markets as members reduced their contributions.

Outflows from retail superannuation and allocated pensions were \$1,298 million, an improvement of 11 per cent on the corresponding period. Cash outflows decreased due to lower member balances after the decline in investment markets and due to members delaying retirement.

Retail superannuation persistency improved to 91.7 per cent compared to 90.6 per cent in the third quarter of 2008.

Allocated pensions' persistency improved marginally to 87.4 per cent compared to 86.7 per cent in the third quarter of 2008.

Corporate superannuation

Corporate superannuation net cashflows (excluding mandate wins) increased by \$110 million to \$127 million in the third quarter. The improvement in net cashflows reflects resilient cash inflows and lower cash outflows. Cash inflows fell 10 per cent as higher employer superannuation guarantee levy contributions were offset by lower rollovers in, as a result of lower member balances. Cash outflows fell 27 per cent due to lower member balances following the decline in investment markets.

In corporate superannuation, 60 per cent of outflows flowed back into AMP products, down slightly from the same period last year.

Persistency improved to 94.2 per cent from 93.6 per cent in the corresponding period.

Contemporary wealth protection

Contemporary wealth protection net cashflows of \$102 million were \$3 million higher than the corresponding period. Higher cash inflows were offset by increased cash outflows which were driven by the higher in-force book and higher lump sum claims.

Mature products

Net outflows in the mature business improved 8 per cent to \$310 million in the three months ending 30 September 2009, compared to the corresponding period.

This was due to lower outflows resulting from lower investment markets limiting withdrawals from capital guaranteed products.

New Zealand

Net cashflows in New Zealand more than doubled to \$96 million from \$41 million. The increase is due to KiwiSaver continuing to generate solid cash inflows and lower outflows compared with third quarter of 2008 which included outflows from the closure of a number of investment funds.

Net cashflows from KiwiSaver contributed \$100 million in the third quarter, up 27 per cent on the corresponding period despite weaker market conditions.

Channel flows

AMP Financial Planning net cashflows were \$90 million, up 18 per cent on the corresponding period last year. Inflows fell 13 per cent to \$1,804 million in the three months to 30 September 2009, down from \$2,082 million in the corresponding period.

Outflows improved 15 per cent to \$1,714 million, compared to \$2,006 million in the third quarter of 2008.

Hillross experienced net cash outflows of \$21 million, reflecting the loss of \$40 million of funds as a result of Hillross reaching agreement with a small number of planner practices to cease ongoing licensing arrangements in 2008. Excluding these losses Hillross had net funds flow of \$19 million.

Assets under management

AMP Financial Services Contemporary Wealth Management (CWM) average AUM was 6 per cent lower at \$47.4 billion, compared to \$50.3 billion in the corresponding period. Closing AUM was 12 per cent higher at \$49.8 billion, compared to \$44.6 billion at 30 June 2009.

AMP Capital Investors (AMPCI) average AUM was 8 per cent lower at \$93.6 billion, compared to \$101.5 billion in the corresponding period. Closing AUM was 8 per cent higher at \$96.9 billion, compared to \$89.9 billion at 30 June 2009.

Capital management update

As at 30 September 2009, AMP was strongly capitalised with A\$1,417 million in excess capital above minimum regulatory requirements (MRR), compared to A\$1,125 million as at 30 June 2009.

Post 30 September 2009, the excess above MRR has been impacted by the 2009 interim dividend payment of A\$168 million (net of shareholder participation in the DRP, but excluding the amount underwritten which was included in the 30 September position) and a further reweighting to growth assets. AMP Life's Statutory Fund 1 business has continued to re-weight its exposure back to growth assets since 30 September, which increases MRR by approximately A\$70 million.

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Cashflows by product (A\$m)	Cash inflows			Cash outflows			Net cashflows		
	Q3 09	Q3 08 %	Q3/Q3	Q3 09	Q3 08 %	Q3/Q3	Q3 09	Q3 08 %	Q3/Q3
Australian contemporary wealth management									
Retail superannuation ¹	918	1,117	(17.8)	936	1,154	18.9	(18)	(37)	51.4
Allocated pensions	479	562	(14.8)	362	303	(19.5)	117	259	(54.8)
Total retail superannuation and pensions	1,397	1,679	(16.8)	1,298	1,457	10.9	99	222	(55.4)
Retail investment	81	58	39.7	58	97	40.2	23	(39)	n/a
External platforms ²	380	464	(18.1)	414	416	0.5	(34)	48	n/a
Total retail	1,858	2,201	(15.6)	1,770	1,970	10.2	88	231	(61.9)
Corporate superannuation and pensions	603	669	(9.9)	476	652	27.0	127	17	647.1
Corporate superannuation mandate wins ³	-	362	n/a	-	-	-	-	362	n/a
Total Australian contemporary wealth management	2,461	3,232	(23.9)	2,246	2,622	14.3	215	610	(64.8)
Total Australian contemporary wealth protection	183	159	15.1	81	60	(35.0)	102	99	3.0
Total Australian contemporary Australian mature⁴	2,644	3,391	(22.0)	2,327	2,682	13.2	317	709	(55.3)
Australian mature⁴	157	222	(29.3)	467	558	16.3	(310)	(336)	7.7
Total Australia	2,801	3,613	(22.5)	2,794	3,240	13.8	7	373	(98.1)
New Zealand	215	214	0.5	119	173	31.2	96	41	134.1
Total AFS cashflows	3,016	3,827	(21.2)	2,913	3,413	14.6	103	414	(75.1)
Total AFS cashflows, excluding Corporate superannuation mandate wins							103	52	98.1
AMP Banking – mortgages	381	668	(42.9)	359	410	12.3	22	258	(91.5)
AMP Banking – deposits							143	586	(75.6)
Cashflows by distribution channel									
AMP Financial Planning	1,804	2,082	(13.4)	1,714	2,006	14.6	90	76	18.4
Hillross	382	482	(20.7)	403	443	9.0	(21)	39	n/a
Corporate Superannuation - direct sales force	297	694	(57.2)	211	281	24.9	86	413	(79.2)
Centrally managed clients and other	157	162	(3.1)	240	267	10.1	(83)	(105)	21.0
Independent Financial Advisers and Alliances	161	193	(16.6)	226	243	7.0	(65)	(50)	(30.0)
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Australian contemporary wealth management cash inflows (A\$)⁴									
Member contributions	208	275	(24.6)						
Employer contributions	648	653	(0.6)						
Total contributions	856	928	(7.8)						
Transfers and rollovers in ⁵	1,475	2,143	(31.2)						
Other cash inflows	131	160	(18.5)						
Total	2,461	3,232	(23.8)						

1 Retail superannuation includes the product Flexible Lifetime - Super (FLS), a component of which is small corporate superannuation

2 Externally manufactured products that earn platform fees (superannuation, pensions and investments).

3 Cashflows from the transfer of accumulated member benefits as a result of SignatureSuper mandate wins.

4 Fixed term annuities (previously part of Contemporary wealth management) and Lifetime annuities (previously part of Contemporary wealth protection) are now reported within Australian mature as they were closed to new business during Q1 09.

5 Transfers and rollovers in include transfer of accumulated member balances into AMP from both internal (eg retail superannuation to allocated pensions/annuities) and external products.

AMP Financial Services and AMPCI - Q3 09 AUM

AUM (A\$b)	Q3 09	Q3 08	% Q3/Q3
Australian contemporary wealth management			
Closing AUM (including capital)	49.8	49.2	1.2
Average AUM (including capital)	47.4	50.3	(5.9)
AMPCI			
Closing AUM	96.9	101.6	(4.6)
Average AUM	93.6	101.5	(7.8)