

Responsible Investment Leaders Balanced

Quarterly Investment Option Update

30 June 2019

Aim and Strategy

To provide a total return (income and capital growth) after costs and before tax, above the return from the relevant benchmarks of the underlying investments on a rolling five-year basis and to provide a rate of return of 3.5% above inflation (Consumer Price Index (CPI)), after costs and before tax, over a 5 year period. The portfolio invests in all asset classes, but with an emphasis on growth assets (shares and property). With the exception of cash, the portfolio is managed using a responsible investment approach (see additional information about Responsible Investment Leaders for more information).

Investment Option Performance

To view the latest investment performances for each product, please visit www.amp.com.au

Investment Option Overview

Investment category	Multi-Sector
Suggested minimum investment timeframe	5 years
Relative risk rating	High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
International shares	33
Australian Shares	25
Australian Fixed Interest	13
International Fixed Interest	12
Unlisted Property and Infrastructure	9
Listed Property and Infrastructure	4
Cash	2
Growth Alternatives	2

Actual Allocation	%
International Shares	33.60
Australian Shares	25.19
Listed Property and Infrastructure	4.68
Unlisted Property and Infrastructure	7.30
Growth Alternatives	1.43
International Fixed Interest	10.02
Australian Fixed Interest	12.92
Cash	4.86

Fund Performance

The Fund produced a positive absolute return for the June quarter, building upon gains made in the previous quarter. All underlying asset classes rallied in the June period, with equity markets driving returns. The positive performance over the quarter also ended Financial Year 2018/2019 on a high, with returns over 12 months generating gains. The Fund is below benchmark across most periods due to the difficult market conditions in 2018 and listed managers underperforming their standard benchmarks.

The Australian shares allocation provided the largest contribution to returns in the quarter, but performed below the benchmark, with the concentrated managers in particular underperforming. Sector allocation and stock selection both detracted value over the period, largely because Australian banks performed very strongly following the coalition's win in the Federal election and our underlying managers were underweight the sector. The banks held by the fund were also the weaker performers in the sector, namely Clydesdale, Bank of Queensland and NAB. Our ESG index exposure also marginally underperformed over the quarter, following a very strong period of performance over the year to 30 June 2019.

Our international equity managers performed strongly and outperformed the benchmark, which is pleasing given how difficult a period they have had over the last year, largely due to their investment styles. Stock selection was the main contributor to performance, while sector allocation was a partial offset. Stock selection was particularly strong within consumer staples, consumer discretionary and financials. Growth manager C WorldWide performed very strongly, adding to a great track record since their appointment in August 2018. Our emerging markets component added value over the quarter and has also had strong benchmark-relative performance over the year to 30 June 2019.

The Diversified Fixed Income portfolio performed approximately in line with its benchmark over the quarter, with a similar theme over the year and longer time periods. Returns from fixed income over the last year have been incredible; a return of around 9% for the year to 30 June, almost entirely because of the continual legs down in global interest rate expectations. For similar reasons, our global REIT exposure has had a very strong year.

Environmental Social Governance

Since Australia's Modern Slavery Act was passed into law in November 2018, Australian companies have been called to examine the human impacts of their supply chains. AMP Capital's Ethical Leaders (EL) managers continue to engage with companies as they work through what this means for their business in terms of reporting, disclosure and initiatives to detect and address modern slavery in their supply chains.

Climate change also continues to be a key area of focus for EL managers. Through the Investor Group on Climate Change Policy and Advocacy Working Group, AMP Capital's ESG Research team has been helping develop not only an energy sector policy strategy but also a strategy to get policies that help other sectors transition to a lower carbon world.

Australia's mini proxy season occurs in April/May each year, which meant the June quarter was busy for EL managers. A key focus was on engaging with companies who are restructuring their remuneration reports following shareholder dissatisfaction at their 2018 annual general meetings.

Market Review

The MSCI World (ex Australia) index finished the quarter up by 3.51%. Global equities were strong early in the quarter, amid a mostly positive US reporting season. Upbeat sentiment around the globe was further supported by a relatively dovish US central bank, sound levels of economic growth, strong resource prices and US-China trade deal optimism. Markets subsequently took back some of these gains mid-quarter. An escalating US-China trade conflict was the major culprit, along with the US flagging the possibility of increasing tariffs more broadly. Markets then powered ahead in June, with some even breaking record-highs as dovish central bank policies drove market sentiment. European equities were very strong, as expectations of further easing from the European Central Bank rose. Emerging markets, while positive, couldn't match their developed counterparts' performance over the quarter. Australian equities surged over the period, the S&P/ASX200 index finishing up by 7.97%. This was driven primarily the Coalition's "surprise" election victory, which removed risks around changes to the use of franking credits, followed by the RBA cutting the interest rate in early June. (All indices quoted in local currency terms and on a total -return basis, unless otherwise stated.)

Global government bond yields mostly moved higher in April amid generally favourable economic data releases. In the US, gross domestic product rose at a stronger than expected rate over the March quarter as contributions from trade and inventory offset slower growth in consumer spending and investment. Yields subsequently reversed

direction over the remainder of the June quarter as a lowering of regional growth forecasts stoked expectations of co-ordinated easier monetary policy on the part of major central banks. A mix of dovish pivots by the US Federal Reserve (Fed) and the European Central Bank, generally soft data releases and geopolitical uncertainty in relation to US-China trade negotiations and escalations in US-Iran tensions helped drive global rates to fresh lows and record-low levels in some countries. In Australia, bond yields moved lower over the quarter amid a slowdown in the rate of private sector credit growth and a contraction in business and personal lending, culminating in an official rate cut by the Reserve Bank in June.

Outlook

While the returns experienced in 2019 so far have been impressive, they are likely to moderate in the next half of the year. Most of the growth year-to-date has been driven by expectations that easing monetary policy and fiscal stimulus will prolong the already historic length of this market cycle and support economic growth. To see meaningful upside from here, there need to be signs that global growth is reaccelerating and geopolitical risks like the US-China trade dispute is resolving. We believe more likely scenario is that markets will trade sideways until the outlook for global growth becomes clear.

In actively managing the Fund, we hold a broadly neutral exposure to shares overall, though we've increased our allocation to Australian shares. The resolution of election uncertainty and implementation of monetary and fiscal stimulus should be supportive for the Australian market, in combination with its attractive yields in a low interest rate environment. Since January 2019, we have gradually reduced our underweight to Australian and international government bonds for diversification reasons, rather than any conviction around the future outperformance of the asset class. We maintain a very small underweight to international bonds.

Availability

Product Name	APIR
AMP Flexible Lifetime Super	AMP1033AU
AMP Flexible Super - Retirement account	AMP1371AU
AMP Flexible Super - Super account	AMP1500AU
CustomSuper	AMP1033AU
Flexible Lifetime - Allocated Pension	AMP1022AU
Flexible Lifetime - Investments (Series 1)	AMP1056AU*
Flexible Lifetime - Investments (Series 2)	AMP1434AU
Flexible Lifetime - Term Pension	AMP1043AU
SignatureSuper	AMP0977AU
SignatureSuper - Allocated Pension	AMP1173AU
SuperLeader	AMP1884AU

*Closed to new investors

Contact Details

Web: www.amp.com.au

Email: askamp@amp.com.au

Phone: 131 267



What you need to know

This publication has been prepared by AMP Life Limited ABN 84 079 300 379, AFSL No. 233671 (AMP Life). The information contained in this publication has been derived from sources believed to be accurate and reliable as at the date of this document. Information provided in this investment option update are views of the underlying Investment Manager only and not necessarily the views of the AMP Group. No representation is given in relation to the accuracy or completeness of any statement contained in it. Whilst care has been taken in the preparation of this publication, to the extent permitted by law, no liability is accepted for any loss or damage as a result of reliance on this information. AMP Life is part of the AMP Group. In providing the general advice, AMP Life and AMP Group receives fees and charges and their employees and directors receive salaries, bonuses and other benefits.

The information in this document is of a general nature only and does not take into account your financial situation, objectives and needs. Before you make any investment decision based on the information contained in this document you should consider how it applies to your personal objectives, financial situation and needs, or speak to a financial planner.

The investment option referred to in this publication is available through products issued by AMP Superannuation Limited ABN 31 008 414 104, AFSL No. 233060 (ASL), AMP Capital Funds Management Limited ABN 15 159 557 724, AFSL 426455 (AMPCFM), ipac asset management limited ABN 22 003 257 225, AFSL 234655 (ipac) and/or AMP Life. Before deciding to invest or make a decision about the investment options, you should read the current Product Disclosure Statement for the relevant product, available from the issuer or your financial planner.

Any references to the "Fund", strategies, asset allocations or exposures are references to the underlying managed fund that the investment option either directly or indirectly invests in (Responsible Investment Leaders Balanced). The investment option's aim and strategy mirrors the objective and investment approach of the underlying fund. An investment in the investment option is not a direct investment in the underlying fund.

No other company in the AMP Group nor underlying fund manager guarantees the repayment of capital or the performance of any product or particular rate of return referred to in this document. Past performance is not a reliable indicator of future performance.