

Professional Conservative

Quarterly Investment Option Update

30 June 2016

Aim and Strategy

To provide modest investment returns, with reasonably limited fluctuations in the value of the investment from year to year. The portfolio will primarily invest in a diversified mix of defensive and growth assets managed by professional asset managers identified and selected by ipac within each asset class. (Multi Sector (Traditional) investment approach).

Investment Option Performance

To view the latest investment performances please visit www.amp.com.au

Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP1954AU
AMP Flexible Super - Retirement account	AMP1961AU
AMP Flexible Super - Super account	AMP1968AU
Flexible Lifetime - Allocated Pension	AMP1947AU
Flexible Lifetime - Term Pension	AMP1947AU
Flexible Lifetime Investment (Series 2)	AMP1979AU
Signature Super	AMP1729AU

Asset Allocation	Benchmark	Range (%)
Australian Shares	12	5-19
Global Shares	10	3-17
Growth Alternatives	2	0-7
Australian Property	2	0-20
Global Property	2	0-20
Global Infrastructure	2	0-20
Defensive Alternatives	3	0-10
Australian Bonds	22	5-70
Global Bonds	21	5-70
Cash	24	0-50

Investment Option Overview

Investment category	Diversified - Conservative
Suggested investment timeframe	3 years
Relative risk rating	Low
Investment style	Multi Manager

Top Ten Australian Shares Exposure	%
Commonwealth Bank of Australia	8.63
Westpac Banking Corp	6.73
Telstra Corp Ltd	4.79
Australia & New Zealand Banking Group Ltd	4.73
National Australia Bank Ltd	4.53
BHP Billiton Ltd	4.23
CSL Ltd	3.59
Wesfarmers Ltd	2.94
Woolworths Ltd	1.77
Macquarie Group Ltd	1.75

Top Ten International Shares Exposure	%
Facebook Inc	1.00
Visa Inc	0.96
Alphabet Inc	0.95
Nestle SA	0.93
APPLE INC	0.92
Samsung Electronics Co Ltd	0.80
HDFC Bank Ltd	0.80
MICROSOFT CORP	0.78
British American Tobacco PLC	0.74
Home Depot Inc/The	0.72

Actual Allocation	%
Multi Strategy Fixed Income	31.04
Cash	24.79
Government Bonds	12.05
Australian Shares	9.82
International Shares Unhedged	8.63
Real Assets	6.04
Alternative Defensive	3.35
International Shares Hedged	2.28
Alternative Growth	1.99

Investment Option Commentary

Economically, the quarter was dominated by event risk, volatility and switches between a risk-on and risk-off bias. For most of the period speculation on the likely timing of a US interest rate rise dominated sentiment, but towards the tail-end of June the UK referendum (Brexit) on whether to remain or leave the European Union was the key focus. Other influencing events during the period included the validation by Germany's constitutional court of the European Union's Outright Monetary Transaction (OMT) Programme, the ongoing US primaries and the Spanish election. Australia's official cash rate was cut to a record-low 1.75% earlier in the quarter in an attempt to further stimulate growth. Following its most recent meeting, the RBA expressed a degree of comfort with current interest rate settings, and while Brexit related risks have added to the case for another rate cut, at this stage the RBA is likely in 'wait and see mode'. Both three and six-month bank bill rates were again lower, closing the quarter at 1.94% and 2.10% respectively.

Australian bond yields fell further in the June quarter, with three-year and ten-year government bond yields closing respectively at 1.55% and 2.00%. The long-term trend for Australian bonds remains downward, given continued concerns over domestic (and global) growth prospects along with the RBA's moderate easing bias, demonstrated in May with their interest rate cut. The RBA appears to now be holding fire on a further reduction until newer inflation figures are released.

Australia's S&P/ASX 200 Accumulation Index rose over the quarter. The materials sector did particularly well amid improved commodity prices relative to the depths of early 2016.

Developed international share markets produced moderate, yet still positive returns for the three month period with emerging markets performing similarly.

Global economic conditions remain adequate yet inspiring. We expect ongoing volatility stemming from rise of populist politics, China's ongoing economic transition and the US Fed's movements.

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