

Specialist Geared Australian Share

Quarterly Investment Option Update

30 June 2016

Aim and Strategy

To provide high returns over the long term through geared exposure to securities listed on the Australian Securities Exchange.

The aim is to manage gearing to a level that is supported by expected income. Therefore an investor can gain greater exposure to the Australian share market than an investor with a non-geared exposure. The objective of the investment portfolio before gearing is applied is to provide a total return (income and capital growth) after costs and before tax, above the S&P/ASX 200 Accumulation Index on a rolling 3 year basis.

Investment Option Performance

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

Availability

Product name	APIR
Flexible Lifetime Investment	AMP0850AU
Flexible Lifetime Investment (Series 2)	AMP1416AU
AMP Flexible Super – Super	AMP1481AU
Signature Super	AMP0823AU
Signature Super Allocated Pension	AMP1154AU
Flexible Lifetime – Term Pension	AMP0924AU
Custom Super	AMP0820AU
Flexible Lifetime – Allocated Pension	AMP0819AU
AMP Flexible Lifetime Super	AMP1352AU

Investment Option Overview

Investment category	Specialist Equities
Suggested investment timeframe	5 - 7 years
Relative risk rating	High
Investment style	Multi-Manager

Asset Allocation	Benchmark	Range (%)
Australian Shares	100	90-100
Cash	0	0-10

Top Ten Securities Exposure	%
Commonwealth Bank of Australia	8.97
Westpac Banking Corp	6.55
Telstra Corp Ltd	5.55
Australia & New Zealand Banking Group Ltd	5.17
National Australia Bank Ltd	4.85
BHP Billiton Ltd	2.92
Macquarie Group Ltd	2.42
Wesfarmers Ltd	2.40
CSL Ltd	2.11
Woodside Petroleum Ltd	1.62

Industry Exposure	%
Financials	45.67
Materials	10.92
Industrials	7.24
Telecommunication Services	6.33
Cash	5.49
Consumer Discretionary	5.46
Consumer Staples	5.24
Health Care	5.18
Utilities	4.58
Energy	3.63
Information Technology	0.26

Portfolio Summary

- > It was another rocky quarter for the Australian share market, however managed to finish ahead.
- > Underlying manager performance was positive, however only the AMP Enhanced Index Share Fund outperformed.
- > We still believe Australian shares are likely to improve from current levels as the effect from slumping resources profits washes through the market.

Investment Option Commentary

The Fund posted a positive return for the June quarter and comfortably outperformed its benchmark as the gearing of the Fund magnified the gains from the underlying exposure to the Australian share market. Underlying manager performance was positive, however only the AMP Enhanced Index Share Fund outperformed the benchmark during the quarter.

In terms of sectors, the key contributors to relative performance were overweight allocations to the utilities and consumer staples sectors and good stock selection within the materials sector. This was somewhat offset by an underweight position to the materials sector and poor stock selection within the financials and health care sectors. Key stock contributors to performance included an overweight holding in Duet Group and underweight holdings in Orica Limited and the Commonwealth Bank of Australia. Underweight holdings in Newcrest Mining and BHP Billiton detracted from performance.

Market commentary

Australia's S&P/ASX 200 Accumulation Index rose over the quarter, closing higher by 3.9%. The materials sector did particularly well amid improved commodity prices relative to the depths of early 2016. Australian economic figures are still generally positive - yet unexciting, and the RBA seems to be maintaining a reasonably dovish undertone in their wording. International investors continue to be wary of macro-prudential intervention by governments and potential further changes to tax (though this is a risk to the positive-side too, particularly with smaller companies). Small-caps yet again outperformed the broader market, returning 5.8% as measured by the small S&P ASX Small Ordinaries Accumulation index.

Outlook

Australian shares are likely to improve from current levels as the ill effects from slumping resources profits wash through the market. Interest rates remain low and growth is gradually rebalancing away from the resources sector. However, Australian shares are likely to lag their global counterparts as a weak commodity backdrop weighs on growth for a while yet. Expect the ASX 200 to rise to around 5700 by end 2016.

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