

Professional Balanced

Quarterly Investment Option Update

31 March 2017

Aim and Strategy

To provide moderate investment returns over the long term, with the likelihood of 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	AMP1955AU
AMP Flexible Super - Retirement account	AMP1962AU
AMP Flexible Super - Super account	AMP1969AU
Flexible Lifetime - Allocated Pension	AMP1948AU
Flexible Lifetime - Term Pension	AMP1948AU
Flexible Lifetime Investment (Series 2)	AMP1980AU
Signature Super	AMP1730AU
Signature Super - Allocated Pension	AMP1779AU

Asset Allocation	Benchmark	Range (%)
Australian Shares	29	25-39
Global Shares	29	21-35
Growth Alternatives	3	0-10
Australian Property	8	0-25
Global Property		
Global Infrastructure		
Defensive Alternatives	4	0-10
Australian Bonds	10.5	0-20
Global Bonds	10.5	0-20
Cash	6	0-30

Investment Option Overview

Investment category	Diversified - Balanced
Suggested investment timeframe	5 years
Relative risk rating	Medium
Investment style	Multi Manager

Top Ten Australian Shares Exposure	%
Commonwealth Bank of Australia	7.66
Westpac Banking Corp	6.26
Australia & New Zealand Banking Group Ltd	4.80
National Australia Bank Ltd	4.61
BHP Billiton Ltd	4.14
CSL Ltd	2.97
Telstra Corp Ltd	2.79
Wesfarmers Ltd	2.51
Macquarie Group Ltd	1.75
Woolworths Ltd	1.74

Top Ten International Shares Exposure	%
APPLE INC	1.12
Alphabet Inc	1.01
Visa Inc	0.95
Royal Dutch Shell PLC	0.94
Microsoft Corp	0.85
HDFC Bank Ltd	0.84
Philip Morris International In	0.82
Amazon.com Inc	0.82
British American Tobacco PLC	0.80
Facebook Inc	0.79

Actual Allocation	%
Australian Shares	28.35
International Shares Unhedged	23.29
Cash	11.11
Multi Strategy Fixed Income	10.47
Real Assets	6.56
International Shares Hedged	6.18
Government Bonds	5.93
Alternative Defensive	4.79
Alternative Growth	3.31

Investment Option Commentary

A post-inauguration President Trump experienced an initial honeymoon period as he demonstrated an eagerness to act on his policies. US economic data was generally robust over the quarter, with solid business conditions and supportive consumer confidence. US job openings remain relatively high and jobless claims have fallen to very low levels.

In Australia, data has shown there has been further acceleration in the residential property market, with Sydney and Melbourne exhibiting the most aggressive rises. Countering these concerns, Australian population growth showed a robust 1.5% year-on-year increase, which is supportive of property demand. However, the apparent unconstrained growth is giving concerns to the Reserve Bank of Australia (RBA), which stated during the month that “there had been a build-up of risks associated with the housing market”. Indeed, at the end of March, the Australian Prudential Regulation Authority (APRA) announced further tightened mortgage rules, including stricter limits on interest-only lending.

US ten-year bond yields closed the quarter at 2.42%. Yields initially moved higher, but fell back after the Fed released some commentary in March that was more dovish than anticipated to end the quarter two basis points lower than where they began. Bond yields in Australia largely mirrored the US market, range-trading early on in the quarter, then rising, before falling back as the Trump administration ran into some initial roadblocks in getting policy changes through congress. Australia remains well behind the US in moving into an interest rate tightening cycle.

Australia’s cash rate remained at the record-low rate of 1.50% during the March quarter as the Reserve Bank continues to balance Australia’s lacklustre inflation rate against rising household debt levels and exuberant capital city property markets. Global shares again rose strongly in the March quarter, up around 5.4%. Uncertainty stemming from the Trump election victory continued to dissipate through the early to mid-March quarter, replaced with continued investor optimism over the President’s growth-stimulating policies.

Australian shares were again strong in line with international shares in the March quarter, finishing up by around 4.5%. As is often the case, the big four banks were the main contributors to performance, as they continue to reap the rewards of the red-hot Australian residential property market, as well as benefiting from the broader positive sentiment that has been widespread across global share markets over the past few months.

We continue to hold a positive outlook for our diversified portfolios in the period with economic conditions and policy developments continuing to favour equity asset classes. While the constructive environment is increasingly reflected in asset prices we anticipate portfolio returns to be modestly lower than long-term averages, though well in excess of yields on term deposits and the inflation rate.

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