

# Professional Growth

## Quarterly Investment Option Update

31 March 2017

### Aim and Strategy

To provide moderate to high investment returns over the long term, with the likelihood of significant 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](http://www.amp.com.au)

#### Availability

Product name	APIR
<a href="#">AMP Flexible Lifetime Super</a>	AMP1956AU
<a href="#">AMP Flexible Super - Retirement account</a>	AMP1963AU
<a href="#">AMP Flexible Super - Super account</a>	AMP1970AU
<a href="#">Flexible Lifetime - Allocated Pension</a>	AMP1949AU
<a href="#">Flexible Lifetime Investment (Series 2)</a>	AMP1981AU
<a href="#">Signature Super</a>	AMP1731AU

Asset Allocation	Benchmark	Range (%)
Australian Shares	35	31-45
Global Shares	37	30-44
Growth Alternatives	4	0-10
Australian Property	8	0-30
Global Property		
Global Infrastructure		
Defensive Alternatives	4.5	0-10
Australian Bonds	3.75	0-10
Global Bonds	3.75	0-10
Cash	4	0-20

#### Investment Option Overview

<b>Investment category</b>	Diversified - Moderately Aggressive
<b>Suggested investment timeframe</b>	5 - 7 years
<b>Relative risk rating</b>	Medium - High
<b>Investment style</b>	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	%
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	34.29
International Shares Unhedged	27.92
International Shares Hedged	11.96
Cash	6.95
Real Assets	6.53
Alternative Defensive	4.58
Alternative Growth	3.81
Multi Strategy Fixed Income	2.40
Government Bonds	1.55

## 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.

Global shares again rose strongly in the March quarter, with the MSCI World ex Australia Net Index closing up 5.4% in local currency terms, all while exhibiting an unusually low level of volatility. 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 such as large-scale infrastructure spending, reduced corporate tax and deregulation. This is being reflected by many major equity markets being at or near record-highs. Emerging markets did even better and closed up by 7.8% (as measured by the MSCI Emerging Markets Accumulation Index in local currency terms).

Australian shares were again strong in line with international shares in the March quarter, with the S&P/ASX 200 Accumulation Index finishing up by 4.5%. Australia's sluggish economic growth and company earnings growth however remain concerns, despite slowly improving consumer confidence. 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. Concerns have however been raised by some analysts over the past year or so, including the potential for a property downturn, worries over corporate loan serviceability and falling return on equity due to increased capital holding requirements. There is also still a risk of further macro-prudential measures being implemented, despite added measures announced by APRA (at the end of March) to curb investment property lending, which some have argued were not strong enough.

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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