

AMP Capital Conservative

Quarterly Investment Option Update

31 December 2017

Aim and Strategy

To provide a total return (primarily income with some capital growth) after costs and before tax, above the relevant benchmarks of the underlying investments on a rolling 3 year basis. The investment manager, AMP Capital, invests in a diversified range of asset classes, with a bias towards income assets (cash and bonds) and some exposure to growth assets.

Investment Option Performance

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

Availability

Product name	APIR
Flexible Lifetime Investment	AMP0012AU
Flexible Lifetime Investment (Series 2)	AMP1392AU

Investment Option Overview

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

Asset Allocation	Benchmark	Range (%)
Australian Shares	12	5-19
Global Shares	11	4-18
Growth Alternatives	0	0-2
Australian Property	3.5	0-16
Global Property	3.5	0-16
Defensive Alternatives	2	0-4
Australian Bonds	28	15-45
Global Bonds	14	5-25
Cash	26	15-35

Top Ten Australian Shares	%
COMMONWEALTH BANK AUST	8.19
Westpac Banking Corp	6.14
BHP Billiton Ltd	5.64
Australia & New Zealand Banking Group Ltd	4.84
National Australia Bank Ltd	4.55
CSL Ltd	3.85
Wesfarmers Ltd	3.04
Telstra Corp Ltd	2.45
Woolworths Group Ltd	2.12
Macquarie Group Ltd	1.94

Top Ten International Shares Exposure	%
Alphabet Inc	2.56
Facebook Inc	2.29
APPLE INC	1.57
Lowe's Cos Inc	1.45
Visa Inc	1.44
Mastercard Inc	1.28
WELLS FARGO & COMPANY	1.23
UnitedHealth Group Inc	1.23
Microsoft Corp	1.21
XPO Logistics Inc	1.13

Actual Allocation	%
Cash	31.30
Australian Fixed Interest	27.56
International Equities-(UH)	12.35
Australian Equities	10.28
International Fixed Interest	10.23
International Listed Property	4.63
International Equities-(H)	2.10
Global Listed Infrastructure	1.02
Australian Listed Property	0.53
Emerging Market Equities	0.00

Actual Allocation	%
Alternative Assets	0.00

Portfolio Summary

- > The AMP Conservative Fund ('Fund') achieved a positive absolute return over the December quarter.
- > Most asset classes delivered positive returns over the quarter
- > The largest contributors to performance were Australian and international equities.

Investment Option Commentary

The AMP Conservative Fund achieved a positive absolute gain in the December quarter to end what was a strong year for the Fund. Encouraging economic releases and robust corporate earnings results boosted investor sentiment globally, reflecting favourably on risk-based assets.

The Fund's sizeable allocation to defensive assets, particularly fixed interest, had a slight positive impact on overall performance. With central banks beginning to tighten monetary policy and investors shifting more to growth assets, yield-driven assets underperformed equities. The Fund's allocation to international equities provided a significant contributor to the Fund's overall return over the quarter. Most major global markets saw strong gains over the period, with investors focussing on favourable corporate earnings results and strong economic data releases. Australian equities ended the quarter strongly, with the market rallying strongly into the end of the year. Energy, information technology and materials were the best performing sectors; while utilities, financials and industrials were relatively poor performers (despite still doing well in absolute terms).

For the start of 2018, we remain relatively comfortable in maintaining a bias towards international equities given our continued positive outlook on global growth. However, with a maturing business cycle in the US, increasing global equity valuations and gradual tightening of global monetary policy, we remain cognisant that markets could see some volatility through 2018. Our overall bond position remains underweight in favour of cash as we expect bonds to remain vulnerable to further evidence of inflationary pressure or monetary tightening.

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