

AMP Moderate Growth

Quarterly Investment Option Update

31 December 2017

Aim and Strategy

Aim and strategy: To provide returns greater than those from cash or fixed interest over the medium to long term through a diversified portfolio of cash, fixed interest, shares and property.

Investment Option Performance

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

Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP0170AU
AMP Flexible Super - Retirement account	AMP1327AU
AMP Flexible Super - Super account	AMP1457AU
AMP Growth Bond	AMP1189AU
CUSTOM SUPER	AMP0170AU
Flexible Lifetime - Allocated Pension	AMP0612AU
Flexible Lifetime - Term Pension	AMP0904AU
Investment Linked Deferred Annuity	AMP0743AU
Investment Linked Regular Premium	AMP0214AU
Investment Linked Single Premium	AMP0131AU
METCASH SUPERANNUATION PLAN	AMP0170AU
MultiFund Flexible Income Plan	AMP0472AU
Signature Super	AMP0778AU
Signature Super Allocated Pension	AMP1135AU

Asset Allocation	Benchmark	Range (%)
Australian Shares	22	12-32
Global Shares	19	6-29
Growth Alternatives	1.5	0-5
Australian Property	3.5	0-20
Global Property	3	0-20
Global Infrastructure	3	0-10
Defensive Alternatives	2	0-5
Australian Bonds	25	10-45
Global Bonds	11	0-25
Cash	10	0-30

Top Ten Australian Shares Exposure	%
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

Investment Option Overview

Investment category	Diversified - Moderately Conservative
Suggested investment timeframe	3 - 5 years
Relative risk rating	Medium
Investment style	Active

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	%
Australian Equities	20.66
Australian Fixed Interest	20.34
International Equities - Unhedged	18.08
Cash	12.97
International Equities - Hedged	9.09
International Fixed Interest	6.87
Unlisted Real Assets	5.98
Alternative Assets Defensive	3.20
Listed Real Assets	2.19
Alternative Assets Growth	0.62

Portfolio Summary

- > The Option delivered a positive return for the December quarter as markets continued to rally on positive sentiment.
- > 2017 proved to be a standout year across risk-based assets.
- > The largest contributor to performance over both the quarter and the year was the Option's international share holdings.

Investment Option Commentary

Equity markets generated strong returns on the back of favourable corporate earnings results and strong economic data. We have now reported six consecutive quarterly gains, highlighting the heightened state of optimism across markets. The Option's positive absolute return over the quarter was mostly driven by the allocation to international equities. Relatively, the Option ended the period above benchmark. This was primarily due to an underweight in Australian equities and an overweight to Japanese equities.

The acceleration in synchronised global growth in markets over the year provided the foundation for strong performance across most asset classes. The Option's sizeable allocation towards defensive assets, particularly fixed interest, had a slight but positive impact on overall performance. With central banks beginning to gradually tighten monetary policy and investors shifting to a risk on environment, yield-driven assets underperformed. The long held underweight exposure to Australian equities in favour of international equities (through Japanese equities and a small overweight to emerging markets) was positive for Option returns, with global markets outperforming the domestic market. Supportive currency movements, improved corporate earnings and lower than anticipated geopolitical risks were the key drivers of growth in developed international markets. By contrast, lacklustre corporate earnings, regulatory pressures, and a lack of wage growth weighed on the performance of Australian equities. However, the market was still able to deliver double digit returns (up 11%) on the back of stronger commodity prices and global growth.

For the start of 2018, we remain relatively comfortable in maintaining a bias towards international equities through Europe. With a maturing business cycle in the US, increasing global equity valuations and gradual tightening of global monetary policy, markets could see some volatility through 2018. We have implemented option protection to help reduce the impact of potential weakness in the US equity market. Our overall bond position remains underweight in favour of cash as we expect bonds to remain vulnerable to any evidence of inflationary pressure or monetary tightening.

Contact Us

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