BlackRock Income

Quarterly Investment Option Update

31-December-2017

Availability

Product name	APIR
CustomSuper	AMP0868AU[1]
Flexible Lifetime – Allocated Pension	AMP0884AU[2]
Flexible Lifetime – Investments (Series 1)	AMP1002AU[1]
Flexible Lifetime – Super	AMP0868AU[2]
Flexible Lifetime – Term Pension	AMP0941AU[1]
MultiFund Flexible Income Plan	AMP0982AU[1]
SignatureSuper	AMP0965AU[1]
SignatureSuper – Allocated Pension	AMP1143AU[1]

[1]*This option is closed to new investors only.*
[2]*This is a restricted option.*

Investment Option Performance

Investment performances are subject to product fees and where relevant tax as outlined in the product PDS. Therefore investment performance may differ between products. In addition, activity on your account such as contributions and deductions will also impact the investment performance specific to you. To view the latest investment performances for each product, please visit **www.amp.com.au**. You can also view the last investment performance specific to you by visiting your My Portfolio account.

Contact Us

Web: www.amp.com.au

Email: askamp@amp.com.au

Phone: 131 267 (Mon. to Fri 8:30am to 6:00pm AEST)

Overview

Aim & Strategy: This option continues to have an objective of generating monthly income in excess of that typically available from short-term money market securities and cash rates and to achieve a return in excess of the UBSA Bank Bill Index before fees over the medium term (3 years).However, this objective reflects the long term historical average returns for the types of securities that the investment option invests in. These are normally referred to as “credit securities”. During times of extreme economic and financial dislocation (as seen in 2008 and early 2009), where credit markets are highly volatile, the investment returns for this investment option will vary markedly from the long term historical averages.

Liquidity risk: This investment option may invest in some securities that are in practise infrequently traded or for which typical daily volumes traded are small. Consequently the investment option may not be able to sell such securities when it is desired or to realise a fair value in the event of a sale. There is the possibility that in some circumstances, the difference between the “buy” price (ie the market valuation) and the “sell” price (ie the price actually realised on disposal of an asset) may be greater than normal. This means that amounts payable on withdrawal may be less than the current value. This is not a specific transaction cost, nor an allowance made in determining unit prices. Rather it is the market impact of needing to dispose of an asset, and is an equitable way of balancing equity between continuing and withdrawing investors.

Investment category: Australian Fixed Interest

Asset Allocation	Actual (%)	Range (%)
International and Australian Fixed Interest Securities, and Cash	100	0-100

Holdings

Industry Exposure	%
Banking	17.8%
Communications	9.2%
Consumer Cyclicals	8.7%
Insurance	7.1%
Energy	7.0%
Transportation	6.0%
Consumer Non Cyclicals	5.5%
REIT	5.1%
Basic	5.0%
Electric	4.9%
Capital Goods	4.0%
Technology	3.6%

Other Utility	1.9%
Other Financials	1.6%

Regional Exposure	%
Domestic Corporate	26.37%
Global	61.91%
Mortgage & Asset Backed	1.88%
Cash equivalent	6.32%
Government & Government Related	3.10%
Others	0.42%

Top Ten Securities	%
Not Applicable	

Market & Investment Option Commentary

The Fund's credit duration was 6.0 years and the margin over bills closed 6 basis points narrower at 124 basis points.

In this seasonally quiet period, credit spreads grinded tighter on light volumes as the year drew to a close.

In the US, the tax reform bill passed both the Senate and the Congress. In a positive move for US tax paying corporations, the corporate tax rate will be cut from 35 percent to 21 percent.

Going forward, sound global macroeconomic conditions and easy monetary policy conditions continue to provide a supportive fundamental backdrop. And the ongoing hunt for yield, low dealer inventories and demand outstripping supply provide a strong technical backdrop supporting credit spreads despite them being towards their post-GFC lows.

Outlook

What's in store for 2018? BlackRock debated the prospects for inflation, the sustainability of low volatility, the market impact of elevated political risks and a range of other topics at our 13th semi-annual Investment Outlook Forum in mid-November. 2018 brings a number of political risks. Foremost are negotiations over the future of the North American Free Trade Agreement (NAFTA), which BlackRock see as a barometer for a new "America First" stance that could upset the global free-trade regime. Mexico, whose fortunes are closely tied to the future of NAFTA, tops a long list of EM elections.

Themes

BlackRock see a synchronized global expansion with room to run in 2018 and beyond, albeit with less scope for upside growth surprises. We see inflation making a modest comeback, led by the U.S., and expect the Federal Reserve to make slow but steady progress in normalizing policy. U.S. tax cuts could boost near-term growth and quicken the Fed's pace. The eurozone and Japan are behind on policy normalization, but their next steps in this direction will likely come into greater focus. BlackRock expect rewards for taking risk to be more muted across the board in 2018.

Outlook debate

BlackRock prefer equities over credit given tight spreads, low yields and a maturing cycle. We see rising profitability powering equity returns, especially in Japan and emerging markets, but earnings growth could wane. BlackRock like financials and tech. The steady expansion supports the momentum style factor, albeit with potential reversals; they see other factors as diversifiers. Plentiful global savings and a thirst for income should cap long-term bond yields. BlackRock prefer inflation-protected over nominal bonds in the U.S., and an up-in-quality stance in credit.