

# Future Directions Balanced

Quarterly Investment Option Update

31 December 2017

## Aim and Strategy

To provide moderate to high returns over the long term through a diversified portfolio, with a bias towards growth assets such as shares, property and alternative assets.

The portfolio aims to achieve a rate of return above inflation after costs over a 5 year period.

(Multi-manager 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>	AMP0506AU
<a href="#">AMP Flexible Super - Retirement account</a>	AMP1348AU
<a href="#">AMP Flexible Super - Super account</a>	AMP1477AU
<a href="#">AMP Growth Bond</a>	AMP1191AU
<a href="#">CUSTOM SUPER</a>	AMP0506AU
<a href="#">Flexible Lifetime - Allocated Pension</a>	AMP0601AU
<a href="#">Flexible Lifetime - Term Pension</a>	AMP0922AU
<a href="#">Flexible Lifetime Investment</a>	AMP0690AU
<a href="#">Flexible Lifetime Investment (Series 2)</a>	AMP1412AU
<a href="#">Investment Linked Deferred Annuity</a>	AMP0760AU
<a href="#">Investment Linked Single Premium</a>	AMP0093AU
<a href="#">Investment Linked Single Premium</a>	AMP0135AU
<a href="#">METCASH SUPERANNUATION PLAN</a>	AMP0506AU
<a href="#">MultiFund Flexible Income Plan</a>	AMP0555AU
<a href="#">Signature Super</a>	AMP0798AU
<a href="#">Signature Super Allocated Pension</a>	AMP1080AU

Asset Allocation	Benchmark	Range (%)
International shares	27	15-45
Australian shares	28	15-45
Alternative assets (growth)	12	0-30
Direct property	6	0-30
Listed property		
Alternative assets (defensive)	6	0-20
International fixed interest	7	0-20
Australian fixed interest	11	0-35
Cash	3	0-20

Top Ten Australian Shares Exposure	%
Westpac Banking Corp	6.01
COMMONWEALTH BANK AUST	5.81
National Australia Bank Ltd	5.39
BHP Billiton Ltd	5.09
CSL Ltd	4.21
Australia & New Zealand Banking Group Ltd	3.44
Macquarie Group Ltd	2.89
Aristocrat Leisure Ltd	2.54
Rio Tinto Ltd	2.48
Treasury Wine Estates Ltd	2.23

### Investment Option Overview

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

Top Ten International Shares Exposure	%	Actual Allocation	%
APPLE INC	2.08	International Shares	30.42
HENDERSON GLOBAL EQUITY MULTI STRATEGY FUND	1.53	Australian Equities	23.13
Alphabet Inc	1.50	Alternative Assets Growth	15.04
Microsoft Corp	1.46	Cash	9.97
Amazon.com Inc	1.08	Australian Fixed Interest	9.02
Facebook Inc	1.02	Direct Property	4.05
JPMorgan Chase & Co	0.88	Alternative Assets Defensive	3.31
EXXON MOBIL CORPORATION	0.72	International Fixed Interest	2.77
Johnson & Johnson	0.69	International Listed Property	2.04
Berkshire Hathaway Inc	0.67	Others	0.25

## Portfolio Summary

- > Fund returns were positive over the December quarter largely driven by strong equity returns, particularly in the US and Asian markets.
- > International equity markets saw yet another very strong quarter and were again accompanied by very low levels of volatility.
- > For the start of 2018, we remain relatively comfortable in maintaining a bias towards international equities through Europe.

## Investment Option Commentary

The Fund achieved a positive return in the December quarter. Encouraging economic releases and robust corporate earnings results boosted investor sentiment globally, which reflected favourably on risk-based assets. We have now reported seven consecutive quarterly gains, highlighting the heightened state of optimism across markets. Along with a strong quarterly result, the Fund's performance for 2017 was extremely positive.

The December quarter concluded what was an exceptional 2017 for international equities and the Fund. Supportive currency movements, improved corporate earnings and lower than anticipated geopolitical risks were the key drivers of growth in developed international markets, up over 5% for the quarter and 18% on a yearly basis. Emerging markets also followed suit with the weak US dollar growth environment propelling returns. 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. The underweight exposure to Australian equities in favour of international equities (primarily through European equities) was consequently positive for Fund returns, with global markets outperforming the domestic market. The Fund's other growth investments such as property, infrastructure and alternatives (private equity, hedge funds) were all also solid contributors to Fund returns over the year, overshadowing the relatively modest gains from fixed interest.

## Fund positioning and outlook

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

**Web:** [www.amp.com.au](http://www.amp.com.au)

**Email:** [askamp@amp.com.au](mailto:askamp@amp.com.au)

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

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