

Future Directions Growth

Quarterly Investment Option Update

31 December 2017

Aim and Strategy

To provide high returns over the long term through a diversified portfolio investing mostly in shares with some exposure to property, fixed interest and alternative assets.

The portfolio aims to achieve a rate of return above inflation after costs over a 5 to 7 year period.
(Multi-manager investment approach)

Investment Option Performance

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

Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP0510AU
AMP Flexible Super - Retirement account	AMP1353AU
AMP Flexible Super - Super account	AMP1482AU
CUSTOM SUPER	AMP0510AU
Flexible Lifetime - Allocated Pension	AMP0603AU
Flexible Lifetime - Term Pension	AMP0925AU
Flexible Lifetime Investment	AMP0691AU
Flexible Lifetime Investment (Series 2)	AMP1417AU
METCASH SUPERANNUATION PLAN	AMP0510AU
MultiFund Flexible Income Plan	AMP0582AU
Signature Super	AMP0800AU
Signature Super Allocated Pension	AMP1155AU

Asset Allocation	Benchmark	Range (%)
Australian Shares	35	20-60
Global Shares	33	20-60
Growth Alternatives	16	0-35
Australian Property	6	0-40
Global Property		
Defensive Alternatives	0	0-15
Australian Bonds	5	0-25
Global Bonds	3	0-15
Cash	2	0-20

Investment Option Overview

Investment category	Diversified - Moderately Aggressive
Suggested investment timeframe	5 - 7 years
Relative risk rating	Medium - High
Investment style	Multi Manager

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

Top Ten International Shares Exposure	%	Actual Allocation	%
APPLE INC	2.08	International Shares	40.84
HENDERSON GLOBAL EQUITY MULTI STRATEGY FUND	1.53	Australian Equities	29.66
Alphabet Inc	1.50	Alternative Assets Growth	16.06
Microsoft Corp	1.46	Cash	4.24
Amazon.com Inc	1.08	Australian Fixed Interest	3.56
Facebook Inc	1.02	International Listed Property	2.78
JPMorgan Chase & Co	0.88	Direct Property	1.79
EXXON MOBIL CORPORATION	0.72	International Fixed Interest	1.00
Johnson & Johnson	0.69	Alternative Assets Defensive	0.07
Berkshire Hathaway Inc	0.67		

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.

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.

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