

Future Directions Moderately Conservative

Quarterly Investment Option Update

31 December 2017

Aim and Strategy

To provide moderate returns over the medium term through a diversified portfolio of assets such as fixed interest, shares, property and alternative assets.

The portfolio aims to achieve a rate of return above inflation after costs over a 3 to 5 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	AMP0660AU
AMP Flexible Super - Retirement account	AMP1358AU
AMP Flexible Super - Super account	AMP1487AU
CUSTOM SUPER	AMP0660AU
Flexible Lifetime - Allocated Pension	AMP0607AU
Flexible Lifetime - Term Pension	AMP0930AU
Flexible Lifetime Investment	AMP0689AU
Flexible Lifetime Investment (Series 2)	AMP1422AU
METCASH SUPERANNUATION PLAN	AMP0660AU
MultiFund Flexible Income Plan	AMP0710AU
Signature Super	AMP0804AU
Signature Super Allocated Pension	AMP1160AU

Investment Option Overview

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

Asset Allocation	Benchmark	Range (%)
International shares	18.75	10-30
Australian shares	19	10-30
Alternative assets (growth)	8	0-25
Direct property	4.25	0-20
Listed property		
Alternative assets (defensive)	7	0-20
International fixed interest	14	5-30
Australian fixed interest	19	10-45
Cash	10	0-30

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	22.07
HENDERSON GLOBAL EQUITY MULTI STRATEGY FUND	1.53	Australian Fixed Interest	16.78
Alphabet Inc	1.50	Australian Equities	16.55
Microsoft Corp	1.46	Alternative Assets Growth	15.00
Amazon.com Inc	1.08	Cash	12.18
Facebook Inc	1.02	International Fixed Interest	5.76
JPMorgan Chase & Co	0.88	Alternative Assets Defensive	5.47
EXXON MOBIL CORPORATION	0.72	Direct Property	3.01
Johnson & Johnson	0.69	International Listed Property	1.61
Berkshire Hathaway Inc	0.67	Others	1.57

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 acceleration in synchronised global growth in markets over the year provided the foundation for strong performance across most asset classes. The Fund's sizeable allocation towards defensive assets, particularly fixed interest, had slight 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 (primarily through European equities and a small overweight to emerging markets) was positive for Fund 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.

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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