

Responsible Investment Leaders Conservative



Quarterly Investment Option Update

31 December 2017

Aim and Strategy

To provide a total return (primarily income with some capital growth) after costs and before tax, above the return from the relevant benchmarks of the underlying investments on a rolling 3 year basis. The portfolio invests in all asset classes, with a core of cash and fixed interest and some exposure to shares and property.

With the exception of cash and listed property, the portfolio is managed using a Responsible Investment approach – an approach that focuses on investing in companies that contribute to a socially and environmentally sustainable world.

(Responsible investing/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	AMP1034AU
AMP Flexible Super - Retirement account	AMP1372AU
AMP Flexible Super - Super account	AMP1501AU
CUSTOM SUPER	AMP1034AU
Flexible Lifetime - Allocated Pension	AMP1023AU
Flexible Lifetime - Term Pension	AMP1044AU
Flexible Lifetime Investment	AMP1057AU
Flexible Lifetime Investment (Series 2)	AMP1435AU
METCASH SUPERANNUATION PLAN	AMP1034AU
Signature Super	AMP0978AU
Signature Super Allocated Pension	AMP1174AU

Asset Allocation	Benchmark	Range (%)
Australian Shares	13	0-20
Global Shares	9	0-20
Australian Property	2.5	0-10
Global Property	2.5	0-10
Australian Bonds	24	15-55
Global Bonds	24	0-50
Cash	25	15-50

Investment Option Overview

Investment category	Diversified - Conservative
Suggested investment timeframe	3 years
Relative risk rating	Low
Investment style	Responsible investing / multi-manager

Top Ten Australian Shares Exposure	%
Westpac Banking Corp	7.59
COMMONWEALTH BANK AUST	7.31
BHP Billiton Ltd	6.74
National Australia Bank Ltd	6.43
CSL Ltd	5.66
MACQUARIE GROUP LTD	4.60
Australia & New Zealand Banking Group Ltd	4.15
Rio Tinto Ltd	2.72
Janus Henderson Group PLC	2.66
Transurban Group	2.49

Top Ten International Shares Exposure	%
Johnson & Johnson	2.02
Alphabet Inc	1.76
3M Co	1.75
PepsiCo Inc	1.71
APPLE INC	1.48
Samsung Electronics Co Ltd	1.35
Cigna Corp	1.32
Cummins Inc	1.25
Statoil ASA	1.23
Accenture PLC	1.12

Actual Allocation	%
Fixed Interest	37.80
Cash	29.81
International Equities-(UH)	15.87
Australian Equities	12.23
International Listed Property	4.82
Alternative Assets	0.00
Alternative Assets Growth	0.00
Australian Fixed Interest	0.00
Australian Listed Property	0.00
Direct Property	0.00
Emerging Markets	0.00
Intl Fixed Interest - Credit	0.00
Intl Fixed Interest - Govt	0.00
Other	-0.54

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.

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