

# Responsible Investment Leaders Growth



Quarterly Investment Option Update

31 December 2017

## Aim and Strategy

To provide a total return (income and capital growth) after costs and before tax, above the return from the relevant benchmarks of the underlying investments on a rolling 5 year basis. The portfolio invests in all asset classes, but with an emphasis on growth assets (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](http://www.amp.com.au)

### Availability

Product name	APIR
<a href="#">AMP Flexible Lifetime Super</a>	AMP1035AU
<a href="#">AMP Flexible Super - Retirement account</a>	AMP1373AU
<a href="#">AMP Flexible Super - Super account</a>	AMP1502AU
<a href="#">CUSTOM SUPER</a>	AMP1035AU
<a href="#">Flexible Lifetime - Allocated Pension</a>	AMP1024AU
<a href="#">Flexible Lifetime - Term Pension</a>	AMP1045AU
<a href="#">Flexible Lifetime Investment</a>	AMP1058AU
<a href="#">Flexible Lifetime Investment (Series 2)</a>	AMP1436AU
<a href="#">METCASH SUPERANNUATION PLAN</a>	AMP1035AU
<a href="#">Signature Super</a>	AMP0979AU
<a href="#">SignatureSuper Allocated Pension</a>	AMP1175AU

### Investment Option Overview

<b>Investment category</b>	Diversified - Moderately Aggressive
<b>Suggested investment timeframe</b>	6-9 years
<b>Relative risk rating</b>	Medium - High
<b>Investment style</b>	Responsible investing / multi-manager

Asset Allocation	Benchmark	Range (%)
Australian Shares	40	30-50
Global Shares	38	30-50
Growth Alternatives	3	0-7
Australian Property	6	0-12
Australian Bonds	5	0-.13
Global Bonds	5	0-18
Cash	3	0-13

Top Ten Australian Securities	%
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	%
International Equities-(UH)	41.57
Australian Equities	34.88
Cash	7.98
Fixed Interest	5.35
International Listed Property	5.18
Infrastructure	2.62
Others	2.42
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
Other	0.00

## 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

The December quarter concluded what was a strong 2017 for the Option. 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 Option's positive absolute return over the quarter was mostly driven by the sizeable allocation to international equities. Relatively, the Option ended the period above benchmark. A similar story is echoed for the Option's yearly return.

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 followed suit with the weak US\$ and positive growth environment improving trade, 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 Japanese equities) was consequently positive for the Option's returns, with global markets outperforming the domestic market. The Option'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.

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. To further help diversify equity risk, we have added additional strategies alongside our other alternative assets including direct property and private equity. 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

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