

AMP Capital Conservative

Quarterly Investment Option Update

30 June 2018

Aim and Strategy

To provide a total return (primarily income with some capital growth) after costs and before tax, above the relevant benchmarks of the underlying investments on a rolling 3 year basis. The investment manager, AMP Capital, invests in a diversified range of asset classes, with a bias towards income assets (cash and bonds) and some exposure to growth assets.

Investment Option Performance

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

Availability

Product name	APIR
Flexible Lifetime Investment	AMP0012AU
Flexible Lifetime Investment (Series 2)	AMP1392AU

Investment Option Overview

Investment category	Diversified - Conservative
Suggested investment timeframe	3 years
Relative risk rating	Low
Investment style	Active

Asset Allocation	Benchmark	Range (%)
Australian Shares	12	5-19
Global Shares	11	4-18
Growth Alternatives	0	0-2
Australian Property	3.5	0-16
Global Property	3.5	0-16
Defensive Alternatives	2	0-4
Australian Bonds	28	15-45
Global Bonds	14	5-25
Cash	26	15-35

Top Ten Australian Shares	%
COMMONWEALTH BANK AUST	7.34
BHP Billiton Ltd	6.94
Westpac Banking Corp	5.60
CSL Ltd	5.59
Australia & New Zealand Banking Group Ltd	5.01
National Australia Bank Ltd	4.67
WESFARMERS LTD	3.37
Macquarie Group Ltd	3.05
WOOLWORTHS GROUP LTD	2.58
Rio Tinto Ltd	2.51

Top Ten International Shares Exposure	%
Alphabet Inc	2.39
Visa Inc	1.90
Microsoft Corp	1.72
Mastercard Inc	1.65
AbbVie Inc	1.65
Facebook Inc	1.60
WELLS FARGO & COMPANY	1.37
XPO Logistics Inc	1.30
Kraft Heinz Co/The	1.08
APPLE INC	1.02

Actual Allocation	%
Cash	30.17
Australian Fixed Interest	28.99
International Equities-(UH)	11.49
International Fixed Interest	10.56
Australian Equities	10.12
International Listed Property	4.86
International Equities-(H)	2.21
Global Listed Infrastructure	1.05
Australian Listed Property	0.57
Emerging Market Equities	0.00

Actual Allocation	%
Alternative Assets	0.00

Portfolio Summary

- > The AMP Conservative Fund gained over the June quarter.
- > Growth assets provided the largest contribution as equity markets rose
- > We remain overweight international equities and cash and underweight Australian equities and bonds

Investment Option Commentary

Following a weak start to the year, the AMP Conservative Fund yielded a robust return for the June quarter. Despite several global concerns for investors throughout the period, most asset classes ended the period higher, concluding what was a solid 12 months for the Fund.

Growth Assets outperformed defensive assets over the quarter. Australian fixed income was relatively subdued (up 0.8%). International fixed interest was similarly subdued over the period, rising 0.2%. The Australian share market performed solidly, up 7.0% on the quarter. Gains were largely driven by the resource sector (up 16.0%) on the back of higher commodity prices and a higher US dollar which boosted the returns of businesses with offshore earnings. Developed international equity markets were also particularly strong through the quarter (up 3.0%), helped by improved global growth, supportive interest rate settings and a positive earnings season. For Australian dollar-based investors, the depreciation of the currency also provided a further boost to the performance of unhedged international equities (up 5.5%). Global listed property also performed well rising 2.7%.

We anticipate markets will be increasingly sensitive to any emerging signs of inflation and central banks adjustments to monetary policy. There are several geopolitical concerns specifically the threat of a China/US trade war which may continue to add uncertainty in the market. Whilst we continue to believe equity markets will perform moderately well we remain cognisant of the potential of increased volatility in the months ahead. We maintain a bias towards international equities. Our bond position remains underweight in favour of cash, as we believe that bonds are at risk from investors potentially underestimating inflationary pressure and future interest rate increases in the US.

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