

Future Directions Balanced

Quarterly Investment Option Update

30 June 2018

Aim and Strategy

To provide moderate to high returns over the long term through a diversified portfolio, with a bias towards growth assets such as shares, property and alternative assets.

The portfolio aims to achieve a rate of return above inflation after costs over a 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	AMP0506AU
AMP Flexible Super - Retirement account	AMP1348AU
AMP Flexible Super - Super account	AMP1477AU
AMP Growth Bond	AMP1191AU
CUSTOM SUPER	AMP0506AU
Flexible Lifetime - Allocated Pension	AMP0601AU
Flexible Lifetime - Term Pension	AMP0922AU
Flexible Lifetime Investment	AMP0690AU
Flexible Lifetime Investment (Series 2)	AMP1412AU
Investment Linked Deferred Annuity	AMP0760AU
Investment Linked Single Premium	AMP0093AU
Investment Linked Single Premium	AMP0135AU
METCASH SUPERANNUATION PLAN	AMP0506AU
MultiFund Flexible Income Plan	AMP0555AU
Signature Super	AMP0798AU
Signature Super Allocated Pension	AMP1080AU

Asset Allocation	Benchmark	Range (%)
International shares	27	15-45
Australian shares	28	15-45
Alternative assets (growth)	12	0-30
Direct property	6	0-30
Listed property		
Alternative assets (defensive)	6	0-20
International fixed interest	7	0-20
Australian fixed interest	11	0-35
Cash	3	0-20

Top Ten Australian Shares Exposure	%
BHP Billiton Ltd	6.47
CSL Ltd	4.97
National Australia Bank Ltd	4.80
COMMONWEALTH BANK AUST	4.67
Westpac Banking Corp	4.24
Australia & New Zealand Banking Group Ltd	4.21
Macquarie Group Ltd	4.16
Aristocrat Leisure Ltd	2.89
Rio Tinto Ltd	2.86
Woodside Petroleum Ltd	2.73

Investment Option Overview

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

Top Ten International Shares Exposure	%	Actual Allocation	%
APPLE INC	2.25	International Shares	32.22
Microsoft Corp	1.73	Australian Equities	21.77
HENDERSON GLOBAL EQUITY MULTI STRATEGY FUND	1.65	Alternative Assets Growth	15.19
Amazon.com Inc	1.63	Cash	9.63
Alphabet Inc	1.59	Australian Fixed Interest	9.41
Facebook Inc	1.18	Direct Property	4.04
JPMORGAN CHASE & CO	0.89	Alternative Assets Defensive	3.26
Royal Dutch Shell PLC	0.75	International Fixed Interest	2.73
EXXON MOBIL CORPORATION	0.74	International Listed Property	1.75
UnitedHealth Group Inc	0.73		

Portfolio Summary

- > Returns were much improved over the June quarter, concluding what was another positive financial year for the Fund.
- > Growth assets rebounded from the previous quarter, whereas defensive assets delivered more modest returns
- > We continue to hold equity allocations at neutral level and prefer cash to bonds

Investment Option Commentary

The Fund delivered a positive return during the June quarter and recorded a positive result over the financial year. This was a period marked by two distinct halves; a stable, upward trend across most asset classes in the first six months followed by increased volatility in the second half, particularly through early 2018.

Since our last quarterly update, the Fund recouped the losses experienced during the March quarter. Equity markets were particularly strong through the quarter (up 3.0%), helped by further evidence of global growth, supportive interest rate settings and a positive earnings season. These factors also helped equity markets generate double digit returns for the last year. For Australian-based investors, the depreciation of the currency also provided a further boost to the performance of unhedged international equities (5.5% over the quarter and 15.4% for the year). The Australian market also performed solidly, up 7% on the quarter and 9% on the year. The gains were largely driven by the resource sector (up 40% for the financial year) on the back of higher commodity prices and the higher US dollar which boosted the returns of Australian based businesses with offshore earnings. In addition, property and infrastructure investments also generated solid returns for the quarter and year helping to offset relatively modest returns from bonds and alternative strategies.

Fund Positioning and Outlook

Looking forward, we anticipate increased sensitivity to any emerging signs of inflation and how central banks will proceed to fine-tune their monetary policy at this point in the cycle. In addition, there are several geopolitical concerns that are unlikely to be resolved in the near-term, specifically the threat of a China/US trade war, which will add to uncertainty. Whilst we continue to believe equity markets will perform moderately well we remain cognisant of increased volatility in the months ahead. We continue to hold equity exposure at a neutral level (in line with our strategic benchmark) and prefer cash to bonds, as we believe that bonds are at risk of the market potentially underestimating inflationary pressure and future interest rate increases in the US. To further counter short-term volatility, we continue to hold option protection to limit downside risk and protect member capital.

Contact Us

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