

Future Directions Moderately Conservative

Quarterly Investment Option Update

30 June 2018

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

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

Top Ten International Shares Exposure	%	Actual Allocation	%
APPLE INC	2.25	International Shares	23.40
Microsoft Corp	1.73	Australian Fixed Interest	17.58
HENDERSON GLOBAL EQUITY MULTI STRATEGY FUND	1.65	Australian Equities	15.99
Amazon.com Inc	1.63	Alternative Assets Growth	14.95
Alphabet Inc	1.59	Cash	11.06
Facebook Inc	1.18	International Fixed Interest	5.68
JPMORGAN CHASE & CO	0.89	Alternative Assets Defensive	4.89
Royal Dutch Shell PLC	0.75	Direct Property	3.07
EXXON MOBIL CORPORATION	0.74	International Listed Property	1.76
UnitedHealth Group Inc	0.73	Others	1.61

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

Following the geopolitical tensions experienced in the preceding three months, the June quarter provided a welcomed level of optimism across markets. 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. Given the accommodative investment environment over the past year, bond performances were relatively modest. In other asset classes, robust performances in property and infrastructure investments offset a weaker performance from 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 downside volatility in the months ahead and the importance of minimising risk. We continue to hold equity allocations at neutral level 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.

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