Professional Conservative

Quarterly Investment Option Update

30 June 2018

Aim and Strategy

To provide modest investment returns, with reasonably limited fluctuations in the value of the investment from year to year. The portfolio will primarily invest in a diversified mix of defensive and growth assets managed by professional asset managers identified and selected by ipac within each asset class.

(Multi Sector (Traditional)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	AMP1954AU
AMP Flexible Super - Retirement account	AMP1961AU
AMP Flexible Super - Super account	AMP1968AU
Flexible Lifetime - Allocated Pension	AMP1947AU
Flexible Lifetime - Term Pension	AMP1947AU
Flexible Lifetime Investment (Series 2)	AMP1979AU
Signature Super	AMP1729AU

Asset Allocation	Benchmark	Range (%)
Australian Shares	12	5-19
Global Shares	10	3-17
Growth Alternatives	2	0-7
Australian Property	2	0-20
Global Property	2	0-20
Global Infrastructure	2	0-20
Defensive Alternatives	3	0-10
Australian Bonds	22	5-70
Global Bonds	21	5-70
Cash	24	0-50

Investment Option Overview

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

Top Ten Australian Shares Exposure	%
COMMONWEALTH BANK AUST	7.11
BHP Billiton Ltd	6.31
Westpac Banking Corp	5.66
CSL Ltd	4.89
Australia & New Zealand Banking Group Ltd	4.71
National Australia Bank Ltd	4.17
WESFARMERS LTD	3.08
WOOLWORTHS GROUP LTD	2.40
Macquarie Group Ltd	2.37
Rio Tinto Ltd	2.32

Top Ten International Shares Exposure	%
GMO Emerging Markets Trust	2.87
Visa Inc	1.27
Royal Dutch Shell PLC	1.21
Amazon.com Inc	1.11
APPLE INC	1.08
Home Depot Inc/The	0.97
Alphabet Inc	0.95
Facebook Inc	0.94
Microsoft Corp	0.93
HDFC Bank Ltd	0.82

Actual Allocation	%
Cash	32.15
Multi Strategy Fixed Income	21.91
Government Bonds	14.13
International Shares Unhedged	10.36
Australian Shares	9.99
Real Assets	5.07
Alternative Defensive	4.64
Alternative Growth	2.64
International Shares Hedged	0.01
Others	-0.90

Investment Option Commentary

Global government bonds yields moved higher in April, as markets regained their appetite for risk amid further evidence of strengthening economic conditions. In May, fears of a populist anti-European government coming to power in Italy prompted a sell-off in the debt of peripheral European nations and a flight to the quality of higher rated issuers. The US was one of the recipients of the shift in investment flows. After trending upwards early in June, amid an easing of political uncertainty in Italy and optimistic economic commentary from central bankers in Europe and the US, yields subsequently reversed this momentum to fall amid escalating trade tensions. The US 10-year bond yield ended the quarter at 2.86%, while the German 10-year bond yield and the Japanese 10-year bond yield ended at 0.30% and 0.04% respectively.

Driven largely by actions in the global bond markets, government bond yields in Australia trended higher in April, with the greatest moves occurring within long-dated maturities. Similarly mirroring overseas trends, domestic yields fell during May, as government bonds benefited from the flight to quality, with long-dated maturities again experiencing the greatest moves. During June, yields followed a similar path to their overseas counterparts, with their initial upward momentum spurred on by a favourable quarterly gross domestic product result. A subsequent trend reversal saw the Commonwealth Government 2-year bond yield end the quarter at 1.98%, while the Commonwealth Government 10-year bond yield ended at 2.63%. In addition to the lead provided by global trade concerns, local bonds were also influenced by the latest Australian labour force data.

Australian interest rates remain on hold at 1.5%, where they have now been sitting at for 23 months, with little to no recent sign of any change of tack from the Reserve Bank (RBA). Three and six-month Australian bank bill rates closed at 2.10% and 2.22% respectively and the spread between their US counterparts continues to narrow. While a brightening outlook for mining investment, strengthening non-mining investment, booming infrastructure spending and strong growth in export volumes argue against a rate cut, topping-out dwelling investment, uncertainty around the consumer, continuing weak wages growth and inflation, falling home prices in Sydney and Melbourne, tightening bank lending standards and the threat to global growth from a US driven trade war all argue against a hike.

Despite a number of global concerns for investors throughout the June quarter, most markets climbed the ‘wall of worries’ to rise strongly. Concerns included negative US rhetoric towards Europe with the threat of tariffs on automotive imports, ongoing US/China counter-retaliatory tariff threats, early inflationary concerns in the US, currency concerns in emerging markets (EM) as the US dollar rose and subsequent concerns around the increasing real debt levels of many EM companies which hold their debt in US dollars. Australian shares were up very strongly in the June quarter, the S&P/ASX200 Accumulation Index soaring 8.5% during the period.

We have modestly increased our cash holdings over the past six months in anticipation of a rise in volatility as financial condition in the US tighten further.

Contact Us

Web: www.amp.com.au
Email: askamp@amp.com.au
Phone: 131 267 (Mon. to Fri. 8:30am to 6:00pm AEST)