

Professional Growth

Quarterly Investment Option Update

30 June 2018

Aim and Strategy

To provide moderate to high investment returns over the long term, with the likelihood of significant 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	AMP1956AU
AMP Flexible Super - Retirement account	AMP1963AU
AMP Flexible Super - Super account	AMP1970AU
Flexible Lifetime - Allocated Pension	AMP1949AU
Flexible Lifetime Investment (Series 2)	AMP1981AU
Signature Super	AMP1731AU

Asset Allocation	Benchmark	Range (%)
Australian Shares	35	31-45
Global Shares	37	30-44
Growth Alternatives	4	0-10
Australian Property	8	0-30
Global Property		
Global Infrastructure		
Defensive Alternatives	4.5	0-10
Australian Bonds	3.75	0-10
Global Bonds	3.75	0-10
Cash	4	0-20

Investment Option Overview

Investment category	Diversified - Moderately Aggressive
Suggested investment timeframe	5 - 7 years
Relative risk rating	Medium - High
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	%
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	%
International Shares Unhedged	32.39
Australian Shares	31.96
Cash	10.34
International Shares Hedged	6.84
Real Assets	6.66
Alternative Defensive	5.08
Alternative Growth	4.26
Government Bonds	1.74
Multi Strategy Fixed Income	0.72

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.

Despite a number of global concerns for investors throughout the June quarter, most markets climbed the 'wall of worries' to rise strongly. The MSCI World ex Australia Net Index finished the period higher by 3.4% in local currency terms. 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. The MSCI Emerging Markets total return index was consequently down by 3.5%. China's market particularly suffered amid the US trade skirmishes, ending the period down by 10.6%. Meanwhile, the US S&P 500 total return index ended the period up 3.4%, as companies continue to grow their earnings and economic growth remains strong. The UK's FTSE 100 total return index was extremely strong and reached record-highs in the June quarter, up 9.6% as the Sterling fell (leading to a significant increase in earnings for many UK-based international businesses), commodity prices rose and the Bank of England remained a little less hawkish than expected. (All figures quoted in local currency terms.)

Australian shares were up very strongly in the June quarter, the S&P/ASX200 Accumulation Index soaring 8.5% during the period. Energy and healthcare were the standout sectors for the quarter, rising 19.7% and 16.5% respectively, largely driven by rising resource prices and the rising US dollar; which is heavily tied to the earnings expectations for many Australian businesses, notably (and respectively) BHP and CSL, who were the market's top contributors for the quarter. Telecommunications was the only negative performing sector, down 13.7% for the period, as Telstra fell further on continued shorter-term concerns of reducing profits and dividends, despite the business announcing cost-cutting to be on track and further detailing their new strategy to gain market share. Meanwhile, one of the top performing stocks was poker machine manufacturer Aristocrat Leisure, which rose by 29.2% over the June quarter as the company announced soaring revenue amid strong growth in its digital gaming division.

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.

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