Professional Moderately Conservative

Quarterly Investment Option Update

30 June 2018

Aim and Strategy

To provide moderate long term investment returns, with limited likelihood of 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	AMP1958AU
AMP Flexible Super - Retirement account	AMP1965AU
AMP Flexible Super - Super account	AMP1972AU
Flexible Lifetime - Allocated Pension	AMP1951AU
Flexible Lifetime - Term Pension	AMP1951AU
Flexible Lifetime Investment (Series 2)	AMP1983AU

Asset Allocation	Benchmark	Range (%)
Australian Shares	21	19-33
Global Shares	18.5	15-30
Growth Alternatives	2	0-10
Australian Property	8	0-20
Global Property		0-21
Global Infrastructure		0-22
Defensive Alternatives	3	10-40
Australian Bonds	16.5	0-22
Global Bonds	16.5	0-22
Cash	14.5	0-20

Investment Option Overview

Investment category	Diversified - Moderately Conservative
Suggested investment timeframe	3 - 5 years
Relative risk rating	Medium
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	22.93
Australian Shares	18.43
International Shares Unhedged	17.53
Multi Strategy Fixed Income	14.93
Government Bonds	10.10
Real Assets	7.09
Alternative Defensive	3.83
International Shares Hedged	3.60
Alternative Growth	1.56

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).

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. 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.

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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What you need to know