

Responsible Investment Leaders Conservative



Quarterly Investment Option Update

30 June 2018

Aim and Strategy

To provide a total return (primarily income with some capital growth) after costs and before tax, above the return from the relevant benchmarks of the underlying investments on a rolling 3 year basis. The portfolio invests in all asset classes, with a core of cash and fixed interest and some exposure to shares and property.

With the exception of cash and listed property, the portfolio is managed using a Responsible Investment approach – an approach that focuses on investing in companies that contribute to a socially and environmentally sustainable world

(Responsible investing/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	AMP1034AU
AMP Flexible Super - Retirement account	AMP1372AU
AMP Flexible Super - Super account	AMP1501AU
CUSTOM SUPER	AMP1034AU
Flexible Lifetime - Allocated Pension	AMP1023AU
Flexible Lifetime - Term Pension	AMP1044AU
Flexible Lifetime Investment	AMP1057AU
Flexible Lifetime Investment (Series 2)	AMP1435AU
METCASH SUPERANNUATION PLAN	AMP1034AU
Signature Super	AMP0978AU
Signature Super Allocated Pension	AMP1174AU

Asset Allocation	Benchmark	Range (%)
Australian Shares	13	0-20
Global Shares	9	0-20
Australian Property	2.5	0-10
Global Property	2.5	0-10
Australian Bonds	24	15-55
Global Bonds	24	0-50
Cash	25	15-50

Top Ten Australian Shares Exposure	%
BHP Billiton Ltd	7.61
Westpac Banking Corp	6.37
National Australia Bank Ltd	6.33
COMMONWEALTH BANK AUST	5.71
CSL Ltd	4.93
Macquarie Group Ltd	4.42
Rio Tinto Ltd	3.22
Australia & New Zealand Banking Group Ltd	2.98
Woodside Petroleum Ltd	2.44
LendLease Group	2.12

Investment Option Overview

Investment category	Diversified - Conservative
Suggested investment timeframe	3 years
Relative risk rating	Low
Investment style	Responsible investing / multi-manager

Top Ten International Shares Exposure	%
APPLE INC	1.74
Microsoft Corp	1.74
TOTAL SA	1.71
PepsiCo Inc	1.57
Equinor ASA	1.46
Estee Lauder Cos Inc/The	1.39
Alphabet Inc	1.37
Unilever PLC	1.27
Mastercard Inc	1.18
Cigna Corp	1.16

Actual Allocation	%
Fixed Interest	47.69
Cash	18.80
International Equities-(UH)	16.48
Australian Equities	12.43
International Listed Property	4.60
Alternative Assets	0.00
Alternative Assets Growth	0.00
Australian Fixed Interest	0.00
Australian Listed Property	0.00
Direct Property	0.00
Emerging Markets	0.00
Infrastructure	0.00
Intl Fixed Interest - Credit	0.00
Other	0.00

Portfolio Summary

- > The Option was positive over the June quarter as equity markets rebounded.
- > The Option performed ahead of the benchmark over the period.

Investment Option Commentary

The Conservative Option performed well over the last 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 and the Option. A supportive global economic backdrop, strong corporate earnings and the continued low interest rate environment proved beneficial for growth assets, particularly international equities. For Australian-based investors, the depreciation of the Australian dollar also provided a significant boost to the performance of unhedged offshore equities, which rose by over 5% over the quarter compared to a hedged return of 3.7%. Defensive allocations of fixed interest and cash had a muted return given the 'risk-on' appetite of investors over the period. The Option's other investments in property, infrastructure and alternatives (hedge funds) experienced mixed results over the quarter with property and infrastructure generating gains, while alternatives retreated.

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. While 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 it. We continue to hold equity allocations at neutral level and prefer cash to bonds, as we believe that bonds are at risk of investors 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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