Professional Moderately Conservative

Quarterly Investment Option Update

30 September 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.

Actual allocation	%
Global shares	20.42
Australian shares	17.76
Listed property & infrastructure Unlisted property & infrastructure	7.19
Growth alternatives	1.58
Global fixed interest Australian fixed interest	25.20
Defensive alternatives	3.77
Cash	24.07

Investment Option Performance

To view the latest investment performances please visit www.amp.com.au

Investment Option Overview

Investment category	Multi-sector
Suggested investment timeframe	4 years
Relative risk rating	Medium - High
Investment style	Multi-Manager

Asset Allocation	Benchmark (%)
Global shares	21
Australian shares	20
Listed property & infrastructure Unlisted property & infrastructure	7
Growth alternatives	2
Global fixed interest Australian fixed interest	32
Defensive alternatives	3
Cash	15

Market Review

Global bond yields drifted higher for the majority of July, with trade tensions continuing to influence financial markets. In August, global bonds experienced a moderate rally across most markets, as geopolitical factors appeared to supersede economic data during the period, with trade negotiations between the US and Mexico, ongoing trade friction between the US and China and emerging market risks dominating headlines. September saw global bond yields rise as bond markets sold off on the back of positive economic data releases which outweighed geopolitical influences, in particular ongoing trade tensions which continued to occupy the attention of market participants. The US 10-year bond yield ended the quarter at 3.06%, while the German 10-year bond yield and its Japanese counterpart ended at 0.47% and 0.13% respectively.

Government bond yields in Australia followed a similar path to their overseas counterparts to drift higher in July before retracing somewhat when weak inflation data for the June quarter was confirmed. In August, bond yields were lower, driven by geopolitical factors such as ongoing global trade tensions and political instability domestically which saw the replacement of the Prime Minister. September saw this trend reverse, with local bond yields rising amid a broad bond market sell-off, as better than expected economic data globally was buoyed by stronger domestic economic growth results for the June quarter and improving labour market measures. The Commonwealth Government 2-year bond yield ended the quarter at 2.03%, while the Commonwealth Government 10-year bond yield ended at 2.67%.

Australian interest rates continued to be held at 1.5% by the Reserve Bank of Australia (RBA) for the 23rd meeting in a row. Again, nothing in the RBA's monthly statements throughout the quarter indicated any imminent change to monetary policy. While good GDP growth and an improving labour market bode well for the economy, falling housing markets on the east coast combined with tightening credit conditions for banks are a concern. The consumer spending outlook is still uncertain. Three and six-month Australian bank bill rates finished a little lower for the quarter, finishing at 1.93% and 2.13% respectively.

Global shares, particularly those in developed markets, were up strongly in the September quarter. Trade-related developments, while providing a source of volatility (both on the positive and negative side) were again a feature. There was also a marked change in top-performing sectors; technology stocks came under some pressure, while some of the more traditionally defensive segments of the market, such as REITs did well, which was perhaps a little surprising given rising bond yields. Australian shares rose modestly in the quarter, though sentiment towards the banking sector continued to sour, culminating with the release of the Royal Commission's scathing preliminary report late in the quarter.

While the recent environment has been quite testing for active managers, we remain confident in our underlying holdings and expect that a diversified portfolio, made up of quality assets and managers, will continue to produce solid returns over the medium to long term.

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 - Investments (Series 2)	AMP1983AU
SignatureSuper	AMP1984AU

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