

Responsible Investment Leaders Conservative

Quarterly Investment Option Update

30 September 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 three-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, the portfolio is managed using a responsible investment approach.

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	3 years
Relative risk rating	Low - Medium
Investment style	Multi-Manager

Asset Allocation	Benchmark (%)
Global shares	15
Australian shares	11
Listed property & infrastructure	5
Unlisted property & infrastructure	2
Global fixed interest	24
Australian fixed interest	22
Defensive alternatives	2
Cash	19

Actual Allocation	%
Global shares	16.25
Australian shares	12.33
Listed property & infrastructure	4.38
Fixed Interest	39.20
Cash	28.44

Portfolio Summary

- > The Option gained over the September quarter as equity markets strengthened.
- > The Option performed ahead of the benchmark over the period.

Fund Performance

The Conservative Option delivered a positive return in the September quarter, building on the positive return of the previous quarter, as global equity markets continued to rise. The Option has delivered a solid return for investors in 2018.

Growth assets were a key driver of Option returns over the quarter. International equities provided the largest contribution as developed market equities ended the quarter up 5.4% in local currency terms. The US market was a key driver of financial markets as positive economic indicators helped drive US equities 7.7% higher over the period. Other developed markets followed suit into positive territory but were moderated by continuing concerns over global trade and below consensus economic data releases out of Europe and China. Emerging markets proved less resilient and were flat on the quarter. Australian equities ended the quarter up by +1.8%. Strong performances in the telecommunications and IT sectors pushed the market higher as concerns surrounding the fallout from the Royal Commission into Banking and Superannuation and residential property slowdown constrained returns from financials. The allocation towards Australian fixed interest contributed marginally to total return. The Option's allocation to international bonds ended flat, as global yields continue to creep upwards. The Option's other investments in property, infrastructure and alternatives (private equity, hedge funds) experienced generally positive results over the quarter with property, infrastructure and most alternative strategies generating gains.

Looking ahead, we continue to see an uptrend in shares as global growth remains solid and US company earnings are still strong. However, we do expect an increase in market volatility in the future given geopolitical and trade concerns and the late cycle interest rate environment. We aim to utilise this volatility to help identify investment opportunities to enhance returns. We remain comfortable in maintaining a bias towards international equities at the expense of Australian equities, given current valuation levels. Our overall bond position remains underweight in favour of cash as we expect bonds to remain vulnerable to any evidence of inflationary pressure or monetary tightening. To further counter short-term volatility, we continue to hold option protection to limit downside risk and protect member capital.

Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP1034AU
AMP Flexible Super - Retirement account	AMP1372AU
AMP Flexible Super - Super account	AMP1501AU
CustomSuper	AMP1034AU
Flexible Lifetime - Allocated Pension	AMP1023AU
Flexible Lifetime - Term Pension	AMP1044AU
Flexible Lifetime - Investments (Series 1)	AMP1057AU
Flexible Lifetime - Investments (Series 2)	AMP1435AU
SignatureSuper	AMP0978AU
SignatureSuper - Allocated Pension	AMP1174AU

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