

AMP Balanced Growth

Quarterly Investment Option Update

31 December 2018

Aim and Strategy

To provide moderate to high returns over the medium to long term through a portfolio diversified across the main asset classes, but with an emphasis on shares and property

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 | 5 years |
| Relative risk rating | Medium - High |
| Investment style | Active |

| Asset Allocation | Benchmark (%) |
|----------------------------------|----------------------|
| Global shares | 33 |
| Australian shares | 27 |
| Listed property & infrastructure | 11 |
| Growth alternatives | 6 |
| Global fixed interest | 8 |
| Australian fixed interest | 10 |
| Defensive alternatives | 2.5 |
| Cash | 2.5 |

| Actual Allocation | % |
|----------------------------------|----------|
| Global shares | 31.00 |
| Australian shares | 27.30 |
| Listed property & infrastructure | 3.13 |
| Global fixed interest | 5.22 |
| Australian fixed interest | 10.84 |
| Cash | 6.54 |
| Others | 15.97 |

Portfolio Summary

- The Fund posted a negative return over the December quarter.
- Defensive assets outperformed growth assets, as share markets weakened.
- The Fund remains overweight international shares and cash, and underweight bonds and Australian shares

Investment Option Commentary

The Fund posted a negative return over the December quarter, resulting in a negative return over the year. Shares were the main detractor from performance, with markets subject to significant selling pressure towards the end of 2018. This was due to uncertainty regarding the pace of future interest rate increases in the US, weakening economic data across developed markets, growing concern over the threat of a protracted US-China trade war, and a disorderly Brexit process in the UK.

Developed share markets returned -13.3% over the quarter, in local currency terms, and Australian shares returned -8.2%. Emerging markets, which struggled through much of 2018, outperformed their developed peers over the quarter. However they were still unable to escape the broader negativity prevailing towards shares. Listed property and infrastructure markets also followed broader share markets down.

In the meantime, concerns over the state of the global economy and suggestions that the US Federal Reserve might be less aggressive with rate hikes than previously anticipated, helped push bond yields down. Lower bond yields supported the Fund's allocations to fixed income. Both bonds and cash were diversifying, rising to partially offset the falls in share markets.

The weak end to 2018 added an air of uncertainty for investors heading into 2019. Volatility is likely to remain high in 2019, as concerns surrounding global economic conditions and geopolitical risks continue. However, economic indicators continue to show that underlying economic growth remains healthy. Company earnings, business confidence and employment across developed economies remain positive and monetary policy, while tighter, remains at historically accommodative levels. Given this, we continue to have a favourable view of global shares over the medium term. Our overall bond position remains underweight in favour of cash, as we expect bonds to remain vulnerable to inflationary pressure or monetary tightening.

Availability

| Product name | APIR |
|---|------------|
| AMP Flexible Lifetime Super | AMP0165AU |
| AMP Flexible Super - Retirement account | AMP1321AU |
| AMP Flexible Super - Super account | AMP1451AU |
| AMP Growth Bond | AMP1190AU |
| CustomSuper | AMP0165AU |
| Flexible Lifetime - Allocated Pension | AMP0594AU |
| Flexible Lifetime - Term Pension | AMP0894AU |
| SignatureSuper | AMP0749AU* |
| SignatureSuper - Allocated Pension | AMP1130AU* |
| SuperLeader | AMP1883AU |

* Closed to new investors

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