

Future Directions Conservative

Quarterly Investment Option Update

31 December 2018

Aim and Strategy

To provide a rate of return of 1.5% above inflation (Consumer Price Index) after costs and before tax over a 3 year period. Future Directions Conservative option is a multi-manager option that gives investors access to a diversified portfolio with a bias towards income assets (bonds and cash) while having a limited exposure to growth (shares and property) and alternative assets. The multi manager option diversifies at asset and manager level investing in both AMP Capital and external managers. The key benefits are:

- active management: within the assets class for example choosing stocks and allocating between asset classes
- a broad range of asset classes including investments into unlisted property and infrastructure and
- an experienced investment team

Actual Allocation	%
Global shares	13.15
Australian shares	15.74
Listed property & infrastructure	1.83
Unlisted property & infrastructure	2.25
Global fixed interest	13.41
Australian fixed interest	22.94
Others	16.54
Cash	14.14

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
Investment style	Multi-Manager

Asset Allocation	Benchmark (%)
Global shares	12
Australian shares	9
Listed property & infrastructure	5
Unlisted property & infrastructure	4
Growth alternatives	5
Global fixed interest	20
Australian fixed interest	22
Defensive alternatives	5
Cash	18

Portfolio Summary

- The Fund posted a negative return over the December quarter, resulting in a flat return over the year.
- Shares were the main detractor, subject to significant selling pressure towards the end of 2018.
- Volatility is likely to remain high in 2019 as concerns surrounding global monetary conditions and geopolitical risks continue.

Investment Option Commentary

The Fund posted a negative return over the December quarter, resulting in a flat 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%. Listed property and infrastructure markets followed broader share markets down. However, 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.

Outlook

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 monetary 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 any evidence of inflationary pressure or monetary tightening.

Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP0656AU*
AMP Flexible Super - Retirement account	AMP1349AU*
AMP Flexible Super - Super account	AMP1478AU*
CustomSuper	AMP0656AU
Flexible Lifetime - Allocated Pension	AMP0602AU*
Flexible Lifetime - Term Pension	AMP0923AU*
Flexible Lifetime - Investments (Series 1)	AMP0688AU*
Flexible Lifetime - Investments (Series 2)	AMP1413AU*
SignatureSuper	AMP0799AU
SignatureSuper - Allocated Pension	AMP1081AU
SignatureSuper Select	AMP0799AU

*Closed to new investors

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