

Macquarie Balanced Growth

Quarterly Investment Option Update

31 December 2018

Aim and Strategy

To outperform the Macquarie Balanced Growth Structured Benchmark over the medium term (before fees). The portfolio aims to return a balanced level of growth and income. The option provides exposure to a diversified portfolio of growth assets, including equities and alternative assets, with some exposure to cash and fixed interest. The option employs an active investment approach that identifies and pursues investment opportunities within set limits through a combination of active management within each asset class and tactical asset allocation across asset classes to meet the objectives of the portfolio. A varying portion of the foreign currency exposure is hedged through currency hedging solutions, whether passive or active.

Investment Option Performance

To view the latest investment performances for each product please visit amp.com.au

Asset Allocation	Benchmark (%)	Actual (%)
Cash	1.5	8.9
Strategic Income*	9.0	15.0
Australian Fixed Interest	17.5	5.9
Global Fixed Interest	7.5	4.7
Inflation Linked Bonds	5.0	3.7
Australian Equities	26.0	22.2
Global Developed Markets	13.5	24.0
Global Emerging Markets Equities	12.0	7.6
Alternative Assets**	8.0	8.0

Investment Option Overview

Investment category	Multi Sector (Balanced)
Suggested investment timeframe	5 years
Relative risk rating	Medium
Investment style	Active

*Invests predominantly in high quality Australian and global credit securities

** may include investments in such asset classes as private equity, infrastructure or hedge funds

Investment Option Commentary

The Fund underperformed the benchmark in the December quarter as the overweight allocation to risk markets detracted from returns. The Fund's credit and multi-sector real return exposure also detracted from performance. The significant decline in risk sentiment and oil prices led to a considerable widening in credit spreads which impacted the performance negatively

During the quarter, Macquarie continued to maintain their long-held asset class preferences. In fixed interest, Macquarie held an underweight bias towards both domestic and international fixed interest exposures. However, Macquarie began to reduce their underweight bias in international fixed interest exposure as US 10-year Treasury yields broke 3%. In the Fund Manager's view, the continuous removal of the Fed's accommodative policy will eventually place pressure on longer-term Treasury yields and invert the yield curve. In terms of equities, Macquarie remain overweight in international equities while underweight in emerging market and Australian equities. They believe that concerns over growing trade tensions and increasing funding cost concerns in the US will lead to volatility in emerging market equities. In Australia, Macquarie are concerned about the level of household indebtedness, which poses a degree of uncertainty over the outlook of consumption, economic growth and asset prices. The Fund's underweight fixed interest and overweight international equities positions detracted from performance in the December quarter.

Market Commentary

Market sentiment was volatile during the last quarter of 2018, with a promising start to the quarter outweighed by increased volatility and weakness through the latter half of the quarter. A combination of central bank tightening, fears of a slowdown in China, and ongoing geopolitical uncertainty driven by US-China trade relations ultimately drove a correction in equity markets in November and December. Market sentiment recovered somewhat post-Christmas as China-US trade negotiations appeared to progress with China proposing significant tariff cuts. Overall however, the curtain has clearly fallen on the extended stretch of low volatility

Outlook

Recent months have brought negative market movements. Strong underlying growth in US macroeconomic data and corporate earnings are providing a fundamental backstop to equity and credit market pricing, and while there remain significant risks, including trade policy and political tensions, it does not appear that there is a significant 'real economy' catalyst to undo the current uptick in US growth. However, Macquarie's concerns remain centred around financial factors, with interest rates rising and a higher USD likely to continue to cause abrasion in some markets. The backdrop of central banks shifting away from extraordinary easy monetary policy will be an underlying influence for the foreseeable future. Macquarie continue to believe there are opportunities to participate in risk markets, a strong risk management focus, while noting that recent volatility is bringing more attractive valuations back into certain corners of the market.

Availability

Product name	APIR
SignatureSuper	AMP0958AU#
AMP Flexible Lifetime Super	AMP0706AU#
CustomSuper	AMP0706AU#

Closed to new members

Contact Details

Web: www.amp.com.au

Email: askamp@amp.com.au

Phone: 131 267 (Mon. to Fri. 8:30am to 7:00pm AEST)



What you need to know

This publication has been prepared by AMP Life Limited ABN 84 079 300 379, AFSL No. 233671 (AMP Life). The information contained in this publication has been derived from sources believe to accurate and reliable as at the date of this document. Information provided in this investment option update are views of the underlying Investment Manager only and not necessarily the views of the AMP Group. No representation is given in relation to the accuracy or completeness of any statement contained in it. Whilst care has been taken in the preparation of this publication, to the extent permitted by law, no liability is accepted for any loss or damage as a result of reliance on this information. AMP Life is part of the AMP Group. In providing the general advice, AMP Life and AMP Group receives fees and charges and their employees and directors receive salaries, bonuses and other benefits.

The information in this document is of a general nature only and does not take into account your financial situation, objectives and needs. Before you make any investment decision based on the information contained in this document you should consider how it applies to your personal objectives, financial situation and needs, or speak to a financial planner.

The investment option referred to in this publication is available through products issued by AMP Superannuation Limited ABN 31 008 414 104, AFSL No. 233060 (ASL) and/or AMP Life. Before deciding to invest or make a decision about the investment options, you should read the current Product Disclosure Statement for the relevant product, available from ASL, AMP Life or your financial planner.

Any references to the "Fund", strategies, asset allocations or exposures are references to the underlying managed fund that the investment option either directly or indirectly invests in (underlying fund). The investment option's aim and strategy mirrors the objective and investment approach of the underlying fund. An investment in the investment option is not a direct investment in the underlying fund.

Neither AMP Life, ASL, any other company in the AMP Group nor underlying fund manager guarantees the repayment of capital or the performance of any product or particular rate of return referred to in this document. Past performance is not a reliable indicator of future performance.