Professional Balanced

Quarterly Investment Option Update

31 December 2018

Aim and Strategy

To provide moderate investment returns over the long term, with the 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.

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	Multi-Manager

Asset Allocation	Benchmark (%)
Global shares	30
Australian shares	29
Listed property and infrastructure	7
Unlisted property and infrastructure	
Growth alternatives	4
Global fixed interest	20
Australian fixed interest	
Defensive alternatives	3
Cash	7

Actual allocation	%
Global shares	31.44
Australian shares	26.46
Listed property and infrastructure	6.72
Unlisted property and infrastructure	
Growth alternatives	4.24
Global fixed interest	13.65
Australian fixed interest	
Defensive alternatives	6.00
Cash	11.49

Market Commentary

Global equities fell heavily in the December quarter, the MSCI World ex Australia Net Index finishing lower by 13.28%. Early in the quarter, an apparently deflating US technology-stock bubble was a prime culprit, as high valuations combined with broader concerns around future growth to trigger a selloff, which broadened to other sectors and markets beyond the US. World markets remained volatile in November, as continued uncertainty around the US-China trade war, negative sentiment regarding the US mid-term elections and the APEC summit; and general global political uncertainty lingered. December subsequently saw the most significant falls, with the US S&P 500 index plunging by 9.03%, its worst December performance in many decades. Concerns of the previous months combined with a flattening US Treasury yield curve contributed to the falls, as did the further falls in technology stocks in the US. Emerging markets, which had struggled throughout much of 2018 outperformed their developed peers for the quarter, though were still unable to escape the broader prevailing negativity towards equities. The MSCI Emerging Markets total return index finished down by 7.43%. (All returns quoted in local terms unless otherwise stated.)

Australian shares' trajectory followed the US's lead, closing down significantly in the December quarter and returning -8.24% as measured by the S&P/ASX200 total returns Index. This came as traders began to factor in the possibility of a domestic interest rate reduction, rather than a hike sometime in the nearer future, perhaps in 2019 or 2020. Negative sentiment was also added to by political noise, following recent political resignations within the Liberal Party and subsequent moves to the crossbench weakening the government, with an upcoming general election due in May 2019. Despite reasonable corporate profitability and earnings growth, the economic backdrop is presenting some significant hurdles for equities to overcome, such as weak economic growth, poor levels of consumer spending and perhaps most significantly, a falling house market with high and still-increasing levels of supply, falling demand and rising vacancy rates. The health care segment was one of the better performers over the period, given the "flight to safety" which occurred over the period.

The decline in markets over the quarter has served to improve our outlook for returns in diversified portfolios. Our forecasts for growth assets continue to indicate a significant return premium relative to both cash rates and inflation.

Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP1955AU
AMP Flexible Super - Retirement account	AMP1962AU
AMP Flexible Super - Super account	AMP1969AU
Flexible Lifetime - Allocated Pension	AMP1948AU
Flexible Lifetime - Term Pension	AMP1948AU
Flexible Lifetime - Investments (Series 2)	AMP1980AU
SignatureSuper	AMP1730AU
SignatureSuper - Allocated Pension	AMP1779AU

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