

Responsible Investment Leaders Balanced

Quarterly Investment Option Update

31 December 2018

Aim and Strategy

To provide a total return (income and capital growth) after costs and before tax, above the return from the relevant benchmarks of the underlying investments on a rolling five-year basis and to provide a rate of return of 3.5% above inflation (Consumer Price Index (CPI)), after costs and before tax, over a 5 year period.

The portfolio invests in all asset classes, but with an emphasis on growth assets (shares and property). With the exception of cash, the portfolio is managed using a responsible investment approach (see additional information about Responsible Investment Leaders for more information).

Actual allocation	%
Global shares	32.34
Australian shares	23.77
Listed property & infrastructure	3.54
Unlisted property & infrastructure	5.44
Growth alternatives	1.58
Fixed interest	17.21
Cash	11.60

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	Responsible investing / Multi-Manager

Asset Allocation	Benchmark (%)
Global shares	33
Australian shares	25
Listed property & infrastructure	4
Unlisted property & infrastructure	9
Growth alternatives	2
Global fixed interest	12
Australian fixed interest	13
Cash	2

Portfolio Summary

- The Fund produced a negative return for the December quarter and slightly underperformed benchmark.
- Most underlying sectors were negative following a significant correction in markets.
- We continue to prefer international equities to Australian and remain underweight fixed income.

Investment Option Commentary

The Fund produced a negative absolute return in the December quarter following sharp declines in domestic and international equity markets. It was a difficult period for active managers, with most Australian and international equity managers underperforming standard benchmarks. Over the year however, the Fund remains ahead of benchmark, following strong performances earlier in 2018.

Outlook

The weak end to 2018 has added an air of uncertainty for investors heading into 2019. The continuing US-China focussed trade war and tariff regime has elevated volatility and uncertainty in markets. Furthermore, increased chatter of slowing and desynchronisation of global growth, geopolitical concerns and global monetary conditions have slightly worried investors. Nonetheless, economic indicators continue to show that underlying economic growth remains healthy. Company earnings, business confidence and employment across developed economies continue to remain positive and monetary policy, whilst tighter, remains at historically accommodative levels.

Domestically, Australian shares remain exposed to a Chinese slowdown and the recent global sell-off. Banking profitability is also likely to be constrained by increased macro-prudential regulation, capital holding requirements and a shifting structural landscape for banks. Banking stocks are likely to see ongoing volatility until the Royal Commission's final findings are released in full in early 2019. Credit will continue to be subdued as banks tighten lending standards. In the current environment, investors should benefit by being highly selective and focussing on companies with strong business fundamentals.

Very low, though rising sovereign bond yields point to low medium term returns. The abatement of deflationary pressures, the gradual reduction in spare capacity and a shift in policy focus from monetary to fiscal stimulus, primarily in the US, indicate yields are likely to steadily trend higher. Emerging market economies continue to experience some outflows.

Australian yields continue to trade at a premium to those available in Japan and Europe, making Australian sovereign fixed income and corporate credit relatively attractive from an international and yield perspective. The Reserve Bank of Australia has a short term neutral policy in regards to the timing and direction of interest rate changes. However, conflicting economic pressures and a low inflationary environment mean it is much too early to be considering interest rate hikes. Housing market and household debt levels continue to be an area for concern, although currently there is little evidence of significant non-performing loans.

Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP1033AU
AMP Flexible Super - Retirement account	AMP1371AU
AMP Flexible Super - Super account	AMP1500AU
CustomSuper	AMP1033AU
Flexible Lifetime - Allocated Pension	AMP1022AU
Flexible Lifetime - Term Pension	AMP1043AU
Flexible Lifetime - Investments (Series 1)	AMP1056AU
Flexible Lifetime - Investments (Series 2)	AMP1434AU
SignatureSuper	AMP0977AU
SignatureSuper - Allocated Pension	AMP1173AU
SuperLeader	AMP1884AU

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