

AMP Capital Multi Asset

Quarterly Investment Option Update

31 March 2019

Aim and Strategy

To provide a total return (income and capital growth) before costs and tax of 5.5% pa above the trimmed mean Consumer Price Index (CPI) on a rolling five-year basis by investing in a diversified portfolio with broad asset allocation ranges. The portfolio invests across a range of traditional asset classes such as shares, credit, cash, fixed income and property, and is further diversified by investment in alternative assets, such as infrastructure and absolute return strategies, which are generally more illiquid. Exposure to a broad range of asset classes is achieved either through investment in underlying investments or direct investment into an asset. Set within a dynamic asset allocation framework, the portfolio's asset classes and asset allocation ranges are determined with reference to the portfolio's risk and liquidity guidelines. Asset class allocation and ranges may vary at any stage of the investment cycle. There is no guarantee that the asset allocation strategy will provide positive returns at all stages of the investment cycle.

Throughout the investment cycle, when necessary, the portfolio will be rebalanced with the aim of ensuring that exposure to illiquid assets is no greater than 20% of the portfolio. The portfolio may also have exposure to currencies through both actively-managed investment strategies and risk management processes. International investments may be partially or fully hedged back to Australian dollars. The portfolio and its underlying managers or direct investments may use derivatives such as options, futures, forwards and swaps. The investment manager imposes restrictions on the use of derivatives within the portfolio and monitors the implementation of these restrictions in accordance with their risk management processes on the use of derivatives. Underlying managers or strategies in which the portfolio invests may use short selling.

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 to High
Investment style	Active

Asset Allocation	Ranges (%)
Australian shares	0-40
International shares	0-60
Growth alternatives	0-20
Listed property and infrastructure	0-30
Unlisted property and infrastructure	0-10
Defensive alternatives	0-40
Global fixed interest securities	0-100
Cash	0-100

Actual Allocation	%
Australian shares	8.45
International shares	26.57
Growth alternatives	9.79
Listed property and infrastructure	3.27
Unlisted property and infrastructure	4.22
Defensive alternatives	13.92
Fixed interest securities	21.55
Cash	12.14

Fund Performance

The Fund performed well again in March, resulting in a strong first quarter performance. Markets once again rallied primarily on the strength of lower bond yields, rather than any meaningful pickup in economic growth or earnings recovery. Australia's Reserve Bank left rates on hold again for a record period, however the outlook has shifted from expecting to raise rates to a more neutral outlook. Bond markets adjusted swiftly, meaning Australia's bond market returns are among the best in the world this year. The Fund's additional exposure to Australian government bonds, established earlier this year, provided an attractive boost to performance. Oil continued to rally, helping energy related positions, whilst many of the Funds active strategies also saw some improved performance.

Portfolio Positioning

The Fund realised some profits on shorter term Australian bonds and long-term German bonds, as sharply lower yields drove prices rapidly higher. In addition, some risk was trimmed in equities, as markets have run slightly ahead of economic recovery. Tail hedge positions were reset in January and February as volatility levels fell in both equity and fixed income markets. These include put options in Australia and call options in US Treasuries. Short exposure to the Australian dollar has been reduced, as valuations are fair and strong iron ore markets (for example) provide some potential for a rebound in the currency.

Outlook

Many of the major geopolitical issues (such as Brexit, trade wars, oil) appear to be on hold for the moment, providing some relief from rising uncertainty. In addition, there are continuing signs that Europe and China are both moving through a bottoming process and could be in the early stages of a period of cyclical recovery. Since October, markets have corrected sharply and then recovered, with the main changes since then being weaker earnings, lower interest rates and slightly higher valuations. Better growth and earnings are now required to justify that change. Our Dynamic Asset Allocation process is currently balanced at close to neutral, as we wait for either a renewed cyclical recovery spurred by a more patient US Federal Reserve and China's stimulus, or a renewed downturn as businesses and consumers retreat in the face of greater economic uncertainty. On balance, indications are that the cycle will be extended again.

Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP1709AU
AMP Flexible Super - Retirement account	AMP1768AU
AMP Flexible Super - Super account	AMP1756AU
CustomSuper	AMP1709AU
Flexible Lifetime - Allocated Pension	AMP1717AU
SignatureSuper	AMP1734AU
SignatureSuper - Allocated Pension	AMP1743AU
SignatureSuper Select	AMP1734AU

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