Responsible Investment Leaders Conservative

Quarterly Investment Option Update

30 June 2019

Aim and Strategy

To provide a total return (primarily income with some capital growth) after costs and before tax, above the return from the relevant benchmarks of the underlying investments on a rolling three-year basis. The portfolio invests in all asset classes, with a core of cash and fixed interest and some exposure to 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).

Investment Option Performance

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

Investment Option Overview

Investment category	Multi-Sector
Suggested minimum investment timeframe	3 years
Relative risk rating	Medium
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
International Fixed Interest	24
Australian Fixed Interest	22
Cash	19
International shares	15
Australian Shares	11
Listed Property and Infrastructure	5
Unlisted Property and Infrastructure	2
Defensive Alternatives	2

Actual Allocation	%
International Shares	15.86
Australian Shares	11.83
Listed Property and Infrastructure	6.82
International Fixed Interest	20.60
Australian Fixed Interest	24.72
Cash	20.17

Fund Performance

The Fund produced a positive absolute return over the June quarter, building on gains made in the previous quarter. The Fund generated strong positive gains over the 2018/19 financial year but modestly underperformed its benchmark due to difficult market conditions in late 2018.

The Diversified Fixed Income allocation was the main driver of the Fund's positive return over the June quarter, but slightly underperformed its benchmark. Over the past year, fixed income returns have been incredible, at around 8%, almost entirely because of the continual reductions in global interest rate expectations. For similar reasons, the international listed property allocation has had a very strong year.

The international shares allocation performed well over the June quarter, and outperformed its benchmark. This was pleasing, given the past year has been difficult for 'value' investment-style managers. Stock selection was the main contributor to relative returns, while sector allocation was a partial offset. Stock selection was particularly strong within consumer staples, consumer discretionary and financials. Growth manager C WorldWide performed very strongly, adding to its great track record since its appointment in August 2018.

The Australian shares allocation gained over the quarter, but underperformed its benchmark, with the concentrated managers lagging. Sector allocation and stock selection both detracted from relative returns, largely because Australian banks rallied following the re-election of the Coalition Government, while the portfolio was underweight the sector. In addition, the banks held were weaker than others in the sector. The ESG index exposure marginally underperformed its benchmark over the quarter but has robustly outperformed over the year.

Underlying manager engagement included: talking to Australian companies about the impact of the Modern Slavery Act; continued focus on climate change, including helping develop energy sector policy strategy and subscribing to 'green bonds' and 'sustainability bonds'; addressing issues with executive remuneration and board composition; and reporting on progress to improve access to medicine.

Environmental Social Governance

Since Australia's Modern Slavery Act was passed into law in November 2018, Australian companies have been called to examine the human impacts of their supply chains. AMP Capital's Ethical Leaders (EL) managers continue to engage with companies as they work through what this means for their business in terms of reporting, disclosure and initiatives to detect and address modern slavery in their supply chains.

Climate change also continues to be a key area of focus for EL managers. Through the Investor Group on Climate Change Policy and Advocacy Working Group, AMP Capital's ESG Research team has been helping develop not only an energy sector policy strategy but also a strategy to get policies that help other sectors transition to a lower carbon world.

Australia's mini proxy season occurs in April/May each year, which meant the June quarter was busy for EL managers. A key focus was on engaging with companies who are restructuring their remuneration reports following shareholder dissatisfaction at their 2018 annual general meetings.

Market Review

Global government bond yields mostly moved higher in April amid generally favourable economic data releases. In the US, gross domestic product rose at a stronger-than-expected rate over the March quarter as contributions from trade and inventory offset slower growth in consumer spending and investment. Yields subsequently reversed direction over the remainder of the June quarter as a lowering of regional growth forecasts stoked expectations of co-ordinated, easier monetary policy on the part of major central banks. A mix of dovish pivots by the US Federal Reserve and the European Central Bank, generally soft data releases, geopolitical uncertainty in relation to US-China trade negotiations and escalations in US-Iran tensions, helped drive global rates to fresh lows and record-low levels in some countries. The US 10-year bond yield ended the quarter at 2.01%, while the German 10-year bond yield and its Japanese counterpart ended at -0.33% and -0.16% respectively.

A highlight of domestic bond trading in April was the further inversion of yield spreads across all tenors of Commonwealth Government bonds relative to their US counterparts. Bond yields extended their downward move over the remainder of the June quarter amid a slowdown in the rate of private sector credit growth and a contraction in business and personal lending. In early June, the Reserve Bank of Australia announced a widely anticipated decrease of 0.25% in the official cash rate to 1.25%. The central bank subsequently cut the rate by a further 0.25% in early July, citing a desire for lower unemployment. The Commonwealth Government 2-year bond yield ended the quarter at 0.98%, while the 10-year bond yield ended at 1.32%.

The MSCI World (ex-Australia) index finished the quarter up by 3.51%. Global shares were strong early in the quarter, amid a mostly positive US reporting season. Upbeat sentiment around the globe was further supported by a relatively dovish US central bank, sound levels of economic growth, strong resource prices and US-China trade deal optimism. Share markets subsequently took back some of these gains mid-quarter. An escalating US-China trade conflict was the major culprit, along with the US flagging the possibility of increasing tariffs more broadly. Shares markets then powered ahead in June, with some even breaking record-highs as dovish central bank policies drove investor sentiment. European shares, particularly Germany's DAX index, were very strong, as expectations of further easing from the European Central Bank rose. Emerging market shares, while positive, couldn't match their developed counterparts' performance over the quarter, with the MSCI Emerging Markets index finished the period up by 0.20%, despite mostly strong resource prices and broadly positive sentiment. (All indices quoted in local currency terms and on a total-return basis, unless otherwise stated.)

Australian shares surged over the June quarter, with the S&P/ASX200 total return index finishing up by 7.97%. Speculation of official interest rate cuts drove shares early in the quarter, despite uncertainty around the Federal Election and ongoing housing market falls. In May, the share market was pushed higher on the Coalition's 'surprise' election victory, which removed risks around changes to the use of franking credits, which are particularly important to many Australian investors. Comments from the Reserve Bank of Australia continued to grow more dovish, culminating in a rate cut in early June to a historically low 1.25%. This, along with the possibility of further cuts, spurred Australian shares through the remainder of June. Communication services, financials and health care stocks were top performers over the quarter, while energy and utilities stocks were generally behind the pack.

Outlook

While the returns experienced in 2019 so far have been impressive, they are likely to moderate in the next half of the year. Most of the strength year-to-date has been driven by expectations that easing monetary policy and fiscal stimulus will prolong the already historic length of this market cycle and support economic growth. To see meaningful upside from here, there needs to be signs that global growth is reaccelerating and geopolitical risks, like the US-China trade dispute, are resolving. We believe the more likely scenario is that markets will trade sideways until the outlook for global growth becomes clear.

In actively managing the Fund, we are slightly overweight equities, with a slight tilt to both Australian and international equities. The resolution of election uncertainty and implementation of monetary and fiscal stimulus should be supportive for the Australian share market, in combination with its attractive yields in a low interest rate environment. Since January 2019, we have gradually reduced our underweight to Australian and international government bonds for diversification reasons, rather than any conviction around the future outperformance of the asset class. We maintain an underweight to international bonds and overweight to Australian bonds.

Availability

Product Name	APIR
AMP Flexible Lifetime Super	AMP1034AU
AMP Flexible Super - Retirement account	AMP1372AU
AMP Flexible Super - Super account	AMP1501AU
CustomSuper	AMP1034AU
Flexible Lifetime - Allocated Pension	AMP1023AU
Flexible Lifetime - Investments (Series 1)	AMP1057AU*
Flexible Lifetime - Investments (Series 2)	AMP1435AU
Flexible Lifetime - Term Pension	AMP1044AU
SignatureSuper	AMP0978AU
SignatureSuper - Allocated Pension	AMP1174AU

*Closed to new investors

Contact Details

Web: **www.amp.com.au**
Email: askamp@amp.com.au
Phone: 131 267

INSIGHTS
IDEAS
RESULTS

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 believed to be 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), AMP Capital Funds Management Limited ABN 15 159 557 724, AFSL 426455 (AMPCFM), ipac asset management limited ABN 22 003 257 225, AFSL 234655 (ipac) 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 the issuer 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 (Responsible Investment Leaders Conservative). 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.

No 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.