AMP Moderate Growth

Quarterly Investment Option Update

30 September 2019

Aim and Strategy

To provide returns greater than those from cash or fixed interest over the medium to long term through a diversified portfolio of cash, fixed interest, shares and property.

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 - 5 years
Relative risk rating	Medium
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
International shares	25
Australian Fixed Interest	17
Australian Shares	17
International Fixed Interest	16
Cash	9
Unlisted Property and Infrastructure	7.5
Growth Alternatives	3.5
Listed Property and Infrastructure	3
Defensive Alternatives	2

Actual Allocation	%
International Shares	23.00
Australian Shares	17.90
Listed Property and Infrastructure	2.63
Unlisted Property and Infrastructure	7.08
Growth Alternatives	0.38
International Fixed Interest	10.74
Australian Fixed Interest	17.09
Defensive Alternatives	5.62
Cash	15.56

Fund Performance

The Option delivered a positive return for the September quarter. Despite volatility during the period, positive returns were generated across most underlying asset classes with contributions from both growth and defensive assets.

Market sentiment experienced both lows and highs over the quarter as the continued slowdown in global economic data and the US-China tensions motivated global central banks to adopt further monetary stimulus in the form of rate cuts. This volatile environment supported allocations to safe-haven assets, such as fixed income and credit. Lower rates also aided other yield-driven sectors such as property and infrastructure, generating modest returns. For equity markets, much of the positive impact of rate cuts was suppressed by lacklustre global economic data releases and the uncertainties of the US-China trade talks in August. Less investor pessimism in September however saw both developed international equities and Australian equities rebound, ending the quarter up 1.5% (in local currency terms) and 2.4%, respectively. The performance of alternative strategies was mixed.

For the final quarter of 2019, we remain cautiously optimistic as global markets face a variety of unpredictable threats. Continued concerns around US-China trade tensions, a no-deal Brexit and slowing global growth are likely to increase recessionary risks. This, in combination with the low interest rate setting, supports fixed income markets; however expensive valuations may limit any upside. For equities, the current environment is less supportive, particularly if risks worsen. In order for sentiment to improve, it will take a settling of the trade concerns and a boost in the outlook for global growth. Until then markets are likely to trade sideways. Given the lack of market directionality and the potential for volatility, we remain slightly underweight equities. We have also held our overweight exposure to alternatives to improve diversification away from equities. The Option also maintains a sizeable allocation to defensive assets such as bonds and cash, which should assist in the event of potential equity market declines. Overall, returns are likely to moderate by year-end.

Market Review

Increasing predispositions by global central banks to become ever more accommodative during the September quarter have kept the bias on interest rates downwards, making equities relatively attractive and increasing the correlation between equities and bonds. However, the International Monetary Fund revised down its projection for global growth further during the period.

For the US-China trade dispute, which saw further escalation during the period, trust will need to be re-established between both parties at face-to-face meetings before any serious progress can be made. Until then, there is the potential for volatility to ramp-up substantially.

As was widely factored into the market, the US Federal Reserve (Fed) cut the Federal Funds Rate range by 25 basis points to 2.0-2.25% on 31 July; the first cut since the Global Financial Crisis, followed by a further cut of 25 basis points on 18 September to take the rate range to 1.75-2.0%.

In the US economy, the trade deficit continued to widen. However, as a whole, US economic data was generally benign, and the US stock market reached a record high during the quarter. There has been strong consumer-related and business data; however, jobs growth has been somewhat sluggish, and the ISM manufacturing conditions index remains subdued. Recent retail sales have risen more than expected and small business confidence remains strong, although latest labour market indicators have been more mixed.

Availability

Product Name	APIR
AMP Flexible Super - Retirement account	AMP1327AU
Flexible Lifetime - Allocated Pension	AMP0612AU
Flexible Lifetime - Term Pension	AMP0904AU
SignatureSuper - Allocated Pension	AMP1135AU*

*Closed to new investors

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