



AMP Moderate Growth

Quarterly Investment Option Update

30 September 2022

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 this product, please visit www.amp.com.au/performance

Investment Option Overview

Investment category	Multi-Sector
Suggested minimum investment timeframe	4 years
Relative risk rating	5 / Medium to High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
Global shares	25
Australian fixed interest	17
Australian shares	17
Global fixed interest	16
Cash	9.5
Growth alternatives	3.7
Unlisted property	3.5
Defensive alternatives	2.5
Global Listed Infrastructure	2
Global listed property	2
Unlisted infrastructure	1.8

Actual Allocation	%
International Shares	23.45
Australian Shares	17.35
Listed Property and Infrastructure	2.90
Unlisted Property and Infrastructure	7.10
Growth Alternatives	6.34
International Fixed Interest	15.29
Australian Fixed Interest	16.71
Defensive Alternatives	1.29
Cash	9.57

Fund Performance

The start to the 2022/2023 financial year saw a continuation of the themes challenging markets over prior months. This led to a negative return in the September quarter for the Option as continued inflationary and economic growth concerns, rising interest rates and geopolitical pressures pushed markets lower. Overall, the Option performed ahead of the neutral benchmark over the quarter and remains comfortably ahead over the year. Despite near-term volatility, longer-term performance also remains in line with expectations over most key time periods.

In fixed income markets, both government bonds and credit markets continued to struggle as bond yields shifted higher. Underlying fixed income manager performance was mixed, with Australian fixed income outperforming whilst international fixed income was challenged. This underperformance in the listed portion of the Option was largely offset by strong gains in unlisted assets and alternatives. Unlisted assets, particularly private equity, remained relatively stable amid market volatility, generating a positive return over the quarter. Absolute return strategies were more mixed, but performed well relative to equities and fixed income.

Investment markets were again under pressure over the quarter. Despite a strong start to the period, markets quickly retreated by quarter end, as global central banks continued to rapidly hike interest rates in an effort to quell high levels of inflation, which in turn stoked investor apprehension that a recession will become increasingly difficult to avoid. Against this backdrop, global developed markets retreated -5% during the quarter. Emerging market equities also struggled, ending the period -8% lower, with China concerns a key catalyst. In contrast, Australian shares outperformed, eking out a small gain as bank and mining stocks supported the market. Within the Option, both, Australian and international share exposures slightly underperformed markets largely due to weaker stock selection by underlying managers. Listed real assets underperformed broader equities as economic growth concerns weighed heavily on the sector, particularly real estate.

As we move towards year end, we believe markets are likely to remain volatile as the Ukraine crisis, inflation and monetary tightening remain constant threats. Despite the potential for short-term fluctuations, there are some green shoots of easing inflationary pressures which are likely to be well received by investors and central banks. Additionally, equity and bond valuations are beginning to move to more reasonable levels. On balance however, we remain cautious on the near-term outlook for markets and continue to maintain an active and well diversified portfolio exposure.

Market Review

Broader economic sentiment initially improved, then deteriorated during the September quarter. July saw a bout of optimism permeate markets, with early hopes inflation was close to peaking. This however faded mid-quarter, as hopes of an early central bank pivot fizzled out on the back of commentaries from central banks, most notably Fed Chair Powell's remarks at the Jackson Hole symposium, all of which conveyed a clear resolve to fight inflation with further rate hikes. Bearishness then increased in markets through the rest of August and September, not helped by a 40-year high monthly US inflation print, more nuclear threats from Vladimir Putin as Ukrainian forces drove Russian troops back, strife in the British bond market as soaring yields forced UK pension funds to cover losses, raising solvency concerns in the process, and even rumours of financial strife at global banking giant Credit Suisse surfaced.

Economic data releases through the quarter were generally soft. In the US, GDP was shown to have fallen in two consecutive quarters, marking a technical recession, though not being declared as one by US government departments due to a lack of 'significant decline in economic activity' evidenced by job markets' statistics. Payroll figures were shown to be stronger than expected and unemployment remained very low.

Availability

Product Name	APIR
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