



# AMP Capital Multi Asset

## Quarterly Investment Option Update

30 September 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 for each product, please visit [www.amp.com.au](http://www.amp.com.au)

### Investment Option Overview

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

Asset Allocation	Benchmark (%)
Australian Shares	N/A
Cash	N/A
Defensive Alternatives	N/A
Growth Alternatives	N/A
International Fixed Interest	N/A
International shares	N/A
Listed Property and Infrastructure	N/A
Unlisted Property and Infrastructure	N/A

Actual Allocation	%
International Equities	27.32
Fixed Income and Credit	20.29
Defensive Alternatives	14.77
Australian Equities	11.23
Growth Alternatives	9.87
Listed Real Assets	8.84
Direct Assets	5.10
Cash	3.30

## Fund Performance

The Fund delivered steady returns through a turbulent period for global equity markets. Returns year-to-date are solid, aided in part by very strong bond and equity markets, especially in Australia. Global economic direction has a high degree of uncertainty at present given trade tensions between the US and China, Brexit, Iran/oil and Hong Kong protests all remaining unresolved. They are clearly having a negative impact on manufacturing and investment activity. The Fund has seen some underperformance over recent times due primarily to some active strategies underperforming. However, we have been through these cycles before and at present they look more attractive than normal.

## 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.

## Outlook

The Fund is maintaining a slightly more defensive stance at present, with high liquidity and diversification across a range of markets and alternative strategies. Despite very strong performance from bond and many equities markets this year, the outlook is more clouded moving forward. We believe the risks of a recession in the near term are still low but clearly rising; and the ability of central banks to mitigate these risks through rate cuts is lower now than it has ever been. While progress on trade agreements would be a welcome boost, it is clear also that any type of inflation shock, such as from an oil disruption, would be extremely damaging. The Fund is positioned to navigate through a variety of scenarios and to benefit from any dislocations that may result. Many areas that have lagged recently, such as value stocks or inflation-linked assets, are at very cheap levels and on a medium-term outlook, we believe offer compelling value regardless of near-term weaker growth.

## 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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