

# AMP Lifecycle Active 1970s

Quarterly Investment Option Update

30 September 2019

## Aim and Strategy

Aims to achieve a rate of return of 4.0% above the Consumer Price Index, after fees and superannuation tax, over the suggested investment timeframe. This investment option gives you an investment solution that takes you all the way through your superannuation savings journey. This approach, known as lifecycle investing, delivers an investment strategy that continuously evolves to align with the changing stages of an investor's life. It takes the hard work out of deciding how to invest your savings by providing the simplicity of a single investment choice. This investment option is an age-based investment, meaning that the strategy of this investment option will change progressively over an investor's lifetime to meet the objective of the average investor born during the 1970s. This means that younger investors will have higher-growth investment strategies because they have a long period to retirement and can afford to take more risk. However, for investors approaching retirement, investments will focus more on preserving the capital built up and reducing risk. International investments may be partially or fully hedged back to Australian dollars. Subject to certain conditions, the underlying investments may use derivatives (such as options, futures, forwards and swaps) and engage in 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> | 10 years      |
| <b>Relative risk rating</b>                   | High          |
| <b>Investment style</b>                       | Active        |
| <b>Manager style</b>                          | Multi-manager |

| <b>Asset Allocation</b>              | <b>Benchmark (%)</b> |
|--------------------------------------|----------------------|
| International shares                 | 35                   |
| Australian Shares                    | 27                   |
| Growth Alternatives                  | 13                   |
| Unlisted Property and Infrastructure | 9                    |
| Australian Fixed Interest            | 7                    |
| Listed Property and Infrastructure   | 4                    |
| Cash                                 | 3                    |
| Defensive Alternatives               | 1                    |
| International Fixed Interest         | 1                    |

| <b>Actual Allocation</b>             | <b>%</b> |
|--------------------------------------|----------|
| International Shares                 | 37.94    |
| Australian Shares                    | 26.83    |
| Listed Property and Infrastructure   | 3.36     |
| Unlisted Property and Infrastructure | 7.89     |
| Growth Alternatives                  | 10.48    |
| International Fixed Interest         | 4.81     |
| Australian Fixed Interest            | 6.07     |
| Cash                                 | 2.62     |

## Fund Performance

AMP MySuper 1970s delivered a 2.2% return over the September quarter. Despite volatility during the period, gains were made in most underlying asset classes, with share allocations driving overall performance. Since inception, AMP MySuper 1970s has maintained a robust return profile for members, with performance remaining ahead of the CPI+ target over all key time horizons.

During the quarter, market sentiment was boosted by further global monetary policy easing in the form of interest rate cuts to combat slowing global growth. However, much of the impact of these rate cuts was suppressed by lacklustre company earnings growth, waning business and consumer confidence, and uncertainties caused by US-China trade tensions. By quarter-end, developed share markets had risen only modestly, up 1.5% and the Australian share market had followed suit, climbing 2.4%. The additional impact of slowing Chinese growth constrained the performance of emerging market shares, which fell 1.9%.

The rising concerns about the global outlook and accompanying rate cuts supported allocations to listed property, infrastructure and bonds. The performance of alternative strategies was mixed, with hedge funds performing well but style-based strategies lagging.

Moving into the final quarter of 2019 we remain cautiously optimistic, as global markets face a variety of unpredictable situations. Continued concerns around the US-China trade tensions, a no-deal Brexit and slowing global growth are likely to increase recessionary risks and constrain share market returns. While a combination of monetary policy easing and Chinese policy stimulus could somewhat offset these concerns, a resolution of the trade tensions and an improvement in global growth appears necessary for sustained returns going forward. AMP MySuper 1970s maintains a neutral allocation to shares, and meaningful positions in alternatives, property and infrastructure which should diversify risk and support portfolio growth in the event of share market declines. Smaller allocations to Australian bonds also provide some protection if global growth deteriorates further. Overall, we expect returns 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 - Super account | AMP2061AU |

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