Professional Alternative Balanced

Quarterly Investment Option Update

30 September 2019

Aim and Strategy

To provide moderate long term investment returns, with less exposure to the volatility of the conventional methods. The portfolio will primarily invest in a diversified mix of defensive and growth assets managed by professional asset managers.

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 to High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
International shares	24
Australian Shares	23
Defensive Alternatives	23
Australian and International Fixed Interest	17
Listed and Unlisted Property and Infrastructure	6
Cash	5
Growth Alternatives	2

Actual Allocation	%
International Shares	26.39
Australian Shares	25.36
Listed Property and Infrastructure	6.34
Growth Alternatives	2.59
International Fixed Interest	15.92
Defensive Alternatives	19.48
Cash	3.93

Fund Performance

Typically, alternative assets include anything that does not fall into the traditional fixed income or listed share buckets. For example, alternative assets may include infrastructure, property, agriculture, and private equity, which are employed to provide diversification away from common market risks managers may face. We divide our Alternative category investments into two sectors: Alternative Growth and Alternative Defensive. We are constantly reviewing new strategies that may be able to provide access to other diversifying sources of return. Our underlying alternative growth and defensive strategies produced mixed returns over the quarter.

International shares climbed higher in the September quarter, with the MSCI World ex Australia index rising by 1.50% over the period. Markets started the quarter positively amid generally good US corporate earnings and hopes of a favourable US-China outcome. A pull-back then occurred in August and some volatility emerged as speculation rose in regard to the sustainability of global (and particularly US) growth. Mixed messages on monetary policy from the Fed also didn't help. Global markets then recovered to higher levels in September amid continued volatility.

In line with global markets, Australian shares rose over the September quarter, the S&P/ASX200 total return index closing up by 2.37%, with more record-highs being hit during the period. A dovish (and rate-cutting) Reserve Bank of Australia (RBA) buoyed Australian markets, as did solid rises from the US and other international exchanges.

In global bond markets, a significant fall in bond yields prompted yield curves to generally flatten amid ongoing concerns around the China/US trade relationship and potentially-slowing global growth.

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

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