

Professional Conservative

Quarterly Investment Option Update

30 September 2019

Aim and Strategy

To provide modest investment returns, with reasonably limited fluctuations in the value of the investment from year to year. 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 years
Relative risk rating	Low to Medium
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
Australian and International Fixed Interest	43
Cash	24
Australian Shares	11
International shares	11
Listed and Unlisted Property and Infrastructure	5
Defensive Alternatives	3
Growth Alternatives	3

Actual Allocation	%
International Shares	11.94
Australian Shares	11.26
Listed Property and Infrastructure	5.21
Growth Alternatives	3.02
International Fixed Interest	39.75
Defensive Alternatives	4.04
Cash	24.79

Fund Performance

After showing some signs of consolidating early in the September quarter, global government bond markets rallied into the widely anticipated move by the US Federal Reserve to lower the Federal Funds Rate range by 0.25% following its policy meeting on 31 July, and picked up momentum during August as an escalation of the US-China trade dispute eroded investor confidence in global economic growth prospects. The significant fall in bond yields prompted yield curves globally to flatten. In September, bond yields initially moved higher amid indications that the US economy continues to create new jobs, however yields subsequently retraced part of their rise after disruptive drone attacks on Saudi Arabian oil facilities saw the return of 'risk off' sentiment and the US Federal Reserve lowered the target range for the federal funds rate by a further 0.25%. Monetary easing also featured in Europe later in the period, where the European Central Bank announced a reduction in its deposit rate to -0.50% and a planned restart in November of its asset purchase plan at a rate of €20 billion per month. The US 10-year bond yield ended the quarter at 1.66%, while its German and Japanese counterparts ended at -0.57% and -0.21% respectively.

Monetary policy dominated news flow in the domestic bond market early in the September quarter, with the Reserve Bank of Australia announcing a 0.25% reduction in early July, bringing the official cash rate to 1.0%. The central bank maintained an unchanged monetary policy stance in August, however left the door open for further easing. Against this backdrop, the domestic yield curve mirrored the flattening trend evident in overseas peers and reached its flattest level since 2010. Domestic yields continued to follow the lead of their global counterparts during September, reversing their previous downtrend to end the month higher, although bonds did rally later in the period on the back of rising geopolitical tensions, easier monetary policy in the US and Europe and the release of dovish RBA meeting minutes. The Commonwealth Government 2-year bond yield ended the quarter at 0.77%, while the 10-year bond yield ended at 1.02%.

International shares climbed higher in the September quarter, with the MSCI World ex Australia index rising by 1.50% over the period amid continued volatility. Drivers included central bank interest rate reductions and commentary (as the US Federal Reserve reduced the Federal Funds Rate range by a further 25 basis points to 1.75-2.0%), the drone strike in Saudi Arabia by Iranian-backed Houthi rebels, as well as some small but positive US-China trade developments.

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 Lifetime Super	AMP1954AU
AMP Flexible Super - Retirement account	AMP1961AU
AMP Flexible Super - Super account	AMP1968AU
Flexible Lifetime - Allocated Pension	AMP1947AU
Flexible Lifetime - Investments (Series 2)	AMP1979AU
Flexible Lifetime - Term Pension	AMP1947AU
SignatureSuper	AMP1729AU

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