

AMP Active Balanced

Quarterly Investment Option Update

31 December 2019

Aim and Strategy

To provide primarily capital growth with some income after costs and before tax, above the strategy's performance benchmark on a rolling 3 year basis, by investing across a range of asset types, with high exposure to growth assets. The strategy aims to provide investors with exposure to a diversified range of Australian and international growth sources across asset classes including shares, Australian listed property trusts, and global listed property securities.

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	5 years
Relative risk rating	High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
International shares	32
Australian Shares	27
Australian Fixed Interest	15
Listed Property and Infrastructure	11
International Fixed Interest	10
Cash	5
Defensive Alternatives	0
Growth Alternatives	0

Actual Allocation	%
International Shares	35.90
Australian Shares	26.50
Listed Property and Infrastructure	10.91
International Fixed Interest	5.84
Australian Fixed Interest	14.57
Cash	6.28

Fund Performance

The Option delivered a positive return for the December quarter capping a stellar 2019 for markets. The performance of equity allocations significantly contributed over the year and was the key driver of returns in the final quarter. Against peers, the Option has maintained its strong relative performance remaining ahead of median across most key timeframes.

The final quarter of the year saw growth assets outpace defensive investments as market sentiment was buoyed by a flurry of positive developments and the continuation of the low interest rates. Supportive global economic data releases, strong US corporate earnings, the announcement of a "phase one" US/China trade deal and resolution of the UK election provided a strong environment for risk assets. Both developed and emerging market equities rallied 7.7% and 9.5% respectively (in local currencies terms). Australian equities also ended the period slightly higher but underperformed global counterparts due to a lack of positive domestic news and a strengthening AUD, returning 0.7%. The low interest rate environment also aided sectors such as direct property and infrastructure, generating modest returns. The shift to growth assets saw defensive assets such as bonds end the quarter down giving up some of the gains generated over the year.

Looking ahead, we remain cautiously optimistic for the start of 2020. With easy monetary conditions and global growth stabilising, equity market returns should see reasonable returns but are likely to be more modest than 2019. Higher valuations and continued geopolitical risks such as Iran, US/China trade and Brexit will provide some volatility. The risk of recession however remains unlikely in the near term. Given this, we hold a broadly neutral growth/defensive asset split, with a slight preference for equities within growth assets. The Option also continues to maintain a diverse exposure to alternatives and defensive assets, such as bonds and cash, to help manage risk and smooth returns in periods of equity market volatility.

Availability

Product Name	APIR
AMP Flexible Lifetime Super	AMP1934AU*
Flexible Lifetime - Allocated Pension	AMP1987AU*

*Closed to new investors

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