



AMP All Growth

Quarterly Investment Option Update

31 December 2019

Aim and Strategy

To provide high returns over the long term through a portfolio investing mostly in Australian and international shares.

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 | 7 years |
| Relative risk rating | High |
| Investment style | Active |
| Manager style | Multi-manager |

| Asset Allocation | Benchmark (%) |
|--------------------------------------|----------------------|
| International shares | 48 |
| Australian Shares | 40 |
| Listed Property and Infrastructure | 6 |
| Growth Alternatives | 5 |
| Cash | 1 |
| Defensive Alternatives | 0 |
| International Fixed Interest | 0 |
| Unlisted Property and Infrastructure | 0 |
| Australian Fixed Interest | 0 |

| Actual Allocation | % |
|------------------------------------|----------|
| International Shares | 45.19 |
| Australian Shares | 38.50 |
| Listed Property and Infrastructure | 3.79 |
| Defensive Alternatives | 7.26 |
| Cash | 5.26 |

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%. As global bond yields moved up, yield sensitive sectors such as listed property and infrastructure ended 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 property to help manage risk and smooth returns in periods of equity market volatility.

Market Review

The start of the quarter saw initial concerns of the risk of a recession. However, as the quarter progressed, US economic data was generally positive overall. Market sentiment further improved following the conclusion of the US-China trade disputes. US gross domestic product grew at an annualised rate of 1.9% in the third quarter. In October, the Federal Funds Rate was reduced by 25 basis points to 1.50-1.75%. Meanwhile President Trump's impeachment had little impact on financial markets.

In Europe, business conditions were flat in December but remain up from their low adding to confidence that Eurozone growth may be improving. During the quarter, the European Central Bank made no changes to interest rates. Meanwhile, in December the Swedish central bank raised rates from -0.25% to zero, ending roughly five years of negative rates.

In the UK, the Conservative party won the general election and will seek to prevent an extension of the Brexit transition period beyond the end of 2020. During the quarter, the Bank of England left rates on hold.

In Asia, Japan's gross domestic product growth for the September quarter was revised upward. The government announced fiscal stimulus plans in December whilst the Bank of Japan left monetary policy on hold. In China, industrial production and retail sales were stronger-than-expected in November suggesting positive signs for growth. China's central bank lowered its one-year loan prime rate in November by five basis points to 4.15%.

Availability

| Product Name | APIR |
|-----------------|-----------|
| AMP Growth Bond | AMP1195AU |

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