

AMP Balanced Growth

Quarterly Investment Option Update

31 December 2019

Aim and Strategy

To provide moderate to high returns over the medium to long term through a portfolio diversified across the main asset classes, but with an emphasis on shares and property.

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	Medium to High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
International shares	33
Australian Shares	27
Listed Property and Infrastructure	11
Australian Fixed Interest	10
International Fixed Interest	8
Growth Alternatives	6
Cash	2.5
Defensive Alternatives	2.5

Actual Allocation	%
International Shares	33.73
Australian Shares	27.90
Listed Property and Infrastructure	8.59
International Fixed Interest	6.67
Australian Fixed Interest	10.31
Defensive Alternatives	4.73
Others	0.07
Cash	8.00

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.

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

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AMP Growth Bond	AMP1190AU

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