



AMP Moderate Growth

Quarterly Investment Option Update

31 December 2019

Aim and Strategy

To provide returns greater than those from cash or fixed interest over the medium to long term through a diversified portfolio of cash, fixed interest, 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	3 - 5 years
Relative risk rating	Medium
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
International shares	26
Australian Shares	18
International Fixed Interest	17
Australian Fixed Interest	16
Listed Property and Infrastructure	9
Cash	7
Growth Alternatives	5
Defensive Alternatives	2

Actual Allocation	%
International Shares	25.45
Australian Shares	17.98
Listed Property and Infrastructure	9.69
International Fixed Interest	10.75
Australian Fixed Interest	16.71
Defensive Alternatives	7.67
Others	0.07
Cash	11.68

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.

Market sentiment rallied as 2019 came to an end with growth assets outperforming more defensive sectors over the quarter. Supportive global economic data releases, strong US corporate earnings, announcement of a "phase one" US/China trade deal and the resolution of the UK election provided a strong environment for risk assets. By year end, developed market equities rallied 7.7% (in local currencies terms). Australian equities also ended the period slightly higher but underperformed global counterparts due lack of positive domestic news and end-of-year profit taking, returning 0.7%. The low interest rate environment also aided sectors such as direct property and infrastructure, generating modest returns. With investors taking greater risk, government bonds and yield driven sectors, such as listed property ended the quarter slightly lower 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 cash instead of bonds within defensive assets due to expensive valuations. The Option continues to maintain a diverse exposure to alternatives to help manage risk and 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	AMP1189AU

*Closed to new investors

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