



AMP Moderate Growth

Quarterly Investment Option Update

31 March 2020

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	25.39
Australian Shares	16.74
Listed Property and Infrastructure	8.14
International Fixed Interest	12.08
Australian Fixed Interest	17.73
Defensive Alternatives	8.16
Others	0.04
Cash	11.72

Fund Performance

The option delivered a negative return for the first quarter of 2020 as the world economy was brought to a standstill by the COVID-19 pandemic. Despite diversification and sizeable allocations to defensive assets lessening the impact on returns, the swiftness and severity of share market falls all but erased returns generated in 2019. Compared to peers, the option has maintained its strong relative performance, remaining ahead of median across most key timeframes.

This year began with concerns ranging from domestic environmental catastrophes to COVID-19 and its dramatic disruption of global supply chains, geo-politics, employment and economic activity. As infection rates and the number of countries impacted increased exponentially, the disease evolved from a primarily China-centric issue to a global phenomenon that has drastically hampered economic performance around the world and may serve as a catalyst for recession. Defensive assets, such as government bonds and cash benefitted from this environment as investors rotated towards safety. Similarly, assets such as direct property and infrastructure, which are infrequently traded, remained less sensitive to market moves and reduced overall portfolio volatility. However, risk assets experienced extreme volatility due to tight liquidity conditions and the economic devastation caused by COVID-19, which in turn, dominated overall performance. Despite an unprecedented and co-ordinated effort by global governments and central banks to stabilise and stimulate their economies through large fiscal packages, further rate cuts and quantitative easing, both developed and emerging market shares fell 20% and 19% respectively (in local currencies terms) and Australian shares followed suit.

With the severity and duration of the pandemic unclear, the outlook for 2020 is challenged and returns are likely to remain volatile in the months ahead. Given this, we hold a broadly neutral growth/defensive asset split, with a view to shift into more defensive allocations should the environment worsen. Given the conservative nature of the option, already sizeable allocations to bonds and cash aim to provide some protection from share market volatility. The option also continues to hold a diverse exposure to alternatives, such as direct property and hedge funds, to help manage risk and smooth returns in periods of share market volatility. It is important for members to remember that these market shocks do not last forever and to remain focussed on the long term.

Market Review

The first quarter of 2020 began with the renewed conflicts between the US and Iran and the US-China trade tensions which were later resolved and share markets were encouraged by initial signs the global economy was improving. However, as March approached, the global surge in COVID-19 cases outside of China led to a pandemic. At the end of the quarter, despite the continued rise in new COVID-19 cases (especially in the US and Italy) and signs of a slowdown in global economic activity, share markets had a strong rebound in response to further announcements of unprecedented stimulus measures by governments and central banks.

The Federal Reserve reduced interest rates by a further 100 basis points to 0.00%–0.25% and commenced its quantitative easing. The US government announced the largest fiscal package, worth \$US2 trillion. The Bank of Canada lowered its overnight rate target to 0.75% and launched a credit facility program.

In Europe, the UK officially left the European Union on 31 January. The European Central Bank launched a new Pandemic Emergency Purchase Programme, worth €750 billion. The Bank of England lowered its Bank Rate further and launched a new substantial quantitative easing program whilst the UK government announced its credit guarantees.

In Asia, China's central bank announced a reduction in reserve ratios for banks. The Bank of Japan provided a significant liquidity injection and expanded its quantitative easing program.

Availability

Product Name	APIR
AMP Growth Bond	AMP1189AU

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