

Professional Growth

Quarterly Investment Option Update

31 March 2020

Aim and Strategy

To provide moderate to high investment returns over the long term, with the likelihood of significant fluctuations in the value of the investment from year to year. The portfolio will primarily invest in a diversified mix of defensive and growth assets managed by professional asset managers.

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

Asset Allocation	Benchmark (%)
International shares	40
Australian Shares	35
Listed and Unlisted Property and Infrastructure	7
Australian and International Fixed Interest	7
Cash	5
Defensive Alternatives	3
Growth Alternatives	3

Actual Allocation	%
International Shares	41.81
Australian Shares	33.04
Listed Property and Infrastructure	6.27
Growth Alternatives	3.69
International Fixed Interest	6.10
Defensive Alternatives	3.43
Cash	5.67

Fund Performance

The March 2020 quarter was one of the worst periods ever for global share markets as the COVID-19 pandemic rapidly escalated fears around the globe. The MSCI World ex Australia index finished the period down by 20.0%, having briefly reached lows not seen since 2016 before finishing the period with a late rally. Across regions and sectors, few stocks were spared from the falls, as traders continued to sell in favour of cash. Some panic-selling was evident, particularly later in the quarter as fundamentals undoubtedly took a backseat to momentum-trading. In the final week of March, the market was able to recoup some of these losses as the panic-selling dropped off. Price movements in many stocks were further exacerbated by the triggering of stop-losses, as well as some evidence of forced selling from funds in order to meet redemption requests. Emerging markets couldn't escape the sell-off and performed only marginally better than their developed-market peers.

While some apparent-bargains emerged from the sell-off, assessing the near-term hit to earnings and to what degree markets have priced this in is not easy. Indeed, many companies withdrew their forward guidance. A positive for shares was global stimulus levels promptly reaching unprecedented levels, as a swift, synchronised policy response was seen around the globe in the forms of monetary easing and enormous amounts of targeted fiscal stimulus. In many cases, packages included direct payments to residents and businesses.

Australian shares were also hit heavily by the COVID-19 crisis in the March quarter, falling by 23.1%, as measured by the S&P/ASX200 index on a total return basis. This was despite a strong performance in January which led to record highs being touched early in the quarter, before fears grew around the COVID-19 virus and the likely sharp economic downturn it has caused. This resulted in large amounts of indiscriminate panic-selling, particularly during mid-to-late quarter. While the virus and its associated lockdowns are causing a significant and sharp effect on earnings, it is still the general (and a mostly logical) consensus that this will be temporary in nature, although the timeframe is hard to accurately forecast. Nonetheless, some areas of apparent good value emerged from the broad sell-down, albeit many companies withdrew their forward guidance given a lack of earnings visibility and flagged that dividends may be impacted. Positive for shares, the Australian government announced an enormous amount of targeted fiscal stimulus, totalling around A\$200 billion or 10% of GDP, which is nearly double that of the stimulus injected during the Global Financial Crisis. The RBA also cut the official cash rate to 0.25% and announced low-cost funding for banks, at 0.25% for three years.

Global government bond yields meanwhile drifted lower at the start of the year amid geopolitical tensions in the Middle East and the impeachment of US President Donald Trump. Yields subsequently accelerated lower as a rapid escalation in the human and economic impact of COVID-19 prompted global central bankers to significantly lower interest rates and governments to undertake unprecedented fiscal stimulus. Trading was characterised by heightened volatility, reflecting market concerns over the longer-term cost of the fiscal response, contrasting with optimism regarding its near-term social benefits.

(Indices quoted in local currency terms and on a total-return basis, unless otherwise stated.)

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 Flexible Lifetime Super	AMP1956AU
AMP Flexible Super - Retirement account	AMP1963AU
AMP Flexible Super - Super account	AMP1970AU
Flexible Lifetime - Allocated Pension	AMP1949AU
Flexible Lifetime - Investments (Series 2)	AMP1981AU
Flexible Lifetime - Term Pension	AMP1949AU
SignatureSuper	AMP1731AU

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