

# Professional Moderately Conservative

Quarterly Investment Option Update

31 March 2020

## Aim and Strategy

To provide moderate long term investment returns, with limited likelihood of 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 identified and selected by ipac within each asset class.

## Investment Option Performance

To view the latest investment performances for each product, please visit [www.amp.com.au](http://www.amp.com.au)

## Investment Option Overview

<b>Investment category</b>	Multi-Sector
<b>Suggested minimum investment timeframe</b>	4 years
<b>Relative risk rating</b>	Medium to High
<b>Investment style</b>	Active
<b>Manager style</b>	Multi-manager

<b>Asset Allocation</b>	<b>Benchmark (%)</b>
Australian and International Fixed Interest	32
International shares	21
Australian Shares	20
Cash	15
Listed and Unlisted Property and Infrastructure	7
Defensive Alternatives	3
Growth Alternatives	2

<b>Actual Allocation</b>	<b>%</b>
International Shares	21.67
Australian Shares	17.81
Listed Property and Infrastructure	5.89
Growth Alternatives	2.31
International Fixed Interest	32.13
Defensive Alternatives	3.20
Cash	16.98

## Fund Performance

Global government bond yields 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. The US 10-year bond yield ended the quarter 125 basis points lower at 0.67%. Similarly, the German 10-year bond yield declined by 135 basis points to -0.47%, while its Japanese counterpart ended the quarter at 0.02%.

Australian government bond yields meanwhile moved lower in January against the backdrop of a softening in domestic economic momentum over the preceding months. Yields subsequently exhibited heightened volatility over the remainder of the March quarter as a sharp fall in response to the deepening impact of the COVID-19 crisis gave way to an upward spike amid fears of a liquidity crunch. The RBA addressed the issue of market liquidity by cutting the cash rate by 0.25%, setting a 0.25% yield target for Commonwealth 3-year bonds, and providing funding for domestic banks. The Commonwealth Government 10-year bond yield declined by 61 basis points over the quarter to 0.76%, while the Commonwealth Government 2-year bond yield ended 67 basis points lower at 0.25%.

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. (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	AMP1958AU
AMP Flexible Super - Retirement account	AMP1965AU
AMP Flexible Super - Super account	AMP1972AU
Flexible Lifetime - Allocated Pension	AMP1951AU
Flexible Lifetime - Investments (Series 2)	AMP1983AU
Flexible Lifetime - Term Pension	AMP1951AU
SignatureSuper	AMP1984AU

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