



AMP Moderate Growth

Quarterly Investment Option Update

30 September 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/performance

Investment Option Overview

Investment category	Multi-Sector
Suggested minimum investment timeframe	3 - 5 years
Relative risk rating	5 / Medium to High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
International shares	25
Australian Fixed Interest	17
Australian Shares	17
International Fixed Interest	16
Cash	9
Unlisted Property and Infrastructure	7
Listed Property and Infrastructure	4
Defensive Alternatives	3
Growth Alternatives	2

Actual Allocation	%
International Shares	24.85
Australian Shares	16.74
Listed Property and Infrastructure	3.10
Unlisted Property and Infrastructure	8.51
Growth Alternatives	2.60
International Fixed Interest	16.23
Australian Fixed Interest	17.43
Defensive Alternatives	2.87
Cash	7.68

Fund Performance

The option delivered a positive return over the September quarter, building on the strong gains of the June quarter. Growth assets again proved to be the key drivers of overall return, as global markets enjoyed a relatively encouraging period. Outperformance against the benchmark (before fees) over the quarter was primarily achieved by taking advantage of the strong performance of global markets with a slight overweight. The option has maintained its strong relative performance, remaining ahead of median across most key timeframes.

In fixed income markets, government bonds were largely flat as rates were range bound, while credit markets rallied consistent with the 'risk-on' tone of the quarter. The option benefited from an overweight to credit that improved performance as domestic and international fixed income markets rallied. This was particularly beneficial given the option's sizeable allocation to yield-sensitive assets. Alternatives and unlisted assets were broadly flat as the impact of COVID-19 continued to depress valuations.

While many economies entered a recession, July and August saw share markets rally. Buoyed by strong growth in the US technology sector and sustained monetary and fiscal policy stimulus, domestic and international shares positions generated strong returns. However, by September markets began to diverge as fears of a 'second wave' of COVID-19 and renewed lockdowns dampened investor sentiment. Overall, the S&P/ASX 200 index ended the quarter down -0.4% while the MSCI World ex Australia index closed up 6.9% (in local currency terms). Within the option however, strong stock selection in both Australian and developed international shares boosted returns, leading to outperformance against indexes. Furthermore, allocations to emerging markets also added to relative returns, largely driven by significant gains in Asian market exposures.

Looking ahead, the final quarter of the year is poised to be eventful for markets. We expect continued volatility with several major events on the horizon, including: (i) the US election; (ii) uncertainty surrounding further monetary and fiscal stimulus; and (iii) [hopefully positive] news on a vaccine and/or improved therapeutics for COVID-19. We remain acutely aware that valuations are being tested throughout North America in several sectors (such as information technology and communications) and may revert should sentiment wane, which would add further volatility towards calendar year end. As such, we remain confident that an active approach, with a focus on diversification across asset classes to assist in risk mitigation, is advantageous going into this period. Consequently, we continue to target a broadly neutral allocation, including exposures to unlisted and alternative strategies, which act as important diversifiers to our listed securities. Furthermore, the option's sizeable allocation to defensive assets should provide some protection should market sentiment deteriorate.

Market Review

Global equities rose during most of the quarter as the balance of data and economic expectations was initially viewed positively and on hopes that a COVID-19 vaccine might be available in a compressed timeframe. However, by quarter end, global equity markets suffered a pullback, led by the technology sector which later broadened to other sectors. Energy was also impacted as the oil price pulled back. For COVID-19, conditions and outlook remained uncertain. The global death count from the pandemic has now exceeded the one million mark.

Escalating tensions between the US and China have also elevated uncertainty. The US has rejected China's territorial claims to the South China Sea and has ended Hong Kong's special trade status with the US, requesting support in its stance from its allies. The US administration has also moved to put restrictions on some Chinese companies operating in the US, including TikTok and WeChat, although the US courts have moderated some of these decisions.

In the US, there is likely to be further downward pressure on the US dollar as quantitative easing measures continue to ramp up. An ongoing US dollar retracement would be consistent with improving global growth relative to that in the US and the US Federal Reserve's aggressive quantitative easing programme, which is significantly increasing the supply of US dollars.

Availability

Product Name	APIR
AMP Flexible Super - Retirement	AMP1327AU
Flexible Lifetime - Allocated Pension	AMP0612AU
Flexible Lifetime - Term Pension	AMP0904AU
SignatureSuper - Allocated Pension	AMP1135AU*

*Closed to new investors

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