

AMP Moderate Growth

Quarterly Investment Option Update

31 December 2021

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 to 5 years
Relative risk rating	Medium to High

Investment style	Active
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Manager style	Multi-manager
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Asset Allocation	Benchmark (%)
Global shares	25
Australian fixed interest	17
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Global fixed interest	16
Cash	9.5
Unlisted property and infrastructure	5.3
Listed property and infrastructure	4
Defensive alternatives	2.5
Growth alternatives	3.7

Actual Allocation	%
International Shares	25.74
Australian Shares	17.65
Listed Property and Infrastructure	2.90
Unlisted Property and Infrastructure	5.30
Growth Alternatives	3.7
International Fixed Interest	15.89
Australian Fixed Interest	16.77
Defensive Alternatives	2.5
Cash	9.50

Fund Performance

The Option ended 2021 with a positive December quarter return, despite the threat of higher inflation and the emergence of the Omicron variant. Growth assets, particularly equity allocations, saw strong gains over the period, whilst more defensive asset classes, such as bonds and absolute return strategies, were more subdued. Over the period, the Option performed broadly in line with the neutral benchmark (on a gross basis), as positive underlying manager performance in the equity and listed real asset sectors was offset by slight underperformance in domestic and international bond exposures. Additionally, the Option performed broadly in line with peers over the quarter.

In fixed income markets, government bonds and investment grade credit ended the period broadly lower, as yields moved higher on inflationary concerns and the foreshadowed tightening of monetary policy. Underlying fixed income manager performance was mixed, as domestic positions outperformed whilst international allocations drifted lower against benchmark. Unlisted assets saw a strong uplift as valuations continued their trend upwards. Absolute returns strategies were more subdued meanwhile, as volatility and rate movements presented a challenging environment for our underlying managers.

As was the case throughout 2021, global share markets continued to trend upwards despite concerns centred around COVID-19 and its economic ramifications. Investors were buoyed by a strengthening corporate earnings outlook for 2022 in addition to the potential easing of supply chain constraints. Overall, the S&P/ASX 200 index ended up 2.1%, while the MSCI World ex Australia index closed 8.3% higher (in local currency terms). Emerging market shares ended down -0.9% (in local currency terms) as they were harder hit by prevailing inflationary concerns and weakness in Chinese economic growth. Both unlisted and listed real assets posted strong returns, as valuation uplifts aided performance. Within the Option, broad Australian equity and international share exposures outperformed markets, boosting overall relative return. Exposures to inflationary driven sectors, such as listed property and infrastructure, also added value. Listed property allocations in particular have made strong relative gains, generating a +4% over the year versus benchmark.

Looking ahead, we remain optimistic for 2022, albeit with continued risks. COVID-19, inflation and rate hikes are likely to weigh on investor sentiment, leaving share markets somewhat susceptible to a short-term correction. Bond markets also are likely to be constrained as monetary policy begins to tighten in response to higher inflation. However, we continue to believe investors that remain invested will be rewarded as the global recovery continues. Maintaining an active, well-diversified asset exposure, in addition to a long-term focus, should aid portfolio resilience and investor outcomes.

Market Review

The December quarter saw investor sentiment remain generally buoyant, reflected in global equity markets climbing to new highs towards year-end, as markets began to accept high inflation as a prevailing condition, rather than a transient concern, while the world continued its long-winded road towards exiting the COVID-19 pandemic. US inflation was shown to be at 6.8% over the year to November, the highest seen in 39 years, with many other countries also reaching multi-year peaks. Indeed, the rhetoric of the US Federal Reserve (Fed) took a notable, slightly hawkish turn in this regard, with Chair Jerome Powell, indicating a clear preference to speed up the withdrawal of bond purchases given current inflationary pressures that Powell believes will remain "well into next year."

Outside of finance, the broader media focus was on the latest COVID-19 variant, Omicron. While raw case numbers rapidly rose to new peaks towards the end of the quarter, numerous studies have now shown Omicron symptoms to be generally relatively mild in nature (despite being considerably more infectious), with fatality and hospitalisation percentage rates far below that of previous variants. As has been the case for some time however, global governments reacted vastly differently across the globe, heavily impacting confidence, trade, travel and adding to civil discontent.

Availability

Product Name	APIR
SignatureSuper	AMP0778AU*

*Closed to new investors

Contact Details

Web: www.amp.com.au

Email: askamp@amp.com.au

Phone: 131 267



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