



AMP Moderate Growth

Quarterly Investment Option Update

31 December 2022

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 this product, please visit www.amp.com.au/performance

Investment Option Overview

Investment category	Multi-Sector
Suggested minimum investment timeframe	4 years
Standard Risk Measure	5/Medium to High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
Fixed Interest	29
Global Shares	23
Australian Shares	18
Cash	13
Infrastructure	6
Property	6
Alternatives	5

Actual Allocation	%
Global Shares	19.92
Australian Shares	18.08
Listed Property and Infrastructure	5.66
Unlisted Property and Infrastructure	6.59
Growth Alternatives	6.47
International Fixed Interest	14.19
Australian Fixed Interest	13.54
Defensive Alternatives	1.15
Cash	14.40

Fund Performance

After a difficult year in markets, the final quarter of 2022 brought some relief for investors. Positive returns across most asset classes saw the investment option end the year on an encouraging note after being constrained by higher inflation, rising interest rates and global growth concerns for most of 2022. Overall, the Fund performed behind of the neutral benchmark, but longer-term performance remains in line with expectations over most key time horizons.

There was some respite across most major markets in the December quarter, as inflationary and interest rate pressures showed some signs of easing in October and November. In fixed income markets, Bond and credit allocations eked out a modest positive return after falling for most of the year. Underlying fixed income manager performance was ahead of benchmark, with Australian and international fixed income positions outperforming. Unlisted real assets remained relatively stable over the period, with direct property and direct infrastructure contributing positively. Private equity allocations detracted, as devaluations on several investments weighed on returns. Absolute returns strategies in the Option were mixed and underperformed listed markets. They continue, however, to be an important source of diversification in periods of volatility as we have seen throughout the year.

Equities proved to be the key driver of strong performance over the period. Global developed markets recovered 7.4% during the period. Emerging market equities also saw strong gains, ending the period 6.5% higher, driven by a sharp recovery in Chinese equities. Domestically, Australian shares also generated positive returns, with mining and banking sectors boosting overall performance. Similarly, listed real assets performed in line with broader equities as interest rate hikes from central banks began to show some signs of slowing, encouraging positive sentiment.

Asset allocation decisions as a whole did limit relative performance versus benchmark over the period, as small overweights to cash at the expense listed equity markets impacted relative performance as equity markets recovered early in the quarter.

As we move into 2023, the impacts of higher inflation and interest rates, as well as geopolitical concerns, remain a constant threat. However, with expectations of a recession largely priced into global markets and signals of inflationary and interest rate pressures beginning to level out, we remain cautiously optimistic on a 12-24 month basis. We believe maintaining an active, well-diversified asset exposure, in addition to remaining focused on the longer-term, should aid portfolio returns.

Market Review

The December quarter saw continued choppy conditions across many markets, similar to that experienced throughout the rest of 2022. While driven by familiar themes, broader market sentiment was pulled in contrary directions, perhaps due to differing timeframes of investor outlooks, as shorter-term traders unsurprisingly continued to focus on inflation prints and the pathway of rate rises, medium-term considerations tended to centre around the growing likelihood of recession, while many longer-term investors looked beyond impending recessionary conditions to what opportunities a post-downturn recovery in economic growth, along with potentially lower inflation, may bring. Around the globe, central bankers' comments remained generally hawkish, even towards the end of the quarter, despite a clear slowing in the pace of hikes. Amid all this, continued geopolitical and diplomatic developments added complexity to the broader global outlook, with Russia's war on Ukraine and Chinese government policy both remaining in the spotlight. In the meantime, the US unveiled its next generation stealth bomber, the B21, arguably adding significant weight to NATO's strategic and tactical deterrence. Elsewhere, long-standing political tensions continued to simmer between Greece and Turkey. Finally, China suddenly began its exit from its draconian 'COVID-zero' policy, injecting a shot of optimism into the global outlook, particularly in Asian emerging markets.

Availability

Product Name	APIR
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