Growth Index

Quarterly Investment Option Update

31 December 2018

Aim and Strategy

To provide moderate to high returns predominantly from capital growth by investing across the main asset classes, but with a substantially higher exposure to growth assets. Exposure to individual asset classes will be attained through the use of index-focused investment managers.

Investment Option Performance

To view the latest investment performances please visit www.amp.com.au

Investment Option Overview

Investment category	Multi–Sector
Suggested investment timeframe	6 – 9 years
Relative risk rating	High
Investment style	Index

Asset Allocation	Ranges (%)
Global shares	25-50
Australian shares	25-50
Listed property & infrastructure	0-15
Growth alternatives	0-20
Global fixed interest securities	0-15
Australian fixed interest securities	0-15
Cash	0-15

Actual Allocations	(%)
Global shares	37.50
Australian shares	33.72
Listed property & infrastructure	8.06
Growth alternatives	7.26
Global fixed interest	3.22
Australian fixed interest	3.23
Cash	2.93
Others	4.08

Market Commentary

The fourth quarter was characterised by global economic and geo-political uncertainty. As we headed into the tail-end of the year, volatility continued unabated in global equity markets, with expectations of concrete post-G20 agreements remaining unresolved. Initial signs were positive, following the US-China tariff-truce; however soon after markets attempted to assimilate the implications of the arrest of Huawei Technologies CFO, Meng Wanzhou, on sanctions-busting charges and the possible impact on trade negotiations. In the continuing environment of uncertainty the market searched for additional narratives; including the possibility of a flattening yield-curve foreshadowing a recession. Against this canvas, equity markets pulled back. Further falls in equity markets remain possible and it is too early to call the extent of the general equity market correction.

In the US, elevated valuations, concerns over the impact of the trade war and tariffs, rising bond yields and uncertainty over the effect and pace of easing monetary policy all conspired to impact US equities and raise volatility. Falls were initially led by technology stocks, which later fed through to the broader market, both domestically and internationally, augmented by fears of a global slowdown. Towards the end of December, US stocks experienced particularly wild negative and positive swings, which saw further contagion in international markets.

Overall US data has been mixed with weaker momentum. In December, there was a consensus miss for non-farm payrolls, with 158,000 new jobs created against a projection of 198,000. General US job openings remain robust however, although small-business confidence has fallen, albeit from a high level.

In December, as anticipated, the US Federal Reserve (Fed) increased its interest rate range by 0.25% to 2.25-2.50%. However, the Fed also indicated interest rates are at the lower bounds of neutral rate estimates, suggesting either a slow down or pause to rises in 2019. In the US mid-terms, the Democrats won the required 218 seats to secure control of the House of Representatives.

In Asia, Japanese economic conditions remained broadly supportive given the impact from the earthquake and typhoon, despite a further downward revision to the previous quarter's GDP growth. Several business surveys remain buoyant, including the Tankan Survey of business conditions. In China, the government implemented further stimulatory policies; including a further raft of tax cuts and the People's Bank of China reduced bank reserve ratios in an attempt to mitigate the impact of the developing US-China trade war. India's composite business conditions PMI rose to its highest level in two years.

Europe continues to be a maelstrom of political discord.

In Germany, the Bavarian electorate rebelled against the Grand Coalition in regional elections, delivering a significantly reduced majority, with defectors mainly split between the Alternative for Germany and the Greens. Immigration policy remains a key issue. With a collapse in the Christian Democratic Union voter base, German Chancellor Angela Merkel called time on her tenure, saying she will not run again in 2021. Her position in the party has been taken by Annegret Kramp-Karrenbauer; although Merkel will retain her position as Chancellor for the time being. In France, public perception of the government being elitist together with slated increases in petrol taxes, resulted in demonstrations and violent clashes with police associated with the 'yellow-vests' movement. This led to an eventual climb-down by the government, which cancelled the propose tax hikes. In Italy, the government held the line on its budget plans, resulting in a compromise Italian-European Union agreement.

The European Council signed-off on the preliminary terms of the Brexit deal from a mutual UK government and European perspective. However, any deal will need to be ratified by the UK House of Commons which is far from being assured, with criticism emanating from all political corners. The risk of a no Brexit deal remains elevated.

The European Central Bank (ECB) remains accommodative, although it will cease its quantitative easing programme this month. However, it is quite likely they will announce a new round of long-term refinancing options (LTROs) to assist Italian banks in particular. The ECB is likely to keep references rates on hold through summer 2019, with a commitment to continue reinvesting maturing bonds for an extended period.

In emerging markets, the International Monetary Fund (IMF) has raised the risks of capital outflows as US interest rates rise. The continuing strong US dollar continues to impart stress, particularly for emerging markets funding requirements. In Brazil, Jair Bolsonaro swept to power on a right-of-centre, economic liberalist and fiscal-constraint platform amid widespread dissent from the populace on corruption and general economic decay. The spectre of social unrest in Brazil remains just below the surface and there will be an imperative to enact fiscal reforms swiftly to prevent a return to recession or unmanageable inflationary pressures.

The oil price remains under pressure as OPEC struggles to agree output targets.

Availability

Product name	APIR
SignatureSuper - Allocated Pension	AMP1558AU
AMP Flexible Lifetime Super	AMP1522AU
CustomSuper	AMP1522AU
Flexible Lifetime - Allocated Pension	AMP1534AU
SignatureSuper	AMP1546AU
SignatureSuper Select	AMP1546AU

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