AMP Moderate Growth

Quarterly Investment Option Update

30 June 2019

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

Investment Option Overview

Investment category	Multi-Sector
Suggested minimum investment timeframe	3 - 5 years
Relative risk rating	Medium
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	7.5
Growth Alternatives	3.5
Listed Property and Infrastructure	3
Defensive Alternatives	2

Actual Allocation	%
International Shares	24.03
Australian Shares	17.20
Listed Property and Infrastructure	3.16
Unlisted Property and Infrastructure	6.06
Growth Alternatives	2.47
International Fixed Interest	11.38
Australian Fixed Interest	16.69
Defensive Alternatives	3.84
Others	2.87
Cash	12.30

Fund Performance

The option delivered a strong return over the June quarter, and over the 2018-19 financial year, as most asset classes continued to rebound from their December lows.

Developed market shares rose 3.5% over the June quarter (in local currency terms), boosted by the increasing likelihood of monetary policy easing by central banks to combat slowing global growth (in local currency terms). Australian shares outperformed most major share markets and returned 7.8% over the quarter, helped by the re-election of the Coalition Government and a reduction in the official interest rate by the Reserve Bank of Australia.

In what may seem counterintuitive, safe-haven assets such as bonds and other fixed income holdings rallied alongside shares, supported by expectations of further monetary policy easing. Alternatives, property and infrastructure assets rose, but by less than listed markets.

While the returns experienced over the first half of 2019 have been impressive, they are likely to moderate in the next half of the year. Most of the strength year-to-date has been driven by an expectation that easing monetary policy and fiscal stimulus will prolong the already historic length of this market cycle and support economic growth. To see meaningful upside from here, there needs to be signs that global growth is reaccelerating and geopolitical risks, like the US-China trade dispute, are resolving. A more likely scenario is that markets will trade sideways until the outlook for global growth becomes clear. We hold a broadly neutral exposure to shares, having increased our allocation to Australian shares as easing monetary policy should be supportive. We have also increased our exposure to alternatives to improve diversification away from shares. With interest rates at these levels, we expect low returns from bonds, however they remain an important source of diversification.

Market Review

Global equities remained resilient during the quarter, despite the International Monetary Fund downgrading global growth forecasts. However, the risks around growth and the strong gains in shares this year have increased the probability of a correction. Central banks are retaining their bias towards accommodative measures as visibility on growth fades.

Despite the rise in equity values, there has been some flight-to-safety as trade war and geo-political risks increase, and this has seen bond yields fall, resulting in a positive correlation between bond and equity prices.

Despite the ongoing global trade tensions, hopes remain that a practical and sustainable resolution to the US-China dispute will be reached. However, market optimism is fragile and there remain significant risks. The US's approach appears to be widening in scope if anything, with its removal of India's preferential trade status and associated implementation of tariffs. In addition, the potential for armed conflict between the US and Iran has heightened the geo-political risk environment. There were thus great expectations for positive communications and outcomes for world trade at the G20 meeting in Japan at the tail-end of the quarter, particularly from sideline talks between country heads.

Availability

Product Name	APIR
AMP Flexible Lifetime Super	AMP0170AU
AMP Flexible Super - Super account	AMP1457AU
CustomSuper	AMP0170AU
SignatureSuper	AMP0778AU*

*Closed to new investors

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