AMP High Growth

Quarterly Investment Option Update

31 March 2022

Aim and Strategy

To provide high returns over the medium to long term through a diversified portfolio investing mostly in shares with some property, fixed interest and alternative assets.

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	6 to 9 years
Relative risk rating	High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
Global shares	41
Australian shares	32
Listed property and infrastructure	6
Unlisted property and infrastructure	6
Growth alternatives	5
Australian fixed interest	4
Global fixed interest	4
Cash	1
Defensive alternatives	1

Actual Allocation	%
International Shares	39.91
Australian Shares	32.88
Listed Property and Infrastructure	6.23
Unlisted Property and Infrastructure	6.07
Growth Alternatives	4.30
International Fixed Interest	3.81
Australian Fixed Interest	3.77
Defensive Alternatives	1.59
Cash	1.43

Fund Performance

The Option endured a highly volatile start to 2022, generating a negative return in the March quarter. Concerns over the Russian invasion of Ukraine, higher commodity prices and a potential acceleration in interest rate hikes to combat inflation weighed on both equity and bond markets. Overall, the Option slightly outperformed the neutral benchmark as positions in Australian equities and unlisted real assets helped mitigate the impact of broad market drawdowns. Despite near-term volatility, longer term performance remains in line with expectations over most key time horizons.

With Russia a major energy and commodity producer, the conflict in the Ukraine pushed prices to extreme levels, exacerbating an already stretched global supply chain and surging inflationary environment. Global developed equity markets reacted negatively to this over the quarter, finishing -4.8% lower. Emerging market equities also struggled as concerns emanating from China amid a surge of Omicron cases compounded broader geopolitical concerns. Australian equities recovered towards quarter end to finish up 2.2% as higher commodity prices and a sound economic backdrop boosted returns. Listed real assets were mixed, with infrastructure outperforming property given the correlation to commodity and oil prices. Within the Option, Australian equity and international share exposures performed broadly in line with markets with the overweight position to Australian equities also proving a strong contributor to overall performance. Exposures to inflationary driven sectors such as listed infrastructure also added value in this environment

In fixed income markets, government bonds and investment grade credit struggled as central banks became more hawkish, increasing cash rates in an attempt to manage persistent inflationary pressures. Underlying fixed income manager performance was weaker, as both domestic positions and international allocations drifted lower against benchmark. This was partially offset by small underweight allocations to the sectors – minimising negative returns on overall Option performance. Unlisted assets, particularly private equity, remained relatively stable amid market volatility, generating a positive return over the quarter. Absolute returns strategies were more mixed, as volatility and rate movements presented a challenging environment for some underlying managers.

Looking ahead, markets are likely to see continued volatility as the Ukraine crisis, inflation, monetary tightening and COVID-19 all remain significant risks. Despite the potential for short-term fluctuations, economic growth and profit margins remain relatively healthy. Given this, we remain cautiously optimistic for equity markets on a selective basis. Bond exposures, however, are likely to see continued pressure as yields move higher. In this environment, we continue to maintain an active, well-diversified asset exposure. We believe members should remain resilient and retain a focus on the long-term outcomes of the Fund and avoid being dictated by short-term corrections, particularly given likelihood of volatility over the coming 6-12 months

Market Review

The beginning of the March quarter saw growth asset markets globally experience significant falls and volatility, as concerns increased around prevailing high inflation rates and the path towards the normalisation of interest rates. Despite a raft of concerns, sentiment generally improved in many growth markets towards the end of the quarter. Inflation increased further to 7.9% in February in the US and remains significantly elevated in most major economies like the UK and Canada. With no sign of a reprise in rising costs of living, the US Federal Reserve (Fed) finally raised rates in March by 0.25%, whilst also signalling it would likely raise them six more times this year. The US yield curve also became inverted (as measured by a narrowing gap between 10-year bond yields and 2-year bond yields), raising further recessionary fears.

By mid-February, investor sentiment shifted its focus towards Eastern Europe following Russia's invasion of Ukraine, which continued through the period. Economic sanctions were placed on Russia by nations around the globe. In a surprise counter to the sanctions, President Putin subsequently announced that Russia would seek payment from "unfriendly countries" for its oil and gas in Russian rubles, a significant move given a partial dependence on Russian energy supply from many European nations, including Germany, France, the Netherlands, Italy, Hungary, and Poland.

Availability

Product Name	APIR
SignatureSuper	AMP0774AU*

*Closed to new investors

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