AMP MySuper 1970s

Quarterly Investment Option Update

31 December 2023

Aim and Strategy

The strategy aims to achieve a rate of return of 3.5% pa above the inflation rate (measured by the Consumer Price Index), after fees and superannuation tax, over a 10-year timeframe. Returns from both capital growth and income are provided through a diversified portfolio.

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	10 years
Standard Risk Measure	6/High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
Australian shares	34
Global Shares	40
Property	7
Infrastructure	7
Alternatives	2
Fixed Income	6
Cash	4

Actual Allocation	%
Global Shares	39.88
Australian Shares	34.68
Property	7.34
Infrastructure	7.07
Fixed Income	4.11
Alternatives	3.20
Cash	3.72

Fund Performance

As was the theme for most of the year, 2023 ended on a positive note with both share and bond markets generating strong returns as inflation fell and markets anticipated lower interest rates. This translated well for both the Q4 and 1-year return of the 1970s Option, which generated a double digit return for the year.

Both domestic and international share exposures proved to be the key driver of returns, as the market rallied on positive sentiment after the Fed reflected on inflation slowing faster than anticipated and stronger than expected economic growth following continued resilience in the global economy. Active stock selection across equity allocations was mixed, resulting in underperformance relative to respective benchmarks. Bond and credit market allocations mirrored equities' movements as interest rates shifted lower, boosting returns. Unlisted real asset and alternatives exposures, such as hedge funds and private equity, were somewhat constrained over the quarter amid weaker valuations.

The Option outperformed its CPI objective over the quarter and is ahead over 1-year following strong gains in share markets and inflation levels tapering off. Over the long-term, whilst relative performance has improved, it remains mixed following volatile markets and above-normal inflationary conditions in recent years.

Looking ahead, we anticipate 2024 to be a broadly positive year for markets, helped by peaking and eventually falling interest rates - but it is not without risks. The timing of interest rate cuts remains uncertain as central banks continue to monitor the economy and inflation, with a considerable risk to markets that rate cuts may come later than expected. Recessionary risks also remain, given tighter lending standards and stalling consumer spending globally. In this environment, we remain highly diversified across asset classes and strategies, and have shifted to a broadly neutral position across most asset classes, limiting active risk across the portfolio.

Market Review

The December quarter began with falling financial markets on the back of continued difficult economic conditions. News-flow then promptly gave way to geopolitics, as Israel suffered a mass-scale terrorist attack at the hands of Gaza-based terrorist group, Hamas. Unsurprisingly, this resulted in a swift declaration of war on Hamas, which has sadly led to significant further bloodshed of innocent civilians in and around the Gaza strip. Implications for the global economy were generally not significant over the remainder of the quarter, although threats of further escalation saw a notably increased naval presence to the Mediterranean.

Mid-quarter saw sentiment turn strongly positive, with stocks surging higher and bond yields falling significantly as global inflation resumed its downtrend, economic growth remained positive, and US economic productivity showed significant improvement. Accordingly, most central banks remained on pause with rate-rises. There were also positive developments on the geopolitical front, with US and Chinese Presidents Biden and Xi meeting face to face in California, signalling a will to improve dialogue between the nations.

Markets rallied further throughout December across most regions and asset classes, as falling inflation, particularly in Europe and the US, led to increased expectations of rate cuts in 2024 and the "higher for longer" prognosis beginning to unwind.

Availability

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