

AMP Capital Dynamic Markets

Quarterly Investment Option Update

30 September 2019

Aim and Strategy

To provide a total return (income and capital growth) before costs and before tax above the benchmark (being the Reserve Bank of Australia inflation rate (Consumer Price Index) - trimmed mean plus 4.5% per annum), on a rolling 5 year basis, by investing in a portfolio that is diversified across asset classes. The aim is to maintain a portfolio that is relevant to market conditions, and which more closely matches the needs of the investor. The portfolio is actively managed in terms of asset allocation and currency hedging, with the flexibility to change the asset class mix and currency hedging level at any time within broad ranges. This allows AMP Capital to move the asset allocation mix across a range of asset classes in order to take advantage of opportunities arising from market mispricing. The portfolio provides investors with diversification by investing across a range of traditional asset classes such as shares, listed property, commodities, fixed income, credit and cash. The underlying asset class exposures are achieved by investing in passively managed investments such as index funds, exchange traded funds (ETFs) and derivatives.

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	5 years
Relative risk rating	Medium to High
Investment style	Active
Manager style	Single

Asset Allocation	Benchmark (%)
Australian Fixed Interest	N/A
Australian Shares	N/A
Cash	N/A
Growth Alternatives	N/A
International Fixed Interest	N/A
International shares	N/A
Listed Property and Infrastructure	N/A

Actual Allocation	%
Cash	34.06
International shares (dev) (A\$ hedged)	30.23
Global Sovereign bonds (A\$ hedged)	16.34
Australian Sovereign bonds	8.96
Emerging market shares (A\$ hedged)	5.58
Australian shares	2.70
Commodities (A\$ hedged)	2.49

Fund Performance

The Fund was slightly negative in September, though the calendar year-to-date (YTD) return is above 4%. The portfolio maintained a cautious stance throughout September, following another bout of trade-driven volatility in August. We reduced our holdings in US Treasuries and gold around the middle of the month, crystallising some strong YTD gains, despite impacting negatively on the month's result.

We believe uncertainties on multiple fronts are a cause for concern, but are also a cause for great optimism from a market perspective. Many thematics, particularly US-China trade and Brexit, are arguably long in the tooth and nearing a point of either resolution (or non-resolution), which should provide greater certainty.

Looking at potential risks, there is a chance of current manufacturing-weakness and trade uncertainty filtering into the broader services sector. Employment however still looks reasonable, though a deterioration would increase recessionary risks; though we believe markets have already priced some of this in. Central banks have called for fiscal support to takeover due to waning monetary policy ammunition, which could present opportunity.

In managing the Fund, we continue to take a nimble approach. We have recently added some positions in US consumer staples, given weakness in the US economy is often accompanied by relative outperformance in the consumer staples sector against the broader market. We have also added equities-exposures to China & Singapore (rather than Hong Kong, due to economic and markets impact from the ongoing protests).

Taking direction from our Dynamic Asset Allocation (DAA) process, we believe the value-case for emerging markets is growing and have hence starting to build positions, with the goal of increasing future returns. To offset some of the related risk, we have taken out some hedging positions in the US and Europe.

Market Review

Increasing predispositions by global central banks to become ever more accommodative during the September quarter have kept the bias on interest rates downwards, making equities relatively attractive and increasing the correlation between equities and bonds. However, the International Monetary Fund revised down its projection for global growth further during the period.

For the US-China trade dispute, which saw further escalation during the period, trust will need to be re-established between both parties at face-to-face meetings before any serious progress can be made. Until then, there is the potential for volatility to ramp-up substantially.

As was widely factored into the market, the US Federal Reserve (Fed) cut the Federal Funds Rate range by 25 basis points to 2.0-2.25% on 31 July; the first cut since the Global Financial Crisis, followed by a further cut of 25 basis points on 18 September to take the rate range to 1.75-2.0%.

In the US economy, the trade deficit continued to widen. However, as a whole, US economic data was generally benign, and the US stock market reached a record high during the quarter. There has been strong consumer-related and business data; however, jobs growth has been somewhat sluggish, and the ISM manufacturing conditions index remains subdued. Recent retail sales have risen more than expected and small business confidence remains strong, although latest labour market indicators have been more mixed.

Availability

Product Name	APIR
AMP Flexible Lifetime Super	AMP1935AU*
AMP Flexible Super - Retirement account	AMP1986AU
AMP Flexible Super - Super account	AMP1937AU
CustomSuper	AMP1935AU*
Flexible Lifetime - Allocated Pension	AMP1988AU*
SignatureSuper	AMP9041AU
SignatureSuper - Allocated Pension	AMP9042AU

*Closed to new investors

Contact Details

Web: www.amp.com.au

Email: askamp@amp.com.au

Phone: 131 267



What you need to know

This publication has been prepared by AMP Life Limited ABN 84 079 300 379, AFSL No. 233671 (AMP Life). The information contained in this publication has been derived from sources believed to be accurate and reliable as at the date of this document. Information provided in this investment option update are views of the underlying Investment Manager only and not necessarily the views of the AMP Group. No representation is given in relation to the accuracy or completeness of any statement contained in it. Whilst care has been taken in the preparation of this publication, to the extent permitted by law, no liability is accepted for any loss or damage as a result of reliance on this information. AMP Life is part of the AMP Group. In providing the general advice, AMP Life and AMP Group receives fees and charges and their employees and directors receive salaries, bonuses and other benefits.

The information in this document is of a general nature only and does not take into account your financial situation, objectives and needs. Before you make any investment decision based on the information contained in this document you should consider how it applies to your personal objectives, financial situation and needs, or speak to a financial planner.

The investment option referred to in this publication is available through products issued by AMP Superannuation Limited ABN 31 008 414 104, AFSL No. 233060 (ASL), AMP Capital Funds Management Limited ABN 15 159 557 724, AFSL 426455 (AMPCFM), ipac asset management limited ABN 22 003 257 225, AFSL 234655 (ipac) and/or AMP Life. Before deciding to invest or make a decision about the investment options, you should read the current Product Disclosure Statement for the relevant product, available from the issuer or your financial planner.

Any references to the "Fund", strategies, asset allocations or exposures are references to the underlying managed fund that the investment option either directly or indirectly invests in (AMP Capital Dynamic Markets). The investment option's aim and strategy mirrors the objective and investment approach of the underlying fund. An investment in the investment option is not a direct investment in the underlying fund.

No other company in the AMP Group nor underlying fund manager guarantees the repayment of capital or the performance of any product or particular rate of return referred to in this document. Past performance is not a reliable indicator of future performance.