

AMP Dynamic Balanced

Quarterly Investment Option Update

30 September 2019

Aim and Strategy

The investment objective of the portfolio is to outperform the median of the Chant West growth fund survey over the investment horizon of the fund (7 years). The portfolio aims to provide the investor with a cost-effective investment across the main asset classes with higher exposure to growth assets. Exposure to these will be attained predominantly through the use of index-focussed investment managers. A portion of the portfolio (30%) also runs a dynamic asset allocation investment approach which aims to achieve growth by adopting a flexible approach to asset allocation. This portion of the portfolio will have exposure to assets such as shares, listed property, commodities, fixed income, credit and cash through derivatives, exchange traded funds or index funds.

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 | 7 years |
| Relative risk rating | Medium to High |
| Investment style | Active |
| Manager style | Multi-manager |

| 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 | % |
| International Shares | 30.75 |
| Australian Shares | 19.85 |
| Cash | 15.36 |
| International Fixed Interest | 9.86 |
| Australian Fixed Interest | 9.06 |
| Listed Real Assets | 8.76 |
| Alternative Assets | 6.45 |

Fund Performance

The Fund delivered a solid return in September quarter, continuing the Fund's positive run in 2019. There were various contributions to the Fund's positive return over the period. These included developed-market equities, emerging-market bonds and government bonds. Gold, in particular, which was a core high conviction position within the Dynamic Markets Fund portion of the portfolio had a significant breakout reaching its highest level in six years. This was driven by dovish central banks, which saw negative yielding sovereign debt continue to rise. Sovereign debt however remains an effective safe-haven from continued geopolitical tension and trade war headlines.

In the current environment, it's important for the Dynamic Markets Fund component of the portfolio to stay nimble and utilise the Fund's flexibility, especially during these periods of low volatility, which can lead to investor complacency and leave the market vulnerable to sharp sell-offs. Whilst there is yet to be a deal struck, improvements in the prospect for an initial trade deal between the US and China help boost markets. Interest rate cuts in Australia and the USA in combination with the restart of QE in Europe and short-term cash market support from the US Federal Reserve also helped push markets higher. The main headwind for markets over the quarter continued to be slowing economic activity across the global.

The Dynamic Markets Fund portion of the fund ended the period taking a more cautious stance, after taking some profits on positions in September. Coming into year end the dynamic positioning of the fund remains nimble and ready to take advantage of more volatile trading conditions.

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 Super - Retirement account | AMP2057AU |
| AMP Flexible Super - Super account | AMP2058AU |

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