



# AMP Capital Dynamic Markets (Series 2)

Quarterly Investment Option Update

31 December 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](http://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	%
International shares (dev) (A\$ hedged)	37.47
Cash	31.57
Commodities (A\$ hedged)	14.36
Australian shares	5.70
Australian Sovereign bonds	5.00
Emerging market shares (A\$ hedged)	3.40
FX Overlay	1.39
Global Sovereign bonds (A\$ hedged)	1.11

## Fund Performance

The Fund produced another solid return in December and year-to-date has comfortably outperformed its CPI+4.5% objective. Sources of the month's return were broad based, with positive contributions coming from all asset classes. The strongest gains came from emerging-market equities and commodities, specifically copper and oil. A short US dollar and Japanese Yen exposure (both against the Australian dollar and British pound) also aided the return.

Three major geopolitical issues took large steps forward in December, namely, an in-principle agreement on a phase one deal between US and China; US Congressional approval of the US, Mexico and Canada (USMCA) trade deal and Brexit, by way of an emphatic victory for the Conservative party in the UK general election.

In this improving global environment, our indicators continued to support meaningful allocations to emerging-market equities, commodities, short US dollar positioning and, importantly, a short bond exposure, which enabled the Fund to deliver an outsized return in both absolute and relative terms versus many traditional diversified funds. (Many traditional diversified funds are required to be constantly long on bonds, which this month would have generally resulted in a negative contribution.)

## Market Review

The start of the quarter saw initial concerns of the risk of a recession. However, as the quarter progressed, US economic data was generally positive overall. Market sentiment further improved following the conclusion of the US-China trade disputes. US gross domestic product grew at an annualised rate of 1.9% in the third quarter. In October, the Federal Funds Rate was reduced by 25 basis points to 1.50-1.75%. Meanwhile President Trump's impeachment had little impact on financial markets.

In Europe, business conditions were flat in December but remain up from their low adding to confidence that Eurozone growth may be improving. During the quarter, the European Central Bank made no changes to interest rates. Meanwhile, in December the Swedish central bank raised rates from -0.25% to zero, ending roughly five years of negative rates.

In the UK, the Conservative party won the general election and will seek to prevent an extension of the Brexit transition period beyond the end of 2020. During the quarter, the Bank of England left rates on hold.

In Asia, Japan's gross domestic product growth for the September quarter was revised upward. The government announced fiscal stimulus plans in December whilst the Bank of Japan left monetary policy on hold. In China, industrial production and retail sales were stronger-than-expected in November suggesting positive signs for growth. China's central bank lowered its one-year loan prime rate in November by five basis points to 4.15%.



## Availability

Product Name	APIR
AMP Flexible Lifetime Super	AMP2054AU
CustomSuper	AMP2054AU
Flexible Lifetime - Allocated Pension	AMP2056AU

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