AMP Lifecycle Active 1960s

Quarterly Investment Option Update

31 December 2019

Aim and Strategy

Aims to achieve a rate of return of 2.5% above the Consumer Price Index, after fees and superannuation tax, over the suggested investment timeframe. This investment option gives you an investment solution that takes you all the way through your superannuation savings journey. This approach, known as lifecycle investing, delivers an investment strategy that continuously evolves to align with the changing stages of an investor's life. It takes the hard work out of deciding how to invest your savings by providing the simplicity of a single investment choice. This investment option is an age-based investment, meaning that the strategy of this investment option will change progressively over an investor's lifetime to meet the objective of the average investor born during the 1960s. For investors approaching retirement, investments will focus more on preserving the capital built up and reducing risk. International investments may be partially or fully hedged back to Australian dollars. Subject to certain conditions, the underlying investments may use derivatives (such as options, futures, forwards and swaps) and engage in short selling.

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

Asset Allocation	**Benchmark (%)**
International shares	23
Australian Shares	19
Australian Fixed Interest	14
International Fixed Interest	12
Unlisted Property and Infrastructure	8
Growth Alternatives	8
Cash	8
Defensive Alternatives	5
Listed Property and Infrastructure	3

Actual Allocation	**%**
International Shares	26.15
Australian Shares	18.06
Listed Property and Infrastructure	3.91
Unlisted Property and Infrastructure	6.86
Growth Alternatives	6.95
International Fixed Interest	13.26
Australian Fixed Interest	12.50
Defensive Alternatives	4.16
Cash	8.15

Fund Performance

The Fund delivered 1.8% for the December quarter capping a stellar 2019 for markets with members experiencing the strongest calendar year to date returns since the inception of the Fund. The performance of equity allocations contributed sizeably over the year and was the key driver of returns in the final quarter. Since inception, the Fund has continued to perform well for members and is ahead of the CPI+ target across all key time horizons.

The final quarter saw growth assets outpace defensive investments as market sentiment was buoyed by a flurry of positive developments and the continuation of low interest rates. Supportive global economic data releases, strong US corporate earnings, the announcement of a "phase one" US/China trade deal and the UK election result provided a strong environment for risk assets. Developed and emerging market equities rallied 7.7% and 9.5% respectively (in local currency terms). Australian equities ended the period slightly higher but underperformed their global counterparts due to a lack of positive domestic news and a strengthening Australian dollar, returning 0.7%. The low interest rate environment also aided sectors such as direct property and infrastructure, generating modest returns. The shift to growth assets saw defensive assets such as bonds end the quarter down, giving up some gains generated over the year.

Looking ahead, we remain cautiously optimistic for the start of 2020. With easy monetary conditions and global growth stabilising, equity market returns should see reasonable returns but are likely to be more modest than 2019. Higher valuations and continued geopolitical risks such as Iran, US/China trade and Brexit will provide some volatility. The risk of recession however remains unlikely in the near term. Given this, we are slightly overweight growth assets, such as equities. Within our equity sleeve we favour global shares over Australian shares given global expansionary policies and sub-par domestic economic and profit growth. The Fund continues to maintain a broad exposure to defensive and unlisted assets to help manage risk and to smooth returns in periods of significant equity market volatility.

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 Super - Super account	AMP2062AU

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INSIGHTS
IDEAS
RESULTS

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