AMP Capital Dynamic Markets (Series 2)

Quarterly Investment Option Update

31 March 2020

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	%
International shares (dev) (A$ hedged)	42.25
Australian shares	25.19
Cash	14.07
Australian Sovereign bonds	10.17
Global Sovereign bonds (A$ hedged)	4.58
Emerging market shares (A$ hedged)	4.20
Global credit (high yield) (A$ hedged)	3.74

Fund Performance

The Fund was negative in March as markets sold-off aggressively due to panic and fear around the economic impact of the COVID-19 crisis. A rapid rise in infections and deaths, particularly in economically-vulnerable Italy early in the month, saw Europe become the epicentre of the COVID-19 pandemic. The US started reporting a sharp uptick in cases soon after. Botched testing kits and a sense of complacency coming from key public figures in the US added to concerns that the US would struggle to contain the virus. Fears for the global economy triggered a panic that had shades of the 1987 Black Monday crash, the GFC and The Great Depression all rolled into one.

With such extreme economic damage already priced in, and our process signalling such extreme oversold and pessimistic conditions, we began to wonder if due attention was being paid to the level of fiscal and monetary policy stimulus that could arrive. Billions had been touted, along with the promise of trillions more, as countries announced support and stimulus measures worth 1, then 2, then 10 per cent of GDP at a time

After a period of intense sell-offs in early-mid March, we took some profits on some of the hedges we recently implemented (short futures positions in NASDAQ and ASX200, in addition to a short oil futures position, locking in gains after oil collapsed over 30% in a single day.) This was perhaps a little early, though as markets continued to fall, we became increasingly confident in "staying invested" within the portfolio, as negative sentiment had clearly gone beyond rational levels.

At the time of writing (mid-April), several major equity indices have now rallied more than 20% from their March lows.

Market Review

The first quarter of 2020 began with the renewed conflicts between the US and Iran and the US-China trade tensions which were later resolved and share markets were encouraged by initial signs the global economy was improving. However, as March approached, the global surge in COVID-19 cases outside of China led to a pandemic. At the end of the quarter, despite the continued rise in new COVID-19 cases (especially in the US and Italy) and signs of a slowdown in global economic activity, share markets had a strong rebound in response to further announcements of unprecedented stimulus measures by governments and central banks.

The Federal Reserve reduced interest rates by a further 100 basis points to 0.00%–0.25% and commenced its quantitative easing. The US government announced the largest fiscal package, worth $US2 trillion. The Bank of Canada lowered its overnight rate target to 0.75% and launched a credit facility program.

In Europe, the UK officially left the European Union on 31 January. The European Central Bank launched a new Pandemic Emergency Purchase Programme, worth €750 billion. The Bank of England lowered its Bank Rate further and launched a new substantial quantitative easing program whilst the UK government announced it credit guarantees.

In Asia, China's central bank announced a reduction in reserve ratios for banks. The Bank of Japan provided a significant liquidity injection and expanded its quantitative easing program.

Availability

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

Contact Details

Web: **www.amp.com.au**
Email: askamp@amp.com.au
Phone: 131 267

INSIGHTS
IDEAS
RESULTS

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