

AMP Monthly Income Fund No. 2

Quarterly Investment Option Update

31 March 2020

Aim and Strategy

To provide for a distribution rate of 0.75% per month and to achieve an underlying balance of capital growth and income over the medium to long term, primarily through a diversified portfolio of shares, property, fixed interest and cash.

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 | 3 - 5 years |
| Relative risk rating | High |
| Investment style | Active |
| Manager style | Multi-manager |

| Asset Allocation | Benchmark (%) |
|------------------------------------|----------------------|
| Australian Shares | 44 |
| Australian Fixed Interest | 34 |
| Cash | 13 |
| International shares | 6 |
| Listed Property and Infrastructure | 3 |

| Actual Allocation | % |
|------------------------------------|----------|
| International Shares | 6.89 |
| Australian Shares | 37.37 |
| Listed Property and Infrastructure | 3.02 |
| Australian Fixed Interest | 40.51 |
| Cash | 12.20 |

Fund Performance

The Monthly Income Fund No. 2 delivered a negative return over the first quarter of 2020, as the world economy was brought to a standstill by the COVID-19 pandemic. Despite diversification and sizeable allocations to defensive assets lessening the impact, the swiftness and severity of share market falls all but erased returns generated in 2019.

The start of the year saw concerns shift from trade and geo-politics, to COVID-19 and its effect on the global economy. As the number of countries impacted increased exponentially, the disease evolved from a primarily China-centric issue to a catalyst for global recession. Defensive assets, such as government bonds and cash, benefitted in this environment as investors rotated to safety. Growth assets experienced extreme volatility and tight liquidity conditions. Despite record fiscal stimulus packages by global governments and further rate cuts and quantitative easing by central banks which drove a relief rally in late March, developed market shares and Australian shares fell 20% and 23% respectively (in local currencies terms). Listed property also fell due to concerns about the spread of COVID-19 and the economic impact of the extensive containment measures rolled out.

The Fund's allocations remain predisposed to income-generating assets, such as Australian shares and fixed income, with minor allocations in listed property as alternative sources of yield. With the severity and duration of the pandemic unclear, the outlook for 2020 is similarly veiled in uncertainty. Australian share exposures are likely to remain volatility. Sizeable allocations to Australian fixed income and cash should provide some protection and diversify returns in periods of share market volatility. It is important for investors to remember that these market shocks do not last forever, and they often create opportunities for those who remain focussed on the long term.

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 its 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 |
|--|------------|
| Flexible Lifetime - Investments (Series 1) | GIO0002AU* |
| Flexible Lifetime - Investments (Series 2) | AMP1443AU |

*Closed to new investors

Contact Details

Web: www.amp.com.au

Email: askamp@amp.com.au

Phone: 131 267



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