AMP Capital Dynamic Markets

Quarterly Investment Option Update

30 June 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)	29.86
Australian Sovereign bonds	19.86
Australian shares	19.63
Global credit (Inv grade) (A$ hedged)	8.24
Cash	6.10
Global credit (high yield) (A$ hedged)	5.38
Emerging market shares (A$ hedged)	4.82
Global REITs (A$ hedged)	3.26
Equity Volatility (A$ hedged)	1.70
Global Sovereign bonds (A$ hedged)	0.60
FX Overlay	0.54

Fund Performance

The Fund returned -0.55% over June, net of fees. It performed well in early June, but pared this gain over the month as fears of a second waved of COVID-19 impacted the market. This saw further flows into the already crowded US technology segment. We believe US equites are now looking increasingly expensive on a global basis.

An increasingly sentiment driven market is pushing some segments' prices further away from fundamentals. In this environment, our focus on cheaper valuations and fundamental value has impacted short-term performance and volatility. However, historically, such market conditions as we currently see, combined with an emotive bias, have indicated cycle extremes. This was the case in the popularity of banks prior to the GFC and in technology stocks prior to the popping of the tech bubble.

For the month, key positive contributors included European equities, dividend futures, and Australian equities; whilst main detractors included a short Australian dollar position following the rally, and a short position in the tech-heavy NASDAQ, as we seek to position away from more expensive sectors to better fundamental value.

We added exposure to Australian resources, as forward-looking economic data confirmed our expectations that a sharp rebound in economic activity is underway. We also increased exposure to emerging-market bonds and Latin American equities, supported by economic fundamentals.

Market Review

As expected, global markets were heavily impacted by COVID-19 government restrictions and the flow-on effects of lockdown. Equities were volatile as shifting sentiment created swings between a risk-on and risk-off bias. Despite this, there was a net sharp rally over the quarter in equity markets as some COVID-19 lockdown measures started to be unwound. This leaves equity markets open to the risk of a correction. COVID-19 impacts were aggravated by increasingly acrimonious relations between the US and China. In addition, there is the risk of further waves of COVID-19, especially in the more densely populated countries, and the potential for economies to fall back once working capital supplied by government policies peters out and companies review their strategies and demand. The World Bank, the Organisation for Economic Co-operation and Development, and the International Monetary Fund all indicate they expect the worst global recession since the Great Depression.

In the US, the Federal Reserve (Fed) significantly increased its COVID-19-related lending programmes. Fed Chairman Jerome Powell suggested the central bank will use its "full range of tools" and act "forcefully, proactively and aggressively until it is confident the economy is on the road to recovery". He also said the central bank still had plenty of options available, with the expectation that monthly bond purchases will increase.

Availability

Product Name	APIR
AMP Growth Bond	AMP2046AU

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