

Professional Balanced

Quarterly Investment Option Update

30 June 2020

Aim and Strategy

To provide moderate investment returns over the long term, with the likelihood of fluctuations in the value of the investment from year to year. The portfolio will primarily invest in a diversified mix of defensive and growth assets managed by professional asset managers identified and selected by ipac within each asset class.

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	Multi-manager

Asset Allocation	Benchmark (%)
International shares	30
Australian Shares	29
Australian and International Fixed Interest	20
Cash	7
Listed and Unlisted Property and Infrastructure	7
Growth Alternatives	4
Defensive Alternatives	3

Actual Allocation	%
International Shares	30.96
Australian Shares	30.14
Listed Property and Infrastructure	6.63
Growth Alternatives	5.83
International Fixed Interest	17.79
Defensive Alternatives	3.06
Cash	5.60

Fund Performance

Global shares surged back from their March lows over the June quarter, with the MSCI World ex Australia index finishing the period up by 18.5%. This came as virus-related market panic progressively dissipated and lockdowns began to be lifted. Death rates, while high, were also far below previous 'worst-case' scenario estimates. As businesses reopened, most governments maintained (and in some case even increased) their stimulus programmes on offer, leading to continued support for share prices. Various economic indicators also appeared to confirm a global economic recovery was indeed underway, reflected in sharp rises in business confidence and falling rates of unemployment. Contrary to the markets' bullish sentiment, the list of concerns on many investors' radars however only appeared to grow, with issues such as civil unrest in the US, the upcoming US election, Chinese tensions (with Hong Kong, the US, India and even Australia) and an apparently rising risk of a 'second wave' of COVID-19 infections (particularly in the US) leading to a growing sense of unease.

In line with broader global markets, Australian shares recorded an extremely strong June quarter, as stocks rebounded from their lows experienced at the height of the COVID-19 related market panic in late March. The market finished the quarter up by 16.5%, as measured by the S&P/ASX 200 index on a total return basis. The relative success of Australia's COVID-19 containment measures, which saw authorities begin lifting mandatory lockdowns, combined with unprecedented fiscal stimulus drove the market's surge.

Global government bond yields moved higher in early April despite the US Federal Reserve only slightly slowing its pace of US government bond purchases, which had capped upward pressure on yields over prior weeks. Yields subsequently traded sideways through most of May despite shifts in sentiment variously associated with the tentative easing of lockdown restrictions, economic stimulus measures and speculation regarding progress in the development of a COVID-19 treatment. Favourable US economic data provided renewed upward momentum in early June; however, yields subsequently reversed course as economic sentiment deteriorated amid fears of a 'second wave' of the pandemic.

Australian government bond yields moved higher over the first week of April as the Reserve Bank of Australia moderated the pace of its bond purchase program which had restrained earlier upward pressure on yields. Yields subsequently moved broadly sideways as favourable trends in domestic high-frequency economic data were counterbalanced by cautionary outlook comments from the US Federal Reserve, renewed trade tensions between the US and China and rising COVID-19 case numbers.

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 Flexible Super	AMP1969AU
AMP Flexible Super - Retirement	AMP1962AU
Flexible Lifetime - Allocated Pension	AMP1948AU
Flexible Lifetime - Investments (Series 2)	AMP1980AU
Flexible Lifetime - Super	AMP1955AU
Flexible Lifetime - Term Pension	AMP1948AU
SignatureSuper	AMP1730AU#

#Restricted. Please see your Product Disclosure Statement if this option is available to you.

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