

Professional Moderately Conservative

Quarterly Investment Option Update

30 June 2020

Aim and Strategy

To provide moderate long term investment returns, with limited 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	4 years
Relative risk rating	Medium to High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
Australian and International Fixed Interest	32
International shares	21
Australian Shares	20
Cash	15
Listed and Unlisted Property and Infrastructure	7
Defensive Alternatives	3
Growth Alternatives	2

Actual Allocation	%
International Shares	22.10
Australian Shares	20.27
Listed Property and Infrastructure	6.53
Growth Alternatives	3.56
International Fixed Interest	32.08
Defensive Alternatives	3.04
Cash	12.41

Fund Performance

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. The US 10-year bond yield ended the quarter one basis point lower at 0.66%. In contrast, the German and Japanese 10-year bond yields rose by one basis point to -0.46% and 0.02% respectively. Total returns for global bonds, as measured by the Bloomberg Barclays Global Aggregate Index Hedged, returned around 2.3% for the period in Australian dollar terms.

In credit markets meanwhile, global spreads tightened over the June quarter. This was initially prompted by the US Federal Reserve extending its bond buying program and subsequently reinforced by the market's ongoing expectation of further policy support measures on the part of central bankers, which outweighed the impact of renewed trade tensions between the US and China and a surge in COVID-19 infections in the US (which prompted several states to partially reintroduce lockdown measures.)

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. The Commonwealth Government 10-year bond yield rose by 11 basis points over the quarter to 0.87%, while its 2-year counterpart ended unchanged at 0.25%. Total returns for Australian bonds, as measured by the Bloomberg AusBond Composite (All Maturities) Index, were around 0.5% for the period in Australian dollar terms.

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.

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	AMP1972AU
AMP Flexible Super - Retirement	AMP1965AU
Flexible Lifetime - Allocated Pension	AMP1951AU
Flexible Lifetime - Investments (Series 2)	AMP1983AU
Flexible Lifetime - Super	AMP1958AU
Flexible Lifetime - Term Pension	AMP1951AU
SignatureSuper	AMP1984AU#

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

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