

# AMP Capital Dynamic Markets

Quarterly Investment Option Update

30 September 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/performance](http://www.amp.com.au/performance)

## Investment Option Overview

<b>Investment category</b>	Multi-Sector
<b>Suggested minimum investment timeframe</b>	5 years
<b>Relative risk rating</b>	6 / High
<b>Investment style</b>	Active
<b>Manager style</b>	Single

<b>Asset Allocation</b>	<b>Benchmark (%)</b>
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

<b>Actual Allocation</b>	<b>%</b>
Australian shares	21.87
International shares (dev) (A\$ hedged)	19.81
Cash	15.53
Emerging market shares (A\$ hedged)	13.75
Global credit (high yield) (A\$ hedged)	8.40
Commodities (A\$ hedged)	7.05
Australian Sovereign bonds	5.94
Global credit (Inv grade) (A\$ hedged)	4.66
Global REITs (A\$ hedged)	3.50
Global Sovereign bonds (A\$ hedged)	0.81

## Fund Performance

The Fund had a negative return in September. Over the month the Fund's positioning remained consistent as the investment team retains its conviction in the ability of value sectors and regions to outperform as economic recovery starts to take hold. We believe the pessimism built into the valuation multiples of cheap cyclical value sectors is inconsistent with the strong earnings recovery already seen; especially with the breakthroughs that have been made on a COVID-19 vaccine and testing regimes.

Our short position in US equities, and particularly in technology stocks, added value during the month. The Fund also benefited from a long US dollar position against a basket of emerging market and G10 currencies, which had been added to the portfolio to hedge against the possibility of a broad-based market sell-off, which eventuated following the tech pullback.

The Fund retains considerable allocations to resources and global commodities, which stand to benefit significantly from a cyclical rebound thematic. The Fund is invested in a broad commodity basket and an ETF which tracks US-based metals miners, in addition to energy and oil services exposures.

The Fund is significantly underweight global bonds, which stands to benefit from rising bond yields and the anticipated recovery thematic relative to 60/40 portfolios.

The investment team expects that the Fund's investments in Chinese, Latin American and emerging market equities more broadly, will benefit from a lower US dollar and the confidence boost delivered when news of a successful vaccine feeds into markets.

## Market Review

Global equities rose during most of the quarter as the balance of data and economic expectations was initially viewed positively and on hopes that a COVID-19 vaccine might be available in a compressed timeframe. However, by quarter end, global equity markets suffered a pullback, led by the technology sector which later broadened to other sectors. Energy was also impacted as the oil price pulled back. For COVID-19, conditions and outlook remained uncertain. The global death count from the pandemic has now exceeded the one million mark.

Escalating tensions between the US and China have also elevated uncertainty. The US has rejected China's territorial claims to the South China Sea and has ended Hong Kong's special trade status with the US, requesting support in its stance from its allies. The US administration has also moved to put restrictions on some Chinese companies operating in the US, including TikTok and WeChat, although the US courts have moderated some of these decisions.

In the US, there is likely to be further downward pressure on the US dollar as quantitative easing measures continue to ramp up. An ongoing US dollar retracement would be consistent with improving global growth relative to that in the US and the US Federal Reserve's aggressive quantitative easing programme, which is significantly increasing the supply of US dollars.

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## Availability

Product Name	APIR
AMP Flexible Super - Retirement	AMP1986AU*
AMP Flexible Super - Super	AMP1937AU*
CustomSuper	AMP1935AU*
Flexible Lifetime - Allocated Pension	AMP1988AU*
Flexible Lifetime - Super	AMP1935AU*
SignatureSuper	AMP9041AU*
SignatureSuper - Allocated Pension	AMP9042AU*

\*Closed to new investors

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