

AMP Capital Conservative

Quarterly Investment Option Update

31 December 2020

Aim and Strategy

To provide returns primarily from income as well as some capital growth over the short to medium term, by investing mainly in defensive assets with some exposure to growth assets. Exposure to individual asset classes will be attained through the use of index-focussed investment managers. This investment option seeks to provide an index-focused solution to diversified investing. Through a process of diversified market analysis combined with selection of the most appropriate investment managers for each underlying asset class, this investment is designed to provide market tracking returns over the suggested investment timeframe. Global shares may be partially or fully hedged back to Australian dollars.

Investment Option Performance

To view the latest investment performances for each product, please visit www.amp.com.au/performance

Investment Option Overview

Investment category	Multi-Sector
Suggested minimum investment timeframe	3 years
Relative risk rating	Low to Medium
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
Australian Fixed Interest	29
Cash	26
International Fixed Interest	15
International shares	12
Australian Shares	11
Listed property and infrastructure	7
Unlisted property and infrastructure	0
Defensive alternatives	0
Growth alternatives	0

Actual Allocation	%
International Shares	13.28
Australian Shares	11.59
Listed Property and Infrastructure	8.62
International Fixed Interest	13.68
Australian Fixed Interest	30.11
Cash	22.72

Fund Performance

The Option delivered a strong positive return over the December quarter, continuing its impressive rebound since its lows in March, to finish the year on an encouraging note. As has been the case since March, the momentum of growth assets continued to be the key driver of the strong performance. Over the quarter, the Option outperformed the benchmark (before fees) and remains ahead of peer median performance across most key timeframes.

In fixed income markets, government bonds were largely flat as interest rates were range bound, while credit markets rallied, consistent with the 'risk-on' tone. The Option benefited from underlying managers who gained timely exposure to the credit market as spreads tightened. This was particularly beneficial given the Option's sizeable allocation to yield-sensitive assets, boosting overall relative return. Performance within the alternatives and unlisted asset classes were mixed, positively contributing overall.

Geopolitics, stimulus relief and COVID-19 news dominated share markets. In the US, political uncertainty was quelled as Joe Biden was confirmed by the electoral college as the President Elect of the United States of America. Additionally, the signing of the economic stimulus relief bill, the CARES Act, provided further reprieve and economic support. Despite a worrying increase in COVID-19 cases in the northern hemisphere, the announcement of three effective vaccines improved investor sentiment to extend the post-US election rally into the year-end. Overall, the S&P/ASX 200 index ended the quarter up 13.7% and the MSCI World ex Australia index closed up 12.7% (in local currency terms). Cyclical segments of the market and small-cap stocks were among the key winners. However, the Option slightly underperformed across both Australian, developed international and emerging market shares due to an overweight in exposure to quality, growth and momentum securities in a period where value (cyclicals) outperformed.

Looking ahead, we remain cautiously optimistic for 2021. We believe the factors that benefitted markets in 2020, including: (i) easy monetary policy; (ii) fiscal stimulus; (iii) rollout of vaccines; and (iv) the resolution of many geopolitical concerns, are likely to continue in the new year. However, the sharp 'V-shaped' recovery has left markets somewhat susceptible to a correction. As such, holding an active, well-diversified exposure to both growth and defensive assets will continue to benefit the Option should volatility return. Consequently, our positioning has remained unchanged. We continue to target a broadly neutral allocation, including exposures to unlisted and alternative strategies, which act as important diversifiers to our listed securities. Furthermore, the Option's sizeable allocation to defensive assets should provide some protection should market sentiment deteriorate.

Market Review

December saw some closure and improved visibility on issues that had been weighing on the market for most of 2020. Despite further COVID-19 waves, breakouts and new strains, tangible plans for vaccine rollouts in 2021 showed an improved path to normalcy. In Europe, a Brexit deal was finally agreed and signed. All-in-all, the global environment imparted a more positive backdrop at the tail-end of the year which kept equity markets supported. However, many equity markets now look stretched and signs of excessive optimism have been reflected in IPOs often trading significantly above their launch valuations, with sketchy or sometimes zero profitability.

Ahead of the US presidential election global equities exhibited mixed performance as the initial acrimonious presidential debate impacted market certainty and support. After a protracted count, Democratic candidate Joe Biden won the election, although it took significant time for the Trump administration to tacitly accept defeat and agree to co-operate with a transition of power. Post the US election, global equity markets were buoyed by increased political certainty and positive news on several viable COVID-19 vaccines.

Global markets will be looking ahead to 2021 hoping that the impact of 2020 will be able to be reversed as soon as possible once vaccine programmes start to make their full effect felt.

Availability

Product Name	APIR
Flexible Lifetime - Investments (Series 1)	AMP0012AU**
Flexible Lifetime - Investments (Series 2)	AMP1392AU**

**Closed to new and existing investors

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