

AMP Capital Dynamic Markets (Series 2)

Quarterly Investment Option Update

31 December 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

Investment Option Overview

Investment category	Multi-Sector
Suggested minimum investment timeframe	5 years
Relative risk rating	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	%
Australian shares	20.67
International shares (dev) (A\$ hedged)	20.52
Emerging market shares (A\$ hedged)	18.98
Australian Sovereign bonds	8.70
Global credit (high yield) (A\$ hedged)	6.10
Commodities (A\$ hedged)	5.83
Cash	5.40
FX Overlay	4.08
Global credit (Inv grade) (A\$ hedged)	3.90
Global REITs (A\$ hedged)	3.84
Global Sovereign bonds (A\$ hedged)	1.99

Fund Performance

The Fund had a positive return in December and finished the year strongly

Positive contribution was broad-based across the portfolio's holdings, with strong value-add from equities (emerging markets and cyclically-sensitive sectors in developed markets), commodities and fixed income (credit and emerging market debt). The decision to increase the Australian dollar hedge ratio, as well as cutting back on the US dollar exposure, paid off, with the US dollar tumbling over the last two months of the year.

There were minimal changes in portfolio allocation, with initial doubts post the US election on the possibility of value outperforming growth giving way to a large reversal in value versus growth. This was underpinned by ongoing fiscal and monetary stimulus, improving vaccine prospects, the Democratic presidential win, and ongoing improvement in manufacturing and housing data.

Despite the strong reversal in non-US equities versus US equities, and in value over growth sectors, valuation differentials remain at historical extremes. Furthermore, the new US administration has increased the probability of a further fiscal stimulus, along with an increasing likelihood of regulatory headwinds for the expensive large-cap growth sectors (big tech in particular). The Fund's asset allocation is well-placed for these scenarios.

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
CustomSuper	AMP2054AU*
Flexible Lifetime - Allocated Pension	AMP2056AU*
Flexible Lifetime - Super	AMP2054AU*

*Closed to new investors

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