

AMP Capital Ethical Leaders Balanced

Quarterly Investment Option Update

31 March 2021

Aim and Strategy

To provide a total return (income and capital growth) after costs and before tax, above the return from the relevant benchmarks of the underlying investments on a rolling five-year basis and to provide a rate of return of 3.5% above inflation (Consumer Price Index (CPI)), after costs and before tax, over a 5 year period. The portfolio invests in all asset classes, but with an emphasis on growth assets (shares and property). With the exception of cash, the portfolio is managed using a responsible investment approach (see additional information about Responsible Investment Leaders for more information).

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	Medium to High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
International shares	33
Australian Shares	25
Australian Fixed Interest	13
International Fixed Interest	12
Unlisted Property and Infrastructure	9
Listed Property and Infrastructure	4
Cash	2
Growth Alternatives	2

Actual Allocation	%
International Shares	33.27
Australian Shares	25.17
Listed Property and Infrastructure	4.10
Unlisted Property and Infrastructure	11.01
Growth Alternatives	1.02
International Fixed Interest	11.91
Australian Fixed Interest	12.16
Cash	1.38

Fund Performance

The Ethical Leaders Balanced Fund commenced 2021 on a positive note, generating a fourth consecutive quarter of positive performance. Growth assets continued to be the key driver of performance, as broad-based optimism drove share markets higher, whilst more defensive assets weakened. Over the quarter, benchmark relative performance was positive. Much of this can be attributed to the outperformance of our underlying equity managers relative to benchmark, whilst asset allocation decisions partially offset some gains.

The Australian equities allocation posted a strong positive absolute return and outperformed its benchmark over the March quarter by 0.4%. Stock selection was particularly strong in consumer discretionary, financials, information technology and materials stocks. This was partially offset by an underweight exposure to financials, and overweight exposures to information technology and health care. At the stock level, overweights to Virgin Money UK, IDP Education and Telstra were the strongest contributors. On the flip side, underweights to Westpac Banking Corp and BHP Group as well as the overweight to REA Group hurt performance. From an active manager perspective, DNR Capital outperformed the benchmark whilst Bennelong and Ausbil underperformed.

Positive stock selection led to a 3.8% outperformance through Q1 in the international equities allocation. Stock selection was particularly strong within information technology, including through an underweight to Apple along with overweights to Applied Materials, Concentrix and Synnex. Stock selection in consumer discretionary and industrials further contributed to performance. Conversely, an underweight to the energy sector was the major detractor from relative performance, including through nil holdings of ExxonMobil and Chevron – both of which are excluded by the fossil fuel screens in pace. At the manager level, Boston Partners and Lazard outperformed their benchmark, whilst the Ethical Leaders Emerging Markets Fund and C Worldwide underperformed. The overweight exposure to the emerging markets was a detractor, as emerging markets underperformed developed markets over the quarter.

The fixed income allocation performed slightly below benchmark and ended the period lower. Both global and domestic bond allocations suffered as global bond yields rose sharply over the quarter. Allocations within the fund were impacted further, largely due to longer duration positions.

Finally, the Fund's allocation to global listed property generated a strong positive return, but slightly underperformed the benchmark. Our unlisted assets were relatively stable over the quarter and continue to recover following devaluations post the COVID-19 shock in Q1 2020.

Environmental Social Governance

During the period, Ethical Leaders fund managers focussed on the 'E' and the 'S' in ESG. Regarding the 'E', **Ausbil** co-signed the 2021 Global Investor Statement to Governments on the Climate Crisis, which calls on governments to act on climate change. The statement was sent to global leaders and is to be released at the G7 Summit in June. The manager also participated in meetings with the Investor Group on Climate Change (IGCC) and in Climate Action 100+ (CA100+), as well as company engagements.

Regarding the 'S', **Ausbil** presented on human rights at an ESG Masterclass arranged by Inside Network in Melbourne for financial advisers. The manager also chaired the March 2021 RIAA Human Rights Working Group meeting and remained on the panel of experts advising the Federal Government on the effective implementation of the Modern Slavery Act. The manager also continued its involvement on the steering committee of the Investors Against Slavery and Trafficking (IAST – APAC) and participated in company engagements.

Market Review

Global share markets remained strong through most of December on the back of recent COVID-19 vaccine developments and further optimism amid early stages of the vaccines' rollout, despite worsening COVID-19 numbers and renewed lockdowns in some regions. Optimism around further US stimulus also helped drive markets, as did strong US economic indicators, as further clarity and results continued to emerge from the US election. The UK and Europe also finally agreed on a Brexit deal at month-end, over four years after the referendum, which further supported markets. While opportunities in beaten-down segments remain, other companies appear to exhibit somewhat optimistic valuations, highlighting the large dispersion of fundamentals and perceived growth outlooks from company to company, as economies emerge from the COVID-19 crisis. Emerging markets in December meanwhile outperformed their developed peers.

Continuing the theme of previous months, central banks were again prominent in the financial markets during December. The US Federal Reserve intends to continue asset purchases "at least at the current pace" over "coming months", as US manufacturing sector data for November and weekly jobless claims indicate fragility in the

country's labour market. Similarly, the European Central Bank has increased its pandemic emergency asset purchase programme by €500 billion and has undertaken not to terminate the programme before the end of March 2022.

Meanwhile, in global credit markets, sentiment was buoyed in early December as the UK and the US granted regulatory approval for the COVID-19 vaccine developed by Pfizer and BioNTech. Energy producers were supported as the crude oil price rose in response to the major oil producing nations agreeing to more gradual output increases in 2021. However, the emergence of a new variant of the COVID-19 virus in the UK and the subsequent re-introduction of severe lockdown restrictions weighed on earlier optimism amid concerns that potential similar moves in other countries would delay tentative moves towards re-opening and thus hamper a global economic recovery.

Outlook

Looking ahead, we remain cautiously optimistic for the remainder of 2021. As the COVID-19 vaccine rollout continues to gain pace globally and the hospitalisation rate continues its downward trend in most countries (with the notable exception of India), economic growth is projected to boom as economies ramp up their re-opening efforts. Against this backdrop, we look favourably upon shares relative to bonds. However, the sharp 'v-shape' recovery to date has left markets somewhat susceptible to a correction. Maintaining an active, well-diversified asset exposure should help mitigate losses should this scenario arise. We continue to lean into equities and alternative assets, at the expense of domestic and international government bonds, as we expect risk assets to benefit in this environment. Given strong gains in equities over the past few months, we will monitor opportunities to take profits where applicable.

Availability

Product Name	APIR
AMP Flexible Super - Retirement	AMP1371AU**
AMP Flexible Super - Super	AMP1500AU**
CustomSuper	AMP1033AU**
Flexible Lifetime - Allocated Pension	AMP1022AU**
Flexible Lifetime - Investments (Series 1)	AMP1056AU**
Flexible Lifetime - Investments (Series 2)	AMP1434AU**
Flexible Lifetime - Super	AMP1033AU**
Flexible Lifetime - Term Pension	AMP1043AU**
SignatureSuper	AMP0977AU**
SignatureSuper - Allocated Pension	AMP1173AU**
SuperLeader	AMP1884AU**

**Closed to new and existing investors

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