



# AMP Dynamic Balanced

Quarterly Investment Option Update

30 September 2021

## Aim and Strategy

The investment objective of the portfolio is to outperform the median of the Chant West growth fund survey over the investment horizon of the fund (7 years). The portfolio aims to provide the investor with a cost-effective investment across the main asset classes with higher exposure to growth assets. Exposure to these will be attained predominantly through the use of index-focussed investment managers. A portion of the portfolio (25%) also runs a dynamic asset allocation investment approach which aims to achieve growth by adopting a flexible approach to asset allocation. This portion of the portfolio will have exposure to assets such as shares, listed property, commodities, fixed income, credit and cash through derivatives, exchange traded funds or index funds.

## 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>	7 years
<b>Relative risk rating</b>	Medium to High
<b>Investment style</b>	Active
<b>Manager style</b>	Multi-manager

<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>
International Shares	30.86
Australian Shares	24.19
Listed Real Assets	14.07
Australian Fixed Interest	8.01
International Fixed Interest	7.98
Cash	7.67
Alternative Assets	7.22

## Fund Performance

The Fund produced a positive return in the third quarter, as global equity markets and real assets continued to build on their post COVID gains.

A complex macroeconomic and political backdrop characterised the September quarter, pulling markets in varying directions. Major themes included ongoing fears on the persistency of inflation, a focus shifting towards living with COVID-19 rather than persisting with lockdowns - particularly given much of the population has now had the opportunity to be vaccinated - and the mixed interpretation of central bank communications leading to continued speculation on the path towards 'normalisation' of monetary and fiscal policy. The major growth asset classes again delivered positive returns. Government bond yields meanwhile oscillated, initially falling amid increasing concerns over the spread of the Delta variant and its potential impact on growth, then subsequently reversing course and heading higher, as the US Federal Reserve alluded to reducing the pace of asset purchases in the coming months.

Within the actively managed portion of the Fund, invested in the AMP Capital Multi-Asset Fund, returns were supported by the Fund's exposure to alternative assets and equities, a sector we continue to favour. The Fund reduced overall equity exposure during the quarter, primarily in developed markets, and retains a modest exposure to emerging markets. Protection remains primarily on the US high yield market. The exposure to bonds was maintained at low levels while its cash allocation rose. The Fund's overall equity exposure was reduced over the September quarter, given economic growth has slowed somewhat and uncertainty around inflation and expectations of rate rises have increased.

Looking ahead, we believe the remainder of 2021 is poised to be volatile at times, but positive tailwinds are likely to persist. As we move further along the investment cycle, an issue is the potential for increasing correlations between equities and bonds. In a more inflationary and tapering regime, bonds are less likely to provide the diversification and defensive qualities they have previously offered. Defensive characteristics continue to come from a combination of defensive securities, including currencies and longer-term bonds, option protection and short positions in shorter-term bonds. Overall, we believe the current environment offers opportunities that will benefit active strategies with well-defined processes and flexibility over those that are more passively oriented.

## Market Review

A complex macroeconomic and political backdrop characterised the September quarter, pulling markets in varying directions. Major themes included ongoing fears on the persistency of inflation, a focus shifting towards living with COVID-19 rather than persisting with lockdowns - particularly given much of the population has now had the opportunity to be vaccinated - and the mixed interpretation of central bank communications leading to continued speculation on the path towards 'normalisation' of monetary and fiscal policy. Geopolitics was also heavily in focus, as the US withdrew from Afghanistan, leading to a swift and unopposed takeover by the Taliban regime. China was also in the spotlight during the period, coming under criticism for adopting an apparent conciliatory tone towards the Taliban, in addition to its continued regulatory crackdown on technology and the property sector amid its continuing broader shift towards 'big government' policy. Later in the quarter, volatility rose in markets on heavily fluctuating commodity prices, as well as the news that major Chinese property developer, China Evergrande Group, had run into financial stress, with concerns that a failure to pay its debts could spread to global markets, given its significant size. This volatility was further exacerbated by concerns on the Biden administration's upcoming tax rises and an impending debt-ceiling in the US, with the risk of a government shutdown possible.

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## Availability

Product Name	APIR
AMP Flexible Super - Retirement	AMP2057AU*
AMP Flexible Super - Super	AMP2058AU*
SignatureSuper	AMP0772AU*
SignatureSuper - Allocated Pension	AMP1132AU*

\*Closed to new investors

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