AMP Dynamic Balanced

Quarterly Investment Option Update

31 December 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

Investment Option Overview

Investment category	Multi-Sector
Suggested minimum investment timeframe	7 years
Relative risk rating	High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
Australian fixed interest	N/A
Australian shares	N/A
Cash	N/A
Global fixed interest	N/A
Global shares	N/A
Growth alternatives	N/A
Listed property and infrastructure	N/A

Actual Allocation	%
International Shares	31.18
Australian Shares	24.25
Listed Real Assets	15.16
Australian Fixed Interest	7.91
International Fixed Interest	7.88
Cash	7.52
Alternative Assets	6.11

Fund Performance

The Fund produced a positive return in the December quarter, as investor sentiment remained generally buoyant. This was reflected in global equity markets climbing to new highs towards year-end as markets began to accept high inflation as a prevailing condition, rather than a transient concern. Meanwhile, the world continued its long-winded road towards exiting the COVID-19 pandemic.

US inflation rose to 6.8% over the year to November, the highest seen in 39 years, with many other countries also reaching multi-year peaks. Indeed, the rhetoric of the US Federal Reserve (Fed) took a notable, slightly hawkish turn in this regard, with Chair Jerome Powell, indicating a clear preference to speed up the withdrawal of bond purchases given current inflationary pressures that Powell believes will remain "well into next year." Complicating this issue is that many global central banks, particularly the Fed, have continued to purchase very large amounts of bonds and hold interest rates near all-time lows, despite flagging intentions to ease stimulus levels, leaving global debt levels an increasingly discussed topic. The Fed's balance sheet, for example, is now approaching US$9 trillion, with the central bank recently indicating that quantitative easing is likely to end in March, clearing the way for a potential first hike in the June quarter.

Within the actively-managed portion of the Fund, invested in the AMP Capital Multi-Asset Fund, performance was driven primarily by equities and real assets. Alternatives also contributed to returns, while defensive assets, notably bonds and hedges, detracted from overall performance. Active management in equities was another positive contributor to returns. The portfolio is positioned conservatively as we enter 2022: average equity exposures total approximately 40%, with a bias towards active stock selection in non-US developed equity markets and real assets. Alternative strategies total approximately 22%, while bond and credit exposures remain relatively low. In addition to holding a higher allocation of diversifying non-traditional asset classes than a typical balanced fund, the Multi-Asset Fund actively manages downside risks, primarily through the use of options. The Fund currently holds downside risk protection option strategies on the ASX 200 and high yield credit.

The outlook for 2022 offers a host of risks and opportunities. Opportunities appear strong (for example) in commodities markets, where the themes of underinvestment, decarbonisation, and COVID-related disruptions present opportunities. Risks are focused around tightening monetary policy, geopolitics, climate, and China. Perhaps the greatest positive theme is the potential for COVID-19 to finally be forced into relative submission through the combined forces of medical progress, immunity, and milder mutations.

Market Review

The December quarter saw investor sentiment remain generally buoyant, reflected in global equity markets climbing to new highs towards year-end, as markets began to accept high inflation as a prevailing condition, rather than a transient concern, while the world continued its long-winded road towards exiting the COVID-19 pandemic. US inflation was shown to be at 6.8% over the year to November, the highest seen in 39 years, with many other countries also reaching multi-year peaks. Indeed, the rhetoric of the US Federal Reserve (Fed) took a notable, slightly hawkish turn in this regard, with Chair Jerome Powell, indicating a clear preference to speed up the withdrawal of bond purchases given current inflationary pressures that Powell believes will remain "well into next year."

Outside of finance, the broader media focus was on the latest COVID-19 variant, Omicron. While raw case numbers rapidly rose to new peaks towards the end of the quarter, numerous studies have now shown Omicron symptoms to be generally relatively mild in nature (despite being considerably more infectious), with fatality and hospitalisation percentage rates far below that of previous variants. As has been the case for some time however, global governments reacted vastly differently across the globe, heavily impacting confidence, trade, travel and adding to civil discontent.

Availability

Product Name	APIR
SignatureSuper	AMP4431AU*
SignatureSuper - Allocated Pension	AMP5430AU*

*Closed to new investors

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