AMP Capital Conservative

Quarterly Investment Option Update

30 June 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

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	11.59
Australian Shares	11.22
Listed Property and Infrastructure	7.88
International Fixed Interest	12.13
Australian Fixed Interest	31.63
Cash	25.53

Fund Performance

The 2019/2020 financial year ended on a positive note, with the option delivering a strong return after a period of significant volatility. Growth assets, particularly shares, provided the largest contribution to overall returns, partially recovering from the lows experienced at the height of the COVID-19 pandemic in late March. Despite underperforming compared to its benchmark over the quarter, peer-relative performance remains strong as the option remains above median across most key timeframes.

Over the quarter, the option's sizeable allocations to defensive assets, such as government bonds and cash, generated positive returns due to monetary policy support from central banks. However, it was the performance of the allocations to growth assets, such as shares, which excelled because investor sentiment improved with increased economic activity after lockdowns and social distancing measures were eased. International and domestic share markets rebounded despite the ongoing risks surrounding COVID-19. Developed and emerging market shares rose 18.5% and 16.7% respectively (in local currency terms) boosted by positive employment and business confidence data, in addition to continued and coordinated policy support from regulators. Australian shares also rallied, gaining 16.5%. Returns from the direct property and infrastructure allocations were constrained as the impacts of COVID-19 were captured in asset revaluations.

As the strong returns experienced over the quarter were substantially influenced by generous fiscal and monetary policy support, we remain cognisant of the prevailing risks associated with the COVID-19 pandemic for the near-term future. With some countries continuing to experience rising infection rates, the possibility of a 'second wave' could lead to further social distancing measures being imposed, or governments reverting to complete lockdowns. Ultimately, this leaves investment markets susceptible to further corrections and in this environment, returns are likely to be volatile. However, we maintain a highly-diversified portfolio to mitigate risk within and between asset classes, while holding a close to neutral growth/defensive split. The option's sizeable allocation to defensive assets should provide some protection should market sentiment deteriorate.

Market Review

As expected, global markets were heavily impacted by COVID-19 government restrictions and the flow-on effects of lockdown. Equities were volatile as shifting sentiment created swings between a risk-on and risk-off bias. Despite this, there was a net sharp rally over the quarter in equity markets as some COVID-19 lockdown measures started to be unwound. This leaves equity markets open to the risk of a correction. COVID-19 impacts were aggravated by increasingly acrimonious relations between the US and China. In addition, there is the risk of further waves of COVID-19, especially in the more densely populated countries, and the potential for economies to fall back once working capital supplied by government policies peters out and companies review their strategies and demand. The World Bank, the Organisation for Economic Co-operation and Development, and the International Monetary Fund all indicate they expect the worst global recession since the Great Depression.

In the US, the Federal Reserve (Fed) significantly increased its COVID-19-related lending programmes. Fed Chairman Jerome Powell suggested the central bank will use its "full range of tools" and act "forcefully, proactively and aggressively until it is confident the economy is on the road to recovery". He also said the central bank still had plenty of options available, with the expectation that monthly bond purchases will increase.

Availability

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

*Closed to new investors

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