AMP Capital Multi Asset

Quarterly Investment Option Update

30 June 2020

Aim and Strategy

To provide a total return (income and capital growth) before costs and tax of 5.5% pa above the trimmed mean Consumer Price Index (CPI) on a rolling five-year basis by investing in a diversified portfolio with broad asset allocation ranges. The portfolio invests across a range of traditional asset classes such as shares, credit, cash, fixed income and property, and is further diversified by investment in alternative assets, such as infrastructure and absolute return strategies, which are generally more illiquid. Exposure to a broad range of asset classes is achieved either through investment in underlying investments or direct investment into an asset. Set within a dynamic asset allocation framework, the portfolio's asset classes and asset allocation ranges are determined with reference to the portfolio's risk and liquidity guidelines. Asset class allocation and ranges may vary at any stage of the investment cycle. There is no guarantee that the asset allocation strategy will provide positive returns at all stages of the investment cycle. Throughout the investment cycle, when necessary, the portfolio will be rebalanced with the aim of ensuring that exposure to illiquid assets is no greater than 20% of the portfolio. The portfolio may also have exposure to currencies through both actively-managed investment strategies and risk management processes. International investments may be partially or fully hedged back to Australian dollars. The portfolio and its underlying managers or direct investments may use derivatives such as options, futures, forwards and swaps. The investment manager imposes restrictions on the use of derivatives within the portfolio and monitors the implementation of these restrictions in accordance with their risk management processes on the use of derivatives. Underlying managers or strategies in which the portfolio invests may use short selling.

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	5 years
Relative risk rating	Medium to High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
Australian Shares	N/A
Cash	N/A
Defensive Alternatives	N/A
Growth Alternatives	N/A
International Fixed Interest	N/A
International shares	N/A
Listed Property and Infrastructure	N/A
Unlisted Property and Infrastructure	N/A

Actual Allocation	%
International Equities	22.84
Fixed Income and Credit	18.14
Cash	13.65
Defensive Alternatives	10.56
Direct Assets	10.02
Australian Equities	9.56
High Yield Credit	6.61
Listed Real Assets	6.58
Growth Alternatives	1.58
Non A$ currency exposure	1.44

Fund Performance

The Fund delivered a strong return in the June quarter. Markets continued to rally strongly out of the March lows, fuelled by generally improving economic data and significant government and central bank fiscal and monetary relief. Areas of strongest contributions came from equities both in Australia and internationally. There was strong outperformance from stock selection across several of our key strategies. In addition, key positions in inflation-linked securities, European dividend contracts, bank loans, and hedge fund co-investments all performed very well. Some of the (much reduced) systematic absolute return strategies continued to struggle; however, the continued reduction in exposure has helped manage risk through a very volatile market. Listed infrastructure has also underperformed over recent months with some small negative contributions.

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.

Outlook

The outlook ahead requires some caution. It has been clear for a while that the virus is going to linger until medical solutions are developed. Given that, policy support will likely be required beyond current deadlines that in Australia expire around the end of September. Our process remains relatively neutral, balanced between liquidity support and weak earnings. Whilst valuations remain attractive relative to interest rates, they are expensive relative to near -term earnings. Clearly the market is looking through that weakness to next year and beyond. The US earnings season starts in July and further clarity on how different companies and sectors are coping will be keenly watched. In Europe, the European Recovery Fund is due for a next round of discussions in mid-July, offering a potential step -change to eventually moving to a fuller fiscal union. Lastly, and back in the US, several support programs are due to expire over the next few months. These amount to approximately 4% of GDP. Extensions are expected, but to not extend would be a major downside risk. Non-extension would also present political risk as the US heads towards elections at the tail-end of the year.

Availability

Product Name	APIR
AMP Flexible Super	AMP1756AU
AMP Flexible Super - Retirement	AMP1768AU
CustomSuper	AMP1709AU
Flexible Lifetime - Allocated Pension	AMP1717AU
Flexible Lifetime - Super	AMP1709AU
SignatureSuper	AMP1734AU
SignatureSuper - Allocated Pension	AMP1743AU
SignatureSuper Select	AMP1734AU

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