AMP Capital Ethical Leaders Growth

Quarterly Investment Option Update

30 September 2020

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. The portfolio invests in all asset classes, but with an emphasis on growth assets (shares and property). With the exception of cash and listed property, 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 - 7 years
Relative risk rating	6 / High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
International shares	42
Australian Shares	36
Listed Property and Infrastructure	6
International Fixed Interest	5
Australian Fixed Interest	4
Unlisted Property and Infrastructure	3
Cash	2
Growth Alternatives	2

Actual Allocation	%
International Shares	43.96
Australian Shares	37.26
Listed Property and Infrastructure	6.05
International Fixed Interest	6.37
Australian Fixed Interest	5.40
Cash	0.96

Fund Performance

The Fund produced a strong return over the September quarter, building on gains made over the June quarter. Growth assets were the key drivers of the return as global markets were buoyed by the rallying US technology sector and sustained monetary and fiscal policy stimulus. The Fund outperformed its benchmark over the quarter, mainly due to the strong performance of our Australian shares and listed property managers.

The Australian shares allocation produced a positive return and outperformed its benchmark. Key drivers of this outperformance were an underweight exposure to financials and stock selection within the consumer discretionary and financial sectors. The largest individual contributors were overweight positions in Corporate Travel Management and IDP Education, and an underweight position in Commonwealth Bank.

Despite generating a positive return, the international shares allocation underperformed its benchmark. This underperformance was mainly due to stock selection within the consumer discretionary, communication services and information technology sectors. Among the largest individual detractors were underweight positions in Tesla, Apple and Alibaba. However, an overweight exposure to energy and stock selection within the financials sector contributed positively to relative performance. Exposures to emerging markets also contributed, as emerging markets outperformed developed markets over the period.

The listed property allocation posted a positive return and outperformed its benchmark, despite difficult market conditions. The diversified fixed income allocation also posted a positive return and outperformed its benchmark, as heightened volatility in share markets led to a rotation into bonds.

During the quarter, several initiatives from regulators, investors, as well as corporates, highlighted that climate change and climate risk are still very high on the agenda, despite the COVID-19 pandemic shifting priorities elsewhere over the short-term. Modern slavery was also a focus, with the release of a report called 'Uyghurs for sale', which contained serious allegations around Uyghur minorities in China being used as forced labour in supply chains.

Environmental Social Governance

At the start of 2020, Australian shares manager **Ausbil** was appointed to an expert panel advising the Australian Federal Government on the effective implementation of the Modern Slavery Act (2018). During the September quarter, Ausbil participated in two meetings where it expressed the importance of taking a multi-stakeholder approach. The manager's views were also sought on taking a multi-stakeholder approach on the draft Modern Slavery Act Statement and the potential for a recognition scheme. Discussions were also held on labour rights risks and allegations of forced labour in the Xinjiang region of China, and how this could impact sourcing from China. Forced labourers are often transported to other provinces within China which is a problem that poses a systemic risk for the entire global apparel industry given China is a major player in cotton production and 84% is derived from the Xinjiang region. By its nature, traceability in the cotton supply chain is very difficult. Ausbil's engagement with the Federal Government is impactful as the government is the biggest
procurer in Australia, and this has ripple effects on the wider economy, acting as a benchmark for companies around these issues.

Market Review

Global share markets rose strongly in the first half of the September quarter, before pulling back somewhat towards the end of the period to finish up 6.87%, as measured by the MSCI World ex Australia index. Growing confidence around the speed of the global economic recovery, better than expected corporate earnings, improved manufacturing activity data and reasonably strong US jobs figures all contributed to the strong rise. This was despite some renewed fears around further waves of COVID-19 and more specifically, how governments might react to renewed outbreaks. Geopolitical tensions abounded, although this was mostly treated as noise by markets. Towards the end of the quarter, a marked correction in technology stocks occurred, which in turn pulled the broader market down somewhat. Amid a strong Chinese economic recovery and growing demand for commodities, emerging markets also rose over the period, outperforming developed markets and returning 8.65% as measured by the MSCI Emerging Markets index. (All indices quoted in local currency terms and on a total-return basis, unless otherwise stated.)

Australian shares meanwhile initially rose in July and August, before pulling back in September to end the quarter down 0.44% as measured by the S&P/ASX 200 index on a total return basis. The August reporting season helped support the market, with many companies beating unsurprisingly low consensus forecasts. Given the unique COVID-19 backdrop, results were variable from business to business and across sectors. Information technology, healthcare, some of the miners, gold producers and even some consumer discretionary stocks reported relatively strong results, given the circumstances. Retailers that focussed on e-commerce, rather than traditional bricks and mortar, also reported strong results. Meanwhile, airlines, other travel-related businesses and financials generally struggled. Late in the quarter, Australian shares fell as concerns rose around continued and further lockdowns, such as those in Melbourne, which have now lasted longer than Wuhan's, where the virus originated.

Global government bond yields moved lower in July, as heightened geopolitical tension and the ongoing struggle to contain COVID-19 held sway over upside surprises in US company earnings. Yields subsequently rebounded amid the inflationary implications of a move by the Fed to adjust its inflation target, and with sales and re-financing data pointing to sustained strength in the US housing market. Meanwhile, the prospect of a further US fiscal stimulus package remained elusive, despite the Fed Chair Jerome Powell reiterating that a lack of additional fiscal support represented a 'downside risk' to the economic outlook. The US 10-year bond yield ended the quarter 0.03% higher at 0.69%.

Outlook

Looking ahead, the final quarter of the year is poised to be eventful for markets. With the US election, the potential of further monetary and fiscal policy stimulus and news on a vaccine for COVID-19 (hopefully positive), share markets are likely to experience bouts of volatility. In some geographic locations, share markets valuations are stretched and may be poised for a sell-off should market sentiment wane. As such, we remain confident an active approach, with a focus on diversification across asset classes, will help mitigate risk and benefit the Fund going into year-end.

Until there is some certainty surrounding COVID-19, the likelihood of an effective vaccine and what the global economy will look like going forward, we continue to target a broadly neutral allocation in listed markets to mitigate risk. We also remain overweight cash so that we can take advantage of any potential buying opportunities that arise.

Availability

Product Name	APIR
AMP Flexible Super - Retirement	AMP1373AU**
AMP Flexible Super - Super	AMP1502AU**
CustomSuper	AMP1035AU**
Flexible Lifetime - Allocated Pension	AMP1024AU**
Flexible Lifetime - Investments (Series 1)	AMP1058AU*
Flexible Lifetime - Investments (Series 2)	AMP1436AU
Flexible Lifetime - Super	AMP1035AU**
Flexible Lifetime - Term Pension	AMP1045AU**
SignatureSuper	AMP0979AU**
SignatureSuper - Allocated Pension	AMP1175AU**

*Closed to new investors

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