AMP Balanced Growth

Quarterly Investment Option Update

31 December 2020

Aim and Strategy

To provide moderate to high returns over the medium to long term through a portfolio diversified across the main asset classes, but with an emphasis on shares and property.

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

Asset Allocation	Benchmark (%)
International shares	32
Australian Shares	25
Australian Fixed Interest	10
International Fixed Interest	8
Listed Property and Infrastructure	7
Unlisted Property and Infrastructure	7
Growth Alternatives	5.5
Defensive Alternatives	3
Cash	2.5

Actual Allocation	%
International Shares	33.19
Australian Shares	25.50
Listed Property and Infrastructure	4.02
Unlisted Property and Infrastructure	10.96
Growth Alternatives	3.64
International Fixed Interest	8.23
Australian Fixed Interest	10.06
Defensive Alternatives	2.95
Cash	1.44

Fund Performance

The Option delivered a strong positive return over the December quarter, continuing its impressive rebound since its lows in March, to finish the year on an encouraging note. As has been the case since March, the momentum of growth assets continued to be the key driver of the strong performance. However, over the quarter, the Option underperformed the benchmark (before fees), largely due to weak underlying manager returns, which also impacted its performance versus peers. Despite this, longer-term performance remains robust and ahead of peer median.

Geopolitics, stimulus relief and COVID-19 news dominated share markets. In the US, political uncertainty was quelled as Joe Biden was confirmed by the electoral college as the President Elect of the United States of America. Additionally, the signing of the economic stimulus relief bill, the CARES Act, provided further reprieve and economic support. Despite a worrying increase in COVID-19 cases in the northern hemisphere, the announcement of three effective vaccines improved investor sentiment to extend the post-US election rally into the year-end. Overall, the S&P/ASX 200 index ended the quarter up 13.7% and the MSCI World ex Australia index closed up 12.7% (in local currency terms). Cyclical segments of the market and small-cap stocks were among the key winners. However, the Option slightly underperformed across both Australian and international shares due to an overweight in exposure to quality, growth and momentum securities in a period where value (cyclicals) outperformed. Furthermore, adverse movements the Option's emerging market exposures also detracted from returns.

In fixed income markets, government bonds were largely flat as interest rates were range bound, while credit markets rallied, consistent with the 'risk-on' tone. The Option benefited from underlying managers who gained timely exposure to the credit market as spreads tightened. Performance within the alternatives and unlisted asset classes were mixed, positively contributing overall.

Looking ahead, we remain cautiously optimistic for 2021. We believe the factors that benefitted markets in 2020, including: (i) easy monetary policy; (ii) fiscal stimulus; (iii) rollout of vaccines; and (iv) the resolution of many geopolitical concerns, are likely to continue in the new year. However, the sharp 'V-shaped' recovery has left markets somewhat susceptible to a correction. As such, holding an active, well-diversified exposure to both growth and defensive assets will continue to benefit the Option should volatility return. Consequently, our positioning has remained unchanged. We continue to target a broadly neutral allocation, including exposures to unlisted and alternative strategies, which act as important diversifiers to our listed securities.

Market Review

December saw some closure and improved visibility on issues that had been weighing on the market for most of 2020. Despite further COVID-19 waves, breakouts and new strains, tangible plans for vaccine rollouts in 2021 showed an improved path to normalcy. In Europe, a Brexit deal was finally agreed and signed. All-in-all, the global environment imparted a more positive backdrop at the tail-end of the year which kept equity markets supported. However, many equity markets now look stretched and signs of excessive optimism have been reflected in IPOs often trading significantly above their launch valuations, with sketchy or sometimes zero profitability.

Ahead of the US presidential election global equities exhibited mixed performance as the initial acrimonious presidential debate impacted market certainty and support. After a protracted count, Democratic candidate Joe Biden won the election, although it took significant time for the Trump administration to tacitly accept defeat and agree to co-operate with a transition of power. Post the US election, global equity markets were buoyed by increased political certainty and positive news on several viable COVID-19 vaccines.

Global markets will be looking ahead to 2021 hoping than the impact of 2020 will be able to be reversed as soon as possible once vaccine programmes start to make their full effect felt.

Availability

Product Name	APIR
AMP Flexible Super - Retirement	AMP1321AU
Flexible Lifetime - Allocated Pension	AMP0594AU
Flexible Lifetime - Term Pension	AMP0894AU
SignatureSuper - Allocated Pension	AMP1130AU*

*Closed to new investors

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