



AMP Capital Ethical Leaders Conservative

Quarterly Investment Option Update

31 December 2020

Aim and Strategy

To provide a total return (primarily income with some capital growth) after costs and before tax, above the return from the relevant benchmarks of the underlying investments on a rolling three-year basis. The portfolio invests in all asset classes, with a core of cash and fixed interest and some exposure to shares and property. With the exception of cash, 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	3 years
Relative risk rating	Medium
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
International Fixed Interest	24
Australian Fixed Interest	22
Cash	19
International shares	15
Australian Shares	11
Listed Property and Infrastructure	5
Unlisted Property and Infrastructure	2
Defensive Alternatives	2

Actual Allocation	%
International Shares	15.05
Australian Shares	11.13
Listed Property and Infrastructure	5.91
International Fixed Interest	24.25
Australian Fixed Interest	22.29
Cash	21.38

Fund Performance

The Fund produced a strong positive return over the December quarter, building on gains made over the previous two quarters, to end the year in positive territory. It outperformed its benchmark over the quarter, mainly due to the strong performance of our fixed income, Australian and international shares managers.

The diversified fixed income allocation posted a small positive return and outperformed its benchmark. Credit allocations were key contributors to the outperformance, as broader Australian and global bond allocations were largely flat.

The Australian shares allocation produced a very strong positive return and outperformed its benchmark. Stock selection was the main driver of the outperformance, while sector allocation detracted from relative returns. Stock selection was particularly strong within the materials and communication services sectors. The largest positive contributors to relative returns were an underweight (not held) position in Newcrest Mining, and overweight positions in REA Group and Virgin Money UK.

The international shares allocation delivered a strong return and outperformed its benchmark by a healthy margin. Stock selection was the main driver of the outperformance, and sector and country allocation also contributed positively to relative returns. Stock selection was particularly strong in the Information Technology sector, with some of the largest contributors including overweight positions in Samsung Electronics, Taiwan Semiconductor Manufacturing and Applied Materials. Exposures to emerging markets also contributed positively.

Meanwhile, the global listed property allocation posted a robust return but underperformed its benchmark.

During the quarter, we enhanced our fossil fuel investment screen so that all Ethical Leaders funds will move towards being fossil fuel-free. Details for this screen are set out in our Ethical Investment Charter, found on our website at www.ampcapital.com/ethicalinvesting. With this change, we believe the funds will be leading the investment industry on climate change.

Environmental Social Governance

During the period, we enhanced our fossil fuel investment screen so that all Ethical Leaders (EL) funds will move towards being fossil fuel-free. Our fund managers also continued to address climate change. **DNR Capital** engaged with several companies to discuss their transition plans to renewables, carbon neutral targeting, and other green energy initiatives.

EL fund managers also remained focussed on the COVID-19 pandemic and its impact on human rights, as the pandemic has increased worker vulnerability and pushed more people into modern slavery. Our managers are collaborating to engage with companies to address issues in the companies' supply chains. **Ausbil** participated as a panellist at the 2020 RIAA Conference (Responsible Investment Association Australasia) and co-signed an investor statement on forced labour risks in global supply chains.

They also successfully engaged with several companies on corporate governance. **Ausbil** met with National Australia Bank (NAB) to discuss its upcoming annual general meeting. They primarily considered the companies' changed remuneration structure. The manager also engaged Aristocrat Leisure on how they are addressing culture across their global offices.

Market Review

Geopolitics, stimulus relief and COVID-19 news dominated investor sentiment over the quarter. In the US, political uncertainty was quelled, as Joe Biden was confirmed by the electoral college as the President Elect of the United States. Additionally, the signing of the economic stimulus relief bill, the CARES Act, provided further reprieve and economic support. On the COVID-19 front, despite a worrying uptick in cases in the northern hemisphere, the announcement of three effective vaccines added fuel to the post-US election 'risk on' tone.

Central banks were again prominent in the financial markets. The US Federal Reserve noted it intends continuing asset purchases "at least at the current pace" over "coming months", as US manufacturing data for November and weekly jobless claims indicated fragility in the country's labour market. Similarly, the European Central Bank increased its pandemic emergency asset purchase programme by €500 billion and undertook not to terminate the programme before the end of March 2022.

Government bonds were generally unchanged as yields were largely range bound, while global credit markets were buoyed by sustained demand for investment-grade credit securities within the prevailing low-yield environment. Financials were buoyed by profit results from the major US commercial banks, while energy producers benefited as the major oil producing nations agreeing to more gradual output increases in 2021. However, the emergence of a new variant of the COVID-19 virus in the UK and the subsequent re-introduction of

severe lockdown restrictions weighed on earlier optimism amid concerns that potential similar moves in other countries would delay tentative moves towards re-opening and thus hamper a global economic recovery.

Australian and international share markets rallied strongly on the back of the COVID-19 vaccine developments and optimism around further US stimulus. The UK and Europe also finally agreed on a Brexit deal, over four years after the referendum, which further supported share markets. While opportunities in beaten-down segments remain, other companies appear to exhibit somewhat optimistic valuations, highlighting the large dispersion of fundamentals and perceived growth outlooks from company to company, as economies emerge from the COVID-19 crisis. Overall, the S&P/ASX 200 index ended the quarter up 13.7%, while the MSCI World ex Australia index rose 12.7% (in local currency terms), with cyclical segments of the market and small cap stocks among the key winners. Emerging markets outperformed developed market shares.

Global listed real estate markets generally rose strongly, and Unlisted assets and alternatives also saw gains.

Outlook

Looking ahead, we remain cautiously optimistic for 2021. Positive market momentum has continued into the start of the new year and ongoing easy monetary policy, fiscal stimulus, rollout of vaccines and the resolution of many geopolitical concerns has benefitted markets. However, COVID-19 remains the key driver of market volatility.

As the northern hemisphere continues to experience an uptick in cases, an increased focus on vaccine distribution and efficacy is likely to be at the forefront of markets. This, alongside the sharp 'V-shaped' recovery experienced in the second half of 2020, leaves markets somewhat susceptible to a correction. Should volatility reappear, it is important to remain focussed on the long term.

We continue to target a broadly neutral allocation across most listed asset classes to mitigate risk. We also remain overweight cash, at the expense of direct infrastructure and alternatives, to maintain appropriate liquidity.

Availability

Product Name	APIR
AMP Flexible Super - Retirement	AMP1372AU**
AMP Flexible Super - Super	AMP1501AU**
CustomSuper	AMP1034AU**
Flexible Lifetime - Allocated Pension	AMP1023AU**
Flexible Lifetime - Investments (Series 1)	AMP1057AU**
Flexible Lifetime - Investments (Series 2)	AMP1435AU**
Flexible Lifetime - Super	AMP1034AU**
Flexible Lifetime - Term Pension	AMP1044AU**
SignatureSuper	AMP0978AU**
SignatureSuper - Allocated Pension	AMP1174AU**

**Closed to new and existing investors

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