

AMP Monthly Income Fund No. 2

Quarterly Investment Option Update

31 December 2020

Aim and Strategy

To provide for a distribution rate of 0.75% per month and to achieve an underlying balance of capital growth and income over the medium to long term, primarily through a diversified portfolio of shares, property, fixed interest and cash.

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

Asset Allocation	Benchmark (%)
Australian Shares	44
Australian Fixed Interest	34
Cash	13
International shares	6
Listed Property and Infrastructure	3

Actual Allocation	%
International Shares	6.08
Australian Shares	45.02
Listed Property and Infrastructure	3.51
Australian Fixed Interest	34.93
Cash	10.47

Fund Performance

The Fund posted a strong 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 the second quarter of 2020, the momentum of growth assets continued to be the key driver of the strong performance.

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 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. In relation to COVID-19, despite a worrying increase in cases in the northern hemisphere, the announcement of three effective vaccines added fuel to the post-US election share market rally. Overall, the S&P/ASX 200 index ended the quarter up 13.7%, while 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. 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.

Within the Fund, strong stock selection and a small overweight in Australian shares exposure, led to a significant outperformance of the benchmark. The income-orientated Australian share strategy benefited from exposures to high-yielding, cyclical sectors, such as commodity and bank stocks, rallying on positive sentiment.

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, will continue into the new year. However, the sharp 'V-shaped' recovery has left markets somewhat susceptible to a correction. As such, holding an active, well-diversified asset exposure, to both growth and defensive assets, will continue to be supportive should volatility return.

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 that 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
Flexible Lifetime - Investments (Series 1)	GIO0002AU**
Flexible Lifetime - Investments (Series 2)	AMP1443AU**

**Closed to new and existing investors

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