

# AMP Capital Conservative

## Quarterly Investment Option Update

31 March 2021

### Aim and Strategy

To provide returns primarily from income as well as some capital growth over the short to medium term, by investing mainly in defensive assets with some exposure to growth assets. Exposure to individual asset classes will be attained through the use of index-focussed investment managers. This investment option seeks to provide an index-focused solution to diversified investing. Through a process of diversified market analysis combined with selection of the most appropriate investment managers for each underlying asset class, this investment is designed to provide market tracking returns over the suggested investment timeframe. Global shares may be partially or fully hedged back to Australian dollars.

### Investment Option Performance

To view the latest investment performances for each product, please visit [www.amp.com.au/performance](http://www.amp.com.au/performance)

### Investment Option Overview

<b>Investment category</b>	Multi-Sector
<b>Suggested minimum investment timeframe</b>	3 years
<b>Relative risk rating</b>	Low to Medium
<b>Investment style</b>	Active
<b>Manager style</b>	Multi-manager

<b>Asset Allocation</b>	<b>Benchmark (%)</b>
Australian Fixed Interest	29
Cash	26
International Fixed Interest	15
International shares	12
Australian Shares	11
Listed property and infrastructure	7
Unlisted property and infrastructure	0
Defensive alternatives	0
Growth alternatives	0

  

<b>Actual Allocation</b>	<b>%</b>
International Shares	13.71
Australian Shares	11.53
Listed Property and Infrastructure	8.89
International Fixed Interest	13.32
Australian Fixed Interest	29.48
Cash	23.08

## Fund Performance

The Option delivered a strong positive return over the March quarter, its fourth consecutive period of positive performance. Growth assets continued to be the key driver of performance, as broad-based optimism drove share markets higher, while more defensive assets weakened over the period. The Option outperformed its neutral benchmark (on a gross basis), largely due to strong performance by underlying managers. However, performance relative to peers was constrained as the weakness of defensive assets weighed on overall performance. Longer term performance relative to peers remains broadly in line with expectations.

In fixed income markets, government bonds and investment-grade credit retraced recent gains as interest rates rose sharply due to increased stimulus and an optimistic outlook. The fixed income allocation was similarly impacted, particularly those underlying managers with longer duration positions. Conversely, the unlisted assets and alternatives allocations, particularly private equity, gained as positive revaluations boosted returns.

In share markets, investors reacted positively to the execution of a US\$1.9 trillion US economic stimulus bill, the American Rescue Plan Act, as well as strong progress on the vaccine rollout in the US and UK. Further economic support and the continued inoculation effort are expected to allow global economies to sustainably reopen and realise strong economic growth throughout 2021. Overall, the S&P/ASX 200 index ended the quarter up 4.3% while the MSCI World ex Australia index closed 6.2% higher (in local currency), largely driven by sharp gains in value stocks and commodities. The Australian share allocation performed broadly in line with the market and the international share allocation outperformed due to strong gains in value-led strategies.

Looking ahead, we remain cautiously optimistic for 2021. As the COVID-19 vaccine rollout continues to gain pace globally and the hospitalisation rate continues to trend downward, economies are able to ramp up their re-opening efforts, which could set them up for an economic boom. Against this backdrop, we look favourably upon shares relative to bonds. However, the sharp 'V-shaped' recovery has left markets somewhat susceptible to a correction. Consequently, our positioning has remained unchanged. We continue to maintain an active, well-diversified asset exposure, which should help mitigate volatility should this scenario arise. Furthermore, the Option's sizeable allocation to defensive assets should provide some protection should market sentiment deteriorate.

## Market Review

Share markets were volatile over the March quarter overall as uncertainty increased around the potential effect of upward pressure on bond rates, evidenced toward the tail-end of the quarter, nascent inflationary pressures, and how central banks will react in the current environment. There were also some concerns over the pace of vaccine rollout in some countries, supply bottlenecks, and the general pace of economic recovery. However, countering this, global share markets saw some support in the period from improving visibility developing around these areas. Despite this, technology stocks continue to exhibit some risk-on / risk-off vacillation around potentially excessive valuations and the ongoing rotation bias from growth into value.

In the US, the US\$1.9 trillion support programme was passed in an attempt to provide further stimulus to the economy and make good an initial election promise to reduce some economic inequality. Markets are hoping the programme will be able to stimulate activity without stoking inflation. The passing of the bill has imparted some confidence to the new administration and Joe Biden gave his first press conference, albeit somewhat later than expected, with optimism.

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## Availability

Product Name	APIR
Flexible Lifetime - Investments (Series 1)	AMP0012AU**
Flexible Lifetime - Investments (Series 2)	AMP1392AU**

\*\*Closed to new and existing investors

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