



AMP Capital Conservative

Quarterly Investment Option Update

30 June 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

Investment Option Overview

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

Asset Allocation	Benchmark (%)
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

Actual Allocation	%
International Shares	12.28
Australian Shares	11.52
Listed Property and Infrastructure	8.04
International Fixed Interest	13.46
Australian Fixed Interest	28.12
Cash	26.58

Fund Performance

The Option delivered a positive gain over the June quarter, rounding off an exceptionally strong performance for the 2020-21 financial year. Most asset classes posted positive returns over the quarter, with domestic and international share markets delivering the strongest returns. The Option outperformed relative to its benchmark (before fees), and also performed well compared to its peers over the period.

Fixed income markets, government bonds and investment grade credit moved sideways as yields remained largely range bound. The Option's underlying fixed income managers outperformed the market. Unlisted assets, particularly private equity, as well as alternatives such as 'style premia' strategies, also generated positive returns as revaluations rose alongside listed markets.

Share markets moved higher due to supportive monetary and fiscal policy, combined with continued economic recovery, which was enabled by the accelerating inoculation effort across developed countries. Manufacturing and service sector activity rose strongly, and against this backdrop most share market sectors rallied. The S&P/ASX 200 index ended the quarter up 8.3% while the MSCI World ex Australia index closed 7.6% higher (in local currency terms). Listed property and infrastructure sectors made meaningful gains following assurances from the US Federal Reserve that any tightening in the near term is unlikely. Within the Option, broad Australian and international share exposures performed largely in line with markets. However, exposures to more value-driven, yield-sensitive sectors such as listed property and infrastructure outperformed, boosting overall performance.

Looking ahead, we remain cautiously optimistic about the outlook for markets. As the COVID-19 vaccine rollout continues to gain pace and economic growth follows on the back of the gradual rollback in lockdown measures, we believe the recovery theme remains intact. Against this backdrop, we look favourably upon shares relative to bonds. However, new COVID-19 variants and inflationary concerns has left markets somewhat susceptible to a correction. The Option maintains an active, well-diversified asset exposure which should continue to support returns in this environment. Furthermore, its sizeable allocation to defensive assets should support performance in the event further volatility arises.

Market Review

The economic backdrop became more complicated as the quarter progressed. Uncertainty over the persistency of inflationary pressures, ongoing stimulus packages, more hawkish than expected US Federal Reserve communications, and stretched valuations in many areas, all resulted in a more heterogeneous market interpretation of future economic direction and an increasingly fluid risk on/ risk off bias. In addition, there remain some unresolved global supply-demand mismatches. The G7 meeting in Cornwall concluded with communications regarding the equalisation of global taxes but there is long way to go before anything concrete can be agreed on an international basis. The meeting also laid bare the West's increasingly fractious relationship with China. However, this year's summit was generally considered to be more positive than recent ones under the Trump administration, which should augur well for increased global cohesion, especially amongst developed democracies. Strong US demand is coming up against some supply-demand mismatches and bottlenecks which are also boosting market fears of inflation. However, the US Federal Reserve is playing down inflationary risks, citing they are transitory, which is currently assuaging markets. Despite this, investors will be watching how the combined effect of ongoing stimulus programmes, married to disrupted and possible structural changes to some supply chains, may ultimately impact the longer-term inflationary environment.

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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