

AMP Capital Conservative

Quarterly Investment Option Update

30 September 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 | 13.35 |
| Australian Shares | 11.48 |
| Listed Property and Infrastructure | 7.52 |
| International Fixed Interest | 15.06 |
| Australian Fixed Interest | 29.87 |
| Cash | 22.73 |

Fund Performance

The Option delivered a positive gain over the September quarter, despite bouts of volatility throughout the period. Performance was mixed for most asset classes, with share allocations starting off strongly then selling off in September as global sentiment deteriorated. The Option performed broadly in line with the neutral benchmark over the quarter (before fees), as positive underlying manager performance in listed real asset sectors was offset by slight underperformance in broader share and international bond exposures. The Option underperformed against its peers over the period.

In fixed income markets, government bonds and investment grade credit tracked sideways as yields remained largely range bound. Within the Option, underlying fixed income manager performance was mixed as domestic allocations underperformed while international allocations exceeded benchmark. Unlisted assets, particularly private equity, as well as absolute return strategies, also generated small gains in line with listed markets.

July and August saw share markets continue to move higher as a strong earnings season and dovish global central banks buoyed investor sentiment. However, growth and inflationary concerns late in the period saw most global share markets retrace earlier gains. Overall, the S&P/ASX 200 index ended the quarter up 1.7% while the MSCI World ex Australia index closed 0.6% higher (in local currency terms). Emerging market shares ended down 2.8% (in local currency terms) as increased regulations in China as well as the potential default of large Chinese property developer, Evergrande, saw investors rotate out of the region. Listed real assets also started strong but gave up a portion of gains by quarter end as concerns about China increased, and as global economic growth weakened. Within the Option, broad Australian and international share allocations slightly underperformed benchmark, but still generated a positive return. Exposures to inflationary-driven, yield-sensitive sectors, such as property and infrastructure, outperformed and boosted overall Option performance.

Despite increased volatility over the quarter, we remain optimistic about the remainder of 2021. With the global economy on the path to recovery, we continue to look favourably upon shares relative to bonds. However, the impact of the pandemic during the northern hemisphere winter, as well as inflationary concerns and future tightening of monetary policy, has left markets somewhat susceptible to a short-term correction. Maintaining an active, well-diversified asset exposure in addition to a focus on the long term should aid portfolio resilience and performance outcomes. Furthermore, the Option's sizeable allocation to defensive assets should support performance in the event further volatility arises.

Market Review

A complex macroeconomic and political backdrop characterised the September quarter, pulling markets in varying directions. Major themes included ongoing fears on the persistency of inflation, a focus shifting towards living with COVID-19 rather than persisting with lockdowns - particularly given much of the population has now had the opportunity to be vaccinated - and the mixed interpretation of central bank communications leading to continued speculation on the path towards 'normalisation' of monetary and fiscal policy. Geopolitics was also heavily in focus, as the US withdrew from Afghanistan, leading to a swift and unopposed takeover by the Taliban regime. China was also in the spotlight during the period, coming under criticism for adopting an apparent conciliatory tone towards the Taliban, in addition to its continued regulatory crackdown on technology and the property sector amid its continuing broader shift towards 'big government' policy. Later in the quarter, volatility rose in markets on heavily fluctuating commodity prices, as well as the news that major Chinese property developer, China Evergrande Group, had run into financial stress, with concerns that a failure to pay its debts could spread to global markets, given its significant size. This volatility was further exacerbated by concerns on the Biden administration's upcoming tax rises and an impending debt-ceiling in the US, with the risk of a government shutdown possible.

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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