

AMP Dynamic Balanced

Quarterly Investment Option Update

31 March 2022

Aim and Strategy

The investment objective of the portfolio is to outperform the median of the Chant West growth fund survey over the investment horizon of the fund (7 years). The portfolio aims to provide the investor with a cost-effective investment across the main asset classes with higher exposure to growth assets. Exposure to these will be attained predominantly through the use of index-focussed investment managers. A portion of the portfolio (25%) also runs a dynamic asset allocation investment approach which aims to achieve growth by adopting a flexible approach to asset allocation. This portion of the portfolio will have exposure to assets such as shares, listed property, commodities, fixed income, credit and cash through derivatives, exchange traded funds or index funds.

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

Asset Allocation	Benchmark (%)
Australian fixed interest	N/A
Australian shares	N/A
Cash	N/A
Global fixed interest	N/A
Global shares	N/A
Growth alternatives	N/A
Listed property and infrastructure	N/A
Actual Allocation	%
International Shares	30.48
Australian Shares	24.36
Listed Real Assets	15.34
Cash	8.06
International Fixed Interest	7.89
Australian Fixed Interest	7.57
Alternative Assets	6.31

Fund Performance

The Fund produced a negative return in the March quarter, as global markets continued to be heavily impacted by rising inflation and rapidly-shifting central bank policy, especially from the US. US core inflation has risen to above 5% and headline inflation is above 8.5%. The US Federal Reserve (Fed) has pivoted quickly to an inflation fighting mindset. Through March the Fed raised rates by 0.25%, with a further eight hikes priced over 2022. The Fed has also signalled a much faster unwind of bond holdings ('quantitative tightening' or 'QT') than originally expected.

Over the quarter, global equities fell over 5% (as measured by the MSCI World ex Aust. Index - Hedged AUD), while emerging markets fell by approximately 7%. Global bond markets also performed poorly, with the broad Bloomberg Barclays Global Aggregate falling by approximately 5%, and in Australia the Bloomberg AusBond Composite Index falling almost 6%. Commodity-centric areas of markets performed exceptionally well including Australian resources, Latin America, and of course commodities themselves.

Within the actively-managed portion of the Fund, invested in the AMP Capital Multi-Asset Fund, performance was resilient, with positioning leaning towards commodity markets, listed real assets, alternatives, and cash. The portfolio is leaning away from bonds, emerging markets such as China, and growth-centric equity sectors such as the US. Active management in a majority of the actively-run areas of the portfolio continues to add significant value.

The path of economic growth is likely to be lower as the impact of higher prices, costs, and interest rates ripples through economies. Alongside the high level of geopolitical shocks and lack of the normal safety valves (e.g. monetary policy), we expect the trend of higher volatility to continue. The potential for a 'policy mistake' has risen, but our base case remains that inflation is likely to come back down over the next 12 months, though remain above levels of recent years given some of the forces driving higher prices will not disappear quickly. These include shortages in commodities and labour. Some of this depends on the extent to which central banks decide to fight current inflation aggressively, and in the process damage momentum in other parts of the economy. At present recession is not expected in the next six months, but the concerns around it will increase. The reality remains that fundamentals are (at present) quite strong in many economies, but less so in others such as China and, more recently, Europe. Earnings trends have softened somewhat - the US earnings season is expecting around 5% year-on-year growth, but a lot of that is in the energy sector. Europe looks more vulnerable at present and China's commitment and ability to stimulate its economy is an open question.

Market Review

The beginning of the March quarter saw growth asset markets globally experience significant falls and volatility, as concerns increased around prevailing high inflation rates and the path towards the normalisation of interest rates. Despite a raft of concerns, sentiment generally improved in many growth markets towards the end of the quarter. Inflation increased further to 7.9% in February in the US and remains significantly elevated in most major economies like the UK and Canada. With no sign of a reprise in rising costs of living, the US Federal Reserve (Fed) finally raised rates in March by 0.25%, whilst also signalling it would likely raise them six more times this year. The US yield curve also became inverted (as measured by a narrowing gap between 10-year bond yields and 2-year bond yields), raising further recessionary fears.

By mid-February, investor sentiment shifted its focus towards Eastern Europe following Russia's invasion of Ukraine, which continued through the period. Economic sanctions were placed on Russia by nations around the globe. In a surprise counter to the sanctions, President Putin subsequently announced that Russia would seek payment from "unfriendly countries" for its oil and gas in Russian rubles, a significant move given a partial dependence on Russian energy supply from many European nations, including Germany, France, the Netherlands, Italy, Hungary, and Poland.

Availability

Product Name	APIR
SignatureSuper	AMP2058AU*
SignatureSuper - Allocated Pension	AMP2057AU*

*Closed to new investors

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