AMP Capital Dynamic Markets

Quarterly Investment Option Update

30 June 2019

Aim and Strategy

To provide a total return (income and capital growth) before costs and before tax above the benchmark (being the Reserve Bank of Australia inflation rate (Consumer Price Index) - trimmed mean plus 4.5% per annum), on a rolling 5 year basis, by investing in a portfolio that is diversified across asset classes. The aim is to maintain a portfolio that is relevant to market conditions, and which more closely matches the needs of the investor. The portfolio is actively managed in terms of asset allocation and currency hedging, with the flexibility to change the asset class mix and currency hedging level at any time within broad ranges. This allows AMP Capital to move the asset allocation mix across a range of asset classes in order to take advantage of opportunities arising from market mispricing. The portfolio provides investors with diversification by investing across a range of traditional asset classes such as shares, listed property, commodities, fixed income, credit and cash. The underlying asset class exposures are achieved by investing in passively managed investments such as index funds, exchange traded funds (ETFs) and derivatives.

Investment Option Performance

To view the latest investment performances for each product, please visit www.amp.com.au

Investment Option Overview

Investment category	Multi-Sector
Suggested minimum investment timeframe	5 years
Relative risk rating	Medium to High
Investment style	Active
Manager style	Single

Asset Allocation	Benchmark (%)
Australian Fixed Interest	N/A
Australian Shares	N/A
Cash	N/A
Growth Alternatives	N/A
International Fixed Interest	N/A
International shares	N/A
Listed Property and Infrastructure	N/A

Actual Allocation	%
Cash	31.87
International shares (dev) (A$ hedged)	27.57
Global Sovereign bonds (A$ hedged)	19.31
Australian Sovereign bonds	8.28
Australian shares	5.28
Commodities (A$ hedged)	4.64
Emerging market shares (A$ hedged)	3.16

Fund Performance

The Fund delivered a solid return in June, continuing the Fund's positive start to 2019.

After effectively managing the volatility to deliver a flat return in a down market last month, the main positioning change this month was to add some risk back on and increase the level of growth assets in the portfolio, following dovish actions from central banks globally. This included the US Federal Reserve (Fed), the European Central Bank (ECB) and the Reserve Bank of Australia (RBA). June also saw a de-escalation and temporary truce between the US and China at the G20.

Increasing the portfolio's level of risk initially involved closing and taking profit on tactical short positions in oil and the Nasdaq, followed by increasing the allocation to European equities (via country allocations to France and Netherlands, which score highest on our asset allocation process amongst European countries) and emerging-market bonds, which are positive beneficiaries of global central banks' accommodative behaviour.

In addition, we have made moves to reduce duration and trim positions in the portfolio's bond holdings. With yields at such low levels, while sentiment is simultaneously at optimistic extremes (and positioning is crowded), we believe yields are vulnerable to a reversal. It therefore made sense to reduce the portfolio's exposure and lock in some profit on those positions. We do however retain some bond exposure in the portfolio and this is likely to remain until we see signs of a sustained turnaround in yields supported by positive fundamental economic data.

There were various contributions to the Fund's positive return in June. These included developed-market equities, commodities, emerging-market bonds and government bonds. Gold, in particular, which is a core high conviction position and represents a sizeable 10% allocation in the portfolio, had a significant breakout to reach its highest level in six years. This was driven by dovish central banks, which saw negative yielding sovereign debt continue to rise. Sovereign debt however remains an effective safe-haven from continued geopolitical tension and trade war headlines.

Finally, emerging-market bonds also contributed to the return. The asset class remains an effective and risk-controlled way to implement the team's positive view towards emerging markets.

Market Review

Global equities remained resilient during the quarter, despite the International Monetary Fund downgrading global growth forecasts. However, the risks around growth and the strong gains in shares this year have increased the probability of a correction. Central banks are retaining their bias towards accommodative measures as visibility on growth fades.

Despite the rise in equity values, there has been some flight-to-safety as trade war and geo-political risks increase, and this has seen bond yields fall, resulting in a positive correlation between bond and equity prices.

Despite the ongoing global trade tensions, hopes remain that a practical and sustainable resolution to the US-China dispute will be reached. However, market optimism is fragile and there remain significant risks. The US's approach appears to be widening in scope if anything, with its removal of India's preferential trade status and associated implementation of tariffs. In addition, the potential for armed conflict between the US and Iran has heightened the geo-political risk environment. There were thus great expectations for positive communications and outcomes for world trade at the G20 meeting in Japan at the tail-end of the quarter, particularly from sideline talks between country heads.

Availability

Product Name	APIR
AMP Flexible Lifetime Super	AMP1935AU*
AMP Flexible Super - Retirement account	AMP1986AU
AMP Flexible Super - Super account	AMP1937AU
CustomSuper	AMP1935AU*
Flexible Lifetime - Allocated Pension	AMP1988AU*
SignatureSuper	AMP9041AU
SignatureSuper - Allocated Pension	AMP9042AU

*Closed to new investors

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