AMP MySuper Capital Stable

Quarterly Investment Option Update

31 March 2020

Aim and Strategy

Aims to achieve a rate of return of 1.5% above the Consumer Price Index, after fees and superannuation tax, over the suggested investment timeframe. This investment option is an aged-based investment, meaning that its strategy has been designed to meet the investment needs of the average investor born before 1950. As capital stability is the priority of this investment option, it will hold mostly defensive assets such as fixed interest and cash. International investments may be partially or fully hedged back to Australian dollars. Subject to certain conditions, the underlying investments may use derivatives (such as options, futures, forwards and swaps) and engage in short selling.

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	No minimum
Relative risk rating	Medium
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
Australian Fixed Interest	18
International Fixed Interest	18
International shares	16
Australian Shares	15
Cash	13
Listed Property and Infrastructure	8
Defensive Alternatives	6
Growth Alternatives	6
Unlisted Property and Infrastructure	0

Actual Allocation	%
International Shares	16.48
Australian Shares	12.33
Listed Property and Infrastructure	8.03
Growth Alternatives	4.08
International Fixed Interest	16.83
Australian Fixed Interest	20.69
Defensive Alternatives	5.49
Cash	16.07

Fund Performance

AMP MySuper Capital Stable delivered a -8.5% return over the first quarter of 2020 as the world economy was brought to a standstill by the COVID-19 pandemic. Despite diversification and significant allocations to defensive assets, the size of share and credit market falls erased the returns generated in 2019. Pleasingly, as the option is designed for members at retirement age, negative impacts were less severe compared to options with greater allocations to growth assets.

The start of the year saw concerns shift from trade and geo-politics to COVID-19 and its effect on the global economy. As infection rates and the number of countries impacted increased exponentially, the disease evolved from a primarily China-centric issue to a catalyst for global recession. Defensive assets, such as government bonds and cash, benefitted from this environment as investors rotated to safety. Similarly, direct property and infrastructure assets reduced portfolio volatility as returns from direct assets are less sensitive to sharp market moves. However, growth assets experienced extreme volatility and tight liquidity conditions. Despite record fiscal stimulus packages by global governments, and further rate cuts and quantitative easing by central banks to ease the economic impact, both developed and emerging market shares fell 20% and 19% respectively (in local currencies terms), with the Australian share market following suit. In addition, credit markets suffered due to concerns about liquidity and corporate profit levels.

The outlook for 2020 is challenged as the severity and duration of the pandemic remains unclear. Markets are likely to be volatile in the months ahead. AMP MySuper Capital Stable now has below neutral exposure to shares as we prefer more defensive assets, such as bonds and cash, given the risk-adverse market environment. We also maintain broad exposures to alternative assets such as direct property, infrastructure and hedge funds which allow us to manage portfolio risk in periods of share market volatility. It is important for members to remember that these market shocks do not last forever and to remain focussed on the long term.

Market Review

The first quarter of 2020 began with the renewed conflicts between the US and Iran and the US-China trade tensions which were later resolved and share markets were encouraged by initial signs the global economy was improving. However, as March approached, the global surge in COVID-19 cases outside of China led to a pandemic. At the end of the quarter, despite the continued rise in new COVID-19 cases (especially in the US and Italy) and signs of a slowdown in global economic activity, share markets had a strong rebound in response to further announcements of unprecedented stimulus measures by governments and central banks.

The Federal Reserve reduced interest rates by a further 100 basis points to 0.00%–0.25% and commenced its quantitative easing. The US government announced the largest fiscal package, worth $US2 trillion. The Bank of Canada lowered its overnight rate target to 0.75% and launched a credit facility program.

In Europe, the UK officially left the European Union on 31 January. The European Central Bank launched a new Pandemic Emergency Purchase Programme, worth €750 billion. The Bank of England lowered its Bank Rate further and launched a new substantial quantitative easing program whilst the UK government announced it credit guarantees.

In Asia, China's central bank announced a reduction in reserve ratios for banks. The Bank of Japan provided a significant liquidity injection and expanded its quantitative easing program.

Availability

Product Name	APIR
AMP Flexible Lifetime Super	AMP1898AU
CustomSuper	AMP1898AU
SignatureSuper	AMP1886AU
SignatureSuper Select	AMP1886AU
SuperLeader	AMP1892AU

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