



AMP MySuper Capital Stable

Quarterly Investment Option Update

31 March 2022

Aim and Strategy

The strategy aims to achieve a rate of return of 1.0% pa above the inflation rate (measured by the Consumer Price Index), after fees and superannuation tax, over the suggested investment timeframe. Returns from both capital growth and income are provided through a diversified portfolio. This investment option is an age-based investment, meaning that the strategy of this investment option will change progressively over an investor's lifetime to meet the objective of the average investor born before 1950. As capital stability is the priority of this investment option, it will seek to preserve accumulated assets and minimise risk through the allocation to defensive assets, such as fixed interest and cash, whilst maintaining an exposure to growth assets. 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/performance

Investment Option Overview

Investment category	Multi-Sector
Suggested minimum investment timeframe	No minimum
Relative risk rating	Medium to High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
Global fixed interest	19
Global shares	18
Australian shares	17
Australian fixed interest	16
Cash	10
Defensive alternatives	5
Global listed infrastructure	5
Global listed property	5
Growth alternatives	5
Unlisted infrastructure	0
Unlisted property	0

Actual Allocation	%
International Shares	17.37
Australian Shares	18.09
Listed Property and Infrastructure	11.26
Growth Alternatives	3.49
International Fixed Interest	21.47
Australian Fixed Interest	15.97
Defensive Alternatives	2.16
Cash	10.19

Fund Performance

The Capital Stable option endured a highly volatile start to 2022, generating a negative return for the quarter. Concerns over the Russian invasion of Ukraine, higher commodity prices and an acceleration in interest rate hikes to combat inflation weighed on global equity and fixed interest allocations. Despite near-term volatility, longer-term performance remains in line with expectations over most key time horizons.

With Russia a major energy and commodity producer, the conflict in the Ukraine pushed prices to extreme levels over the period, exacerbating an already stretched global supply chain and surging inflationary environment. Global developed equity markets reacted negatively to this, finishing ~5% lower. Emerging-market equities struggled as concerns emanating from China amid a surge of Omicron cases compounded broader geopolitical concerns. Australian equities recovered towards quarter end as higher commodity prices and a sound economic backdrop boosted returns. Fixed income markets struggled as government bonds suffered one of their worst performing quarters in recent history. Bond yields moved higher as central banks became more hawkish, increasing cash rates in an attempt to manage persistent inflationary pressures. Both unlisted and listed real assets were relatively stable, with infrastructure outperforming property given the correlation to commodity and oil prices.

The option underperformed its CPI objective over the quarter but remains well ahead over longer periods. Most listed market allocations were constrained by broader market movements but stable returns from alternatives, such as hedge funds, in addition to cash and listed infrastructure helped limit the downside.

Looking ahead, we believe markets are likely to see continued volatility. Despite the potential for short-term fluctuations, economic growth and profit margins remain relatively healthy. Given this, we remain cautiously optimistic for equity markets. Bond exposures, however, are likely to see continued pressure as yields move higher.

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

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