

ipac Income Generator

Quarterly Investment Option Update

31 March 2022

Aim and Strategy

To provide regular income with some capital growth over rolling 5 year periods, whilst also maintaining moderate levels of capital stability. The portfolio uses a range of specialist investment managers to invest in a diversified mix of income-producing assets, including traditional income-generating investments like fixed interest and growth assets like equities (particularly Australian shares that generally pay higher dividends and can provide franking credits).

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	5 years
Relative risk rating	Medium to 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
Listed property and infrastructure	N/A

Actual Allocation	%
International Shares	25.42
Australian Shares	36.75
Australian Fixed Interest	37.83

Fund Performance

Amid falling broadly falling global markets, the Fund delivered a small positive return in the March quarter. The Fund continues to focus on regular and reliable income that grows in line with or above inflation through time. Since inception over a decade ago, the Fund has successfully delivered to investors a high-income stream, a capital base growing above inflation, and additional franking credits of over 0.9% per annum. As at February 2022, the fund produced approximately 1.5% in additional return from franking credits over a one-year period. The distribution yield is presently set at 3.9% (including franking and after fees), a yield that is approximately 15 times the level of current average one-year term deposits.

Portfolio Positioning

Over the quarter, the Fund added a new listed infrastructure strategy run by Dimensional Fund Advisors. This is a quantitative strategy that leans into the most attractive characteristics of the listed infrastructure market and represents an incremental improvement on the Fund's previous indexed listed infrastructure holdings. Elsewhere, the portfolio's new international equity strategy (GQG Quality Income Portfolio) has outperformed the broader (MSCI World ex Australia & Tobacco index) by approximately 7% since our investment late last year.

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 normalization 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 signaling 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.

Outlook

Inflation has risen quickly from commodity and supply chain disruptions, labour shortages, and stimulative financial and monetary policies. Whilst we expect inflation pressures to ease, policy makers are now actively moving to cap inflation, with expectations to raise interest rates to non-stimulatory levels. We believe the portfolio's focus on quality income; community infrastructure and high-quality short duration bonds sees it well positioned to weather volatility and continue to provide growing income streams. A rapid increase in interest rates is expected to provide significant opportunity over the next 12-18 months for fixed income and other credit related strategies, however we do not see now as being that time.

Availability

Product Name	APIR
SignatureSuper	AMP1735AU*
SignatureSuper Allocated Pension	AMP 1742AU*

*Closed to new investors

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