AMP MySuper Capital Stable

Quarterly Investment Option Update

30 September 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. 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 this product, please visit www.amp.com.au/performance

Investment Option Overview

Investment category	Multi-Sector
Suggested minimum investment timeframe	4 years
Relative risk rating	5 / 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	17.61
Australian Shares	16.70
Listed Property and Infrastructure	8.98
Growth Alternatives	6.13
International Fixed Interest	18.90
Australian Fixed Interest	13.71
Cash	17.97

Fund Performance

Early quarter saw a continuation of the themes challenging markets over prior months. This led to a negative return in the September quarter, whilst also constraining gains over the past 12 months. Continued inflationary and economic growth concerns, rising interest rates and geopolitical pressures have limited upside; however, despite near-term volatility, longer term absolute performance remains steady and in line with expectations. The Capital Stable option maintains a well diversified, moderately risk-adverse strategy primarily investing in bonds, cash, and equities; complimented by smaller allocations to alternatives, direct property and direct infrastructure. In the current environment, option performance was mixed. Bond allocations, which generally offer protection, did not support overall performance as rates continued to move higher, limiting returns. Equity allocations were also challenged over the quarter, with Australian equities underperforming the market index, largely due to poor stock selection by managers Macquarie and DNR in the banking and mining sectors. International equity allocations slightly underperformed as emerging markets remained under stress as economic growth and geopolitical concerns weighed on the sector.

The large allocation to cash did provide some welcomed stability, diversifying away from falling markets. The option underperformed its CPI objective over the quarter and the past 12 months, following a sharp rise in CPI in combination with broad based corrections across equity and bond markets. As we move towards year-end, markets are likely to remain volatile, though despite the potential for short-term fluctuations, there appear to be some green shoots of easing inflationary pressures, which are likely to be well received by investors, while central banks and equity valuations are beginning to move to attractive levels. Given this, we remain cautiously optimistic for markets

Market Review

Broader economic sentiment initially improved, then deteriorated during the September quarter. July saw a bout of optimism permeate markets, with early hopes inflation was close to peaking. This however faded mid-quarter, as hopes of an early central bank pivot fizzled out on the back of commentaries from central banks, most notably Fed Chair Powell's remarks at the Jackson Hole symposium, all of which conveyed a clear resolve to fight inflation with further rate hikes. Bearishness then increased in markets through the rest of August and September, not helped by a 40-year high monthly US inflation print, more nuclear threats from Vladimir Putin as Ukrainian forces drove Russian troops back, strife in the British bond market as soaring yields forced UK pension funds to cover losses, raising solvency concerns in the process, and even rumours of financial strife at global banking giant Credit Suisse surfaced.

Economic data releases through the quarter were generally soft. In the US, GDP was shown to have fallen in two consecutive quarters, marking a technical recession, though not being declared as one by US government departments due to a lack of 'significant decline in economic activity' evidenced by job markets' statistics. Payroll figures were shown to be stronger than expected and unemployment remained very low.

Availability

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