

ipac Income Generator

Quarterly Investment Option Update

30 September 2019

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

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
International Fixed Interest	N/A
International shares	N/A
Listed Property and Infrastructure	N/A
Actual Allocation	%
International Shares	18.12
Australian Shares	39.52
Australian Fixed Interest	42.37

Fund Performance

The Fund produced a strong return in the September quarter continuing the strong run of performance this year. Markets have provided a tailwind for yield-focused strategies in 2019 as interest rates have fallen, creating capital gains for bonds and valuation support for equities. The financials-heavy Australian market has benefited from this trend, as have real asset sectors such as listed infrastructure. It is too early to tell how effective the rate cuts seen to date have been and accordingly the RBA has paused in the current cutting cycle.

Portfolio Positioning

There were no major portfolio changes over the quarter. Mid-period, Qantas announced a buyback that offered an approximate 14% gain for zero taxpayers. We applied for the maximum allotment, with the buyback due to be completed on 4 November. Further buybacks are anticipated over the remainder of the financial year, continuing a strong run of franking credit delivery.

Market Review

Increasing predispositions by global central banks to become ever more accommodative during the September quarter have kept the bias on interest rates downwards, making equities relatively attractive and increasing the correlation between equities and bonds. However, the International Monetary Fund revised down its projection for global growth further during the period.

For the US-China trade dispute, which saw further escalation during the period, trust will need to be re-established between both parties at face-to-face meetings before any serious progress can be made. Until then, there is the potential for volatility to ramp-up substantially.

As was widely factored into the market, the US Federal Reserve (Fed) cut the Federal Funds Rate range by 25 basis points to 2.0-2.25% on 31 July; the first cut since the Global Financial Crisis, followed by a further cut of 25 basis points on 18 September to take the rate range to 1.75-2.0%.

In the US economy, the trade deficit continued to widen. However, as a whole, US economic data was generally benign, and the US stock market reached a record high during the quarter. There has been strong consumer-related and business data; however, jobs growth has been somewhat sluggish, and the ISM manufacturing conditions index remains subdued. Recent retail sales have risen more than expected and small business confidence remains strong, although latest labour market indicators have been more mixed.

Outlook

Despite strong recent performance, the current market outlook is increasingly uncertain. While low rates have supported valuations, they are at record lows and earnings continue to be downgraded at a rapid pace. Global manufacturing levels are declining amidst the trade war tensions and are yet to respond to policy easing. While the Fund's ability to generate income growing with inflation is ultimately going to be hindered by lower growth and rates, on the flip side, it has flexibility in asset allocation and bespoke mandates underlying the Fund which provide flexibility in stock and bond selection. The Fund's focus on sustainable high-quality earnings means that we are relatively well placed to generate resilient income levels.

Availability

Product Name	APIR
AMP Flexible Lifetime Super	AMP1708AU
AMP Flexible Super - Retirement account	AMP1763AU
AMP Flexible Super - Super account	AMP1755AU
CustomSuper	AMP1708AU
Flexible Lifetime - Allocated Pension	AMP1716AU
SignatureSuper	AMP1735AU
SignatureSuper - Allocated Pension	AMP1742AU

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