

AMP MySuper Capital Stable

Quarterly Investment Option Update

30 September 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/performance

Investment Option Overview

Investment category	Multi-Sector
Suggested minimum investment timeframe	No minimum
Relative risk rating	6 / High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
International shares	18
International Fixed Interest	17
Australian Fixed Interest	17
Australian Shares	17
Cash	10
Listed Property and Infrastructure	8
Growth Alternatives	7
Defensive Alternatives	6
Unlisted Property and Infrastructure	0

Actual Allocation	%
International Shares	17.50
Australian Shares	15.91
Listed Property and Infrastructure	7.78
Growth Alternatives	4.14
International Fixed Interest	19.38
Australian Fixed Interest	18.03
Defensive Alternatives	4.50
Cash	12.74

Fund Performance

AMP MySuper Capital Stable delivered a healthy return over the September quarter, building on the strong gains of the June quarter. In what was a period of two halves, growth assets initially provided a strong uplift to the overall return, while in September defensive assets protected members' capital as volatility increased.

While many economies around the world entered recession, in July and August share markets rallied. Buoyed by strong growth in the US technology sector and sustained monetary and fiscal policy stimulus, both the domestic and international shares allocations generated strong gains. However, by September share markets diverged as fears about 'second waves' of COVID-19 and further lockdowns dampened investor sentiment. Over the quarter, the S&P/ASX 200 index declined -0.4% while the MSCI World ex Australia index rose 6.9% (in local currency terms). Government bonds were generally unchanged as yields were largely range-bound, but credit markets rallied due to the 'risk-on' tone of the period. Unlisted assets were broadly flat as the impact of COVID-19 continued to weigh on asset prices.

In this volatile environment, the option performed relatively well largely due to active management. In particular, the active Australian share allocation finished well ahead of the S&P/ASX 200 index. In addition, the decision to hold overweight allocations in investment-grade and high-yield credit, rather than bonds, also boosted relative performance as monetary policy stimulus has anchored yields at low levels.

Looking ahead, the final quarter of the year is poised to be eventful for markets. With the US election, the potential of further fiscal stimulus and news of a vaccine for COVID-19, markets are likely to be volatile. As such, we remain confident that an active, diversified approach across defensive and growth assets will benefit members going forward and protect capital. We continue to hold tilts into credit markets, rather than bonds, as we expect continued global monetary policy stimulus to provide support. Option protection also continues to be implemented to help mitigate losses should share markets selloff.

Market Review

Global equities rose during most of the quarter as the balance of data and economic expectations was initially viewed positively and on hopes that a COVID-19 vaccine might be available in a compressed timeframe. However, by quarter end, global equity markets suffered a pullback, led by the technology sector which later broadened to other sectors. Energy was also impacted as the oil price pulled back. For COVID-19, conditions and outlook remained uncertain. The global death count from the pandemic has now exceeded the one million mark.

Escalating tensions between the US and China have also elevated uncertainty. The US has rejected China's territorial claims to the South China Sea and has ended Hong Kong's special trade status with the US, requesting support in its stance from its allies. The US administration has also moved to put restrictions on some Chinese companies operating in the US, including TikTok and WeChat, although the US courts have moderated some of these decisions.

In the US, there is likely to be further downward pressure on the US dollar as quantitative easing measures continue to ramp up. An ongoing US dollar retracement would be consistent with improving global growth relative to that in the US and the US Federal Reserve's aggressive quantitative easing programme, which is significantly increasing the supply of US dollars.

Availability

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

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