

ipac Income Generator

Quarterly Investment Option Update

30 September 2020

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	6 / 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	18.73
Australian Shares	38.47
Australian Fixed Interest	42.80

Fund Performance

The Fund's returns were close to flat over the quarter, reflecting an Australian share market that significantly underperformed the rest of the world, whilst additional weakness in Australian stock selection also dragged on performance. On a positive note, corporate bonds and Infrastructure performed well. In fundamental terms the portfolio continues to perform well, with expected franked yields (from its Australian stock holdings) around 2% higher than the broader market, and dividend-revisions around 4% better off.

Portfolio Positioning

There were no major asset allocation changes over the period. Stock allocation was increased for Harvey Norman, whilst Wesfarmers was reduced. BHP is now the largest single stock holding, reflecting the strength in the resource sector through this pandemic. Community Infrastructure (CommIF) increased its stake in the Victorian desalination plant and submitted a preferred bid for an Australian corrections facility, due to be announced at the end of October. CommIF assets continue to perform well.

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.

Outlook

We remain cautious in the near term. Virus cases are rising again in the US and Europe, which implies more restriction activity is likely for those regions. The lack of a support package before the US election and the approaching northern hemisphere winter, raise expectations that the fight against the virus may take a step back before improving again. Looking further ahead however, we think it's still highly likely that significant necessary support will be provided and medical advances in managing the virus will prevail. A democrat victory in both white house and Senate would improve the likelihood of a new and sizeable stimulus. This scenario is positive for income securities. Sectors such as banks, that have seen some interim weakness in dividends, are likely to see a partial reinstatement of those dividends as the pandemic eventually eases. In addition, stock price performance from 'dividend yield', as a market theme, is at historic extremes in terms of being underappreciated in the market. This suggests a period of catch up at some stage, most likely when foresaid medical advances initiate wider economic reopening's.

Availability

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

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