



ipac Income Generator

Quarterly Investment Option Update

30 June 2021

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
International Fixed Interest	N/A
International shares	N/A
Listed Property and Infrastructure	N/A

Actual Allocation	%
International Shares	18.68
Australian Shares	42.95
Australian Fixed Interest	38.37

Fund Performance

The Fund delivered another positive return in the June quarter. At present, the distribution yield is set at 3.9% (including franking and after fees), a yield that is around 13 times the level of current average one-year term deposits. The 2020/21 financial year has been highly unusual given the pandemic's impact on dividends and yields. While income has been curtailed from the market, company earnings continue to recover at a rapid clip, and this has been reflected in higher capital gains. Franking credits remain on track for our target of 0.65% at fund level, before rising again for this financial year.

Portfolio Positioning

There were no major changes in the June quarter. We continue to lean into Australian equities as the dividend recovery plays out. Further, we believe Australian equities offer the potential of further returns over the medium-term through buy-backs and franking delivery, which we expect to occur this year. We also continue to lean into areas such as direct infrastructure via the AMP Capital Community Infrastructure Fund and away from corporate bonds, with the yield gap between these two segments is as large as it has ever been.

Market Review

The economic backdrop became more complicated as the quarter progressed. Uncertainty over the persistency of inflationary pressures, ongoing stimulus packages, more hawkish than expected US Federal Reserve communications, and stretched valuations in many areas, all resulted in a more heterogeneous market interpretation of future economic direction and an increasingly fluid risk on/ risk off bias. In addition, there remain some unresolved global supply-demand mismatches. The G7 meeting in Cornwall concluded with communications regarding the equalisation of global taxes but there is long way to go before anything concrete can be agreed on an international basis. The meeting also laid bare the West's increasingly fractious relationship with China. However, this year's summit was generally considered to be more positive than recent ones under the Trump administration, which should augur well for increased global cohesion, especially amongst developed democracies. Strong US demand is coming up against some supply-demand mismatches and bottlenecks which are also boosting market fears of inflation. However, the US Federal Reserve is playing down inflationary risks, citing they are transitory, which is currently assuaging markets. Despite this, investors will be watching how the combined effect of ongoing stimulus programmes, married to disrupted and possible structural changes to some supply chains, may ultimately impact the longer-term inflationary environment.

Outlook

Australian equities will likely continue to be strongly influenced by global markets and events. The domestic economic backdrop meanwhile is being complicated by shifting policy on vaccine rollout by the Federal Government, most recently by a pivot in rollout emphasis away from the AstraZeneca to the Pfizer option, which will push out the herd immunity date as further Pfizer supplies need to be sourced. The risk is that a prolonged rollout period could dent business and consumer confidence, which could feed into equity prices in the short term. Despite this, Australia's greater degree of government stimulus relative to other countries, low COVID-19 cases from an international perspective and a supportive commodities backdrop look to be aiding the recovery process. We believe that attractive opportunities remain for capital returns and franking credit distribution, given the pandemic saw significant capital raising and capital management, which in many cases has translated into strong balance sheets and high franking balances.

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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