

# ipac Income Generator

Quarterly Investment Option Update

30 September 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](http://www.amp.com.au/performance)

## Investment Option Overview

<b>Investment category</b>	Multi-Sector
<b>Suggested minimum investment timeframe</b>	5 years
<b>Relative risk rating</b>	Medium to High
<b>Investment style</b>	Active
<b>Manager style</b>	Multi-manager

<b>Asset Allocation</b>	<b>Benchmark (%)</b>
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

<b>Actual Allocation</b>	<b>%</b>
International Shares	19.74
Australian Shares	40.71
Australian Fixed Interest	39.55

## Fund Performance

The Fund delivered a small negative return in September, while returns year-to-date continue to be strong. The month was notable for the negative performance of both equity and bond markets, where the Fund showed a degree of resilience as bond yields rose. A standout this month was elevated franking receipts accrued, with the Fund currently tracking at above double its initial target of 0.65%. The distribution yield is presently set at 3.9% (including franking and after fees), a yield that is around 15 times the level of current average one-year term deposits. The Fund's focus continues to be the production of regular, reliable income that grows in line with or above inflation through time, while maintaining liquidity and low costs.

## Portfolio Positioning

Positioning was largely unchanged in September. We continue to favour Australian equities due to the dividend-upgrade cycle and the heightened potential for buybacks. We also continue to prefer direct infrastructure, via the AMP Capital Community Infrastructure Fund, rather than corporate bonds; the yield gap between these two segments being as large as it has ever been.

## Market Review

A complex macroeconomic and political backdrop characterised the September quarter, pulling markets in varying directions. Major themes included ongoing fears on the persistency of inflation, a focus shifting towards living with COVID-19 rather than persisting with lockdowns - particularly given much of the population has now had the opportunity to be vaccinated - and the mixed interpretation of central bank communications leading to continued speculation on the path towards 'normalisation' of monetary and fiscal policy. Geopolitics was also heavily in focus, as the US withdrew from Afghanistan, leading to a swift and unopposed takeover by the Taliban regime. China was also in the spotlight during the period, coming under criticism for adopting an apparent conciliatory tone towards the Taliban, in addition to its continued regulatory crackdown on technology and the property sector amid its continuing broader shift towards 'big government' policy. Later in the quarter, volatility rose in markets on heavily fluctuating commodity prices, as well as the news that major Chinese property developer, China Evergrande Group, had run into financial stress, with concerns that a failure to pay its debts could spread to global markets, given its significant size. This volatility was further exacerbated by concerns on the Biden administration's upcoming tax rises and an impending debt-ceiling in the US, with the risk of a government shutdown possible.

## Outlook

The Australian equity market has recovered quickly in 2021, with earnings this year expected to grow by over 30% and gross yields on the index recovering to around 5%. Earnings in 2022 however are expected to flatten out, while internationally, we still see growth of around 8% into 2022 and 2023. Hence, we feel the timing is right for leaning somewhat towards international opportunities. Despite some very fast moves higher in rates, the outlook for bonds remains poor and credit pricing remains very expensive. We do not expect to be adding to fixed income strategies for some time yet, however we are preparing to capitalise on potential opportunities in higher yield credit markets when and if conditions warrant. Increased inflationary fears heading into 2022 may provide exactly the right conditions to create that opportunity.

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## 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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