AMP MySuper Capital Stable

Quarterly Investment Option Update

30 June 2022

Aim and Strategy

The strategy aims to achieve a rate of return of 1.0% pa above the inflation rate (measured by the Consumer Price Index), after fees and superannuation tax, over the suggested investment timeframe. Returns from both capital growth and income are provided through a diversified portfolio.

This investment option is an age-based investment, meaning that the strategy of this investment option will change progressively over an investor's lifetime to meet the objective of the average investor born before 1950.

As capital stability is the priority of this investment option, it will seek to preserve accumulated assets and minimise risk through the allocation to defensive assets, such as fixed interest and cash, whilst maintaining an exposure to growth assets.

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 this product, please visit www.amp.com.au/performance

Investment Option Overview

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

Asset Allocation	Benchmark (%)
Global fixed interest	19
Global shares	18
Australian shares	17
Australian fixed interest	16
Cash	10
Defensive alternatives	5
Global listed infrastructure	5
Global listed property	5
Growth alternatives	5
Unlisted infrastructure	0
Unlisted property	0

Actual Allocation	%
Global Shares	17.60
Australian Shares	16.47
Listed Property and Infrastructure	10.26
Growth Alternatives	5.57
Global Fixed Interest	21.15
Australian Fixed Interest	15.72
Cash	13.23

Fund Performance

The Capital Stable option endured a volatile end to the 2021/22 financial year, generating a negative return in the June quarter. Continued inflationary concerns, rising interest rates and conflict in the Ukraine limited any upside for investment markets over the quarter and year. However, despite near-term volatility, longer-term absolute performance remains positive.

With markets continuing to react negatively to persistent inflation and a rising rate environment, capital preservation continues to remain the priority for the Capital Stable option. This is realised by remaining well diversified and adopting strategies which adhere to this focus. However, over recent period some assets which usually provide protection in falling equity markets have failed to do so. Alongside falls in equity allocations, fixed income, particularly government bonds, did not support overall performance as interest rates rose and were large detractors from overall performance. This was partially offset by stable returns from the large allocation to cash investments. Additionally, certain credit strategies provided some respite relative to the benchmark, as allocations to bank loans were largely immune to the dramatic interest rate reset. Whilst still generating a negative absolute return, international equities allocations outperformed the market index, with manager AQR a standout, as strong stock selection in consumer discretionary and IT sectors boosted returns.

Despite outperforming market benchmarks, the option underperformed its CPI objective over the quarter and the financial year as a whole, following the sharp rise in CPI and in combination with broad based corrections across equity and bond markets.

Looking ahead, as the Ukraine crisis, inflation, monetary tightening remains a constant threat, markets are likely to remain volatile. Despite the potential for short-term fluctuations, there are some green shoots of easing inflationary pressures which would be well received by investors. Given this we remain cautiously optimistic for equity markets as valuations improve.

Market Review

The June quarter saw pessimistic global sentiment continue to drive further falls across various markets and asset classes, as traders began to price in a growing likelihood of recession, against a backdrop of hawkish central banks aggressively hiking rates to combat inflation. There were however some positive through the quarter, with China pulling-back some of its harsh COVID restrictions providing some much-necessary relief on ports and supply chains, as well as some tentative signs that goods inflationary pressure in the US may be slightly easing. Russia's war on Ukraine meanwhile rolled on, wreaking havoc on global energy markets, particularly in Europe – not to mention the terrible human cost.

Availability

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