

AMP MySuper Capital Stable

Quarterly Investment Option Update

30 June 2023

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. 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	4 years
Standard Risk Measure	5/Medium to High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
Australian Shares	17
Global Shares	19
Property	5
Infrastructure	5
Alternatives	5
Fixed Income	37
Cash	12

Actual Allocation	%
Fixed Income	38.78
Global Shares	20.09
Australian Shares	16.93
Infrastructure	4.89
Property	4.79
Alternatives	3.88
Cash	10.64

Fund Performance

The June quarter saw share markets continue their rally which started during the fourth quarter of 2022. This ultimately resulted in a firmly positive financial year for markets and more importantly, the Capital Stable Option overall. We feel this is particularly noteworthy given the broad-based negativity and volatility which surrounded markets and the economy 12 months ago.

With a focus on capital stability and preservation by allocating to bonds, shares and cash alongside smaller allocations to alternatives, direct property and direct infrastructure, the Option's performance has improved as the year progressed - despite mixed performances of underlying asset classes - highlighting the strength of diversification. Softer returns from bond and credit allocations were more than offset by strong gains in Australian and international share allocations. This was despite headlines being dominated by recessionary concerns, elevated inflation, and global central banks aggressively hiking interest rates. Diversifying allocations to alternatives, direct property, direct infrastructure and private equity were mixed and fell well short of share market gains.

The Option underperformed its CPI objective over the quarter, but remains behind over 12 months following elevated CPI levels over the last two years.

Despite recent share market gains, the road ahead for investors remains fraught with challenges and we expect markets to come under increased volatility over the next 6-12 months. Equity markets are precariously positioned, as much of the recent rally has largely been driven by gains in the tech sector, thanks to excitement surrounding Artificial Intelligence. Additionally, we are still yet to see the full effect of rising interest rates on global economic growth, with recessionary fears, particularly in the US and Europe, a highly plausible reality. In this environment, we believe the Option is well positioned, with a sizeable allocation to defensive assets, such as bonds and cash, for added protection and diversification.

Market Review

The June quarter saw previous concerns around banking stability ease somewhat, as did volatility in many investment markets. The US debt ceiling was, for some time, a focus in the financial press, though markets weren't overly bothered. In late May, a last-minute agreement was unsurprisingly reached, as has been the case so frequently in past decades. High but falling inflation remained an ever-present theme, with drops in commodity prices shown to be reducing headline figures, though core inflation remained somewhat sticky around the globe, notably in Europe and the US. Global employment levels remained close to full, while wages growth also continued. Services PMIs were shown to be at healthy levels, though declined slightly in June, while manufacturing PMIs continued to show contracting activity.

In the US, the economy continued to grow at a moderate pace, despite gloomy headlines. Inflation ticked down consistently and now sits at only 4.0%, a level last seen in April 2021 and well down from the peak of 9.1%. Jobless claims, while still low, trended slightly higher along with the unemployment rate, adding to hopes central banks may ease off the monetary brakes. Consumer spending meanwhile remained resilient, surprising a little to the upside.

Availability

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