

# ipac Income Generator

Quarterly Investment Option Update

31 December 2017

## Aim and Strategy

To provide regular income with some capital growth over the medium to long term with moderate fluctuations in value likely. 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 please visit [www.amp.com.au](http://www.amp.com.au)

## Availability

| Product name                            | APIR      |
|---|-----------|
| AMP Flexible Lifetime Super             | AMP1708AU |
| AMP Flexible Super - Retirement account | AMP1763AU |
| AMP Flexible Super - Super account      | AMP1755AU |
| CUSTOM SUPER                            | AMP1708AU |
| Flexible Lifetime - Allocated Pension   | AMP1716AU |
| SignatureSuper                          | AMP1735AU |
| SignatureSuper Allocated Pension        | AMP1742AU |

| Asset Allocation                                      | Benchmark | Range (%) |
|---|-----------|-----------|
| Australian Shares                                     | 5         | 0-15      |
| Global Shares   | 34        | 15-45     |
| Property & Infrastructure - Australian Infrastructure | 3         | 0-5       |
| Global Infrastructure                                 | 3         | 0-5       |
| Australian Property                                   | 1.5       | 0-7.5     |
| Global Property                                       | 1.5       | 0-7.5     |
| Australian Bonds                                      | 20.5      | 15-35     |
| Global Bonds  | 20.5      | 15-35     |
| Global Bonds  | 8         | 0-20      |
| High Yield Bonds                                      | 2         | 0-5       |
| Cash  | 1         | 0-20      |

## Investment Option Overview

|                                       |                 |
|---------------------------------------|-----------------|
| <b>Investment category</b>            | Multi - Sector  |
| <b>Suggested investment timeframe</b> | 3 or more years |
| <b>Relative risk rating</b>           | Medium - High   |
| <b>Investment style</b>               | Multi - Asset   |

| Top Ten Securities Exposure               | %    |
|---|------|
| British American Tobacco PLC              | 1.94 |
| COMMONWEALTH BANK AUST                    | 7.34 |
| Vodafone Group PLC                        | 1.81 |
| Australia & New Zealand Banking Group Ltd | 5.36 |
| Woolworths Group Ltd                      | 4.13 |
| BCE Inc                                   | 1.81 |
| Westpac Banking Corp                      | 4.05 |
| TOTAL SA                                  | 1.74 |
| Telstra Corp Ltd                          | 3.82 |
| AXA SA                                    | 1.67 |

| Actual Allocation          | %     |
|----------------------------|-------|
| Australian fixed income    | 44.82 |
| Australian shares          | 37.31 |
| Global shares              | 7.03  |
| Direct Infrastructure      | 4.31  |
| Listed Infrastructure      | 3.31  |
| Australian listed property | 3.22  |
| Cash                       | 0.00  |
| Inflation linked bonds     | 0.00  |
| Hybrids                    | 0.00  |

## Investment Option Commentary

The Fund had a strong December quarter. Australian equity markets were particularly strong, producing over half of the total gains for 2017 in this one quarter alone. Global markets were driven by strong cyclical earnings growth, which has not surprisingly benefited the more cyclical sectors, such as energy and financials. In Australia, this has meant our preference for stocks with quality earnings has lagged the market's return slightly. In fixed income, our corporate bond holdings performed well over the quarter. The Community Infrastructure Fund (CommIF) also performed solidly.

## Portfolio Activity

The portfolio had no major changes in the quarter, with Australian Equities strategies slightly favoured relative to fixed income. CommIF held a capital raising that we participated in to take our expected holding to slightly under 5%. CommIF is purchasing a further stake in the Victorian desalination plant, taking the total holding to just under 10%. It now holds 12 income producing assets across education, health, justice, water, and the community. The Fund also participated in the buyback for Rio Tinto, which offered an attractive uplift to our franking levels. We continue to look for attractive and tax efficient international strategies for the fund, with some potentially attractive options available, however there is significant work remaining.

## Outlook

We have been signalling the cyclical uplift underway in global growth for well over 12 months and this is now in full swing. Over 80% of global economies are now in expansion mode, and global earnings remain in double digit growth territory for 2018. Whilst this is very attractive for growing dividend income, the risk remains that inflation will at some point rise faster than it is currently and monetary policy will react more forcefully to counter it. The transition to this environment would mean more volatility for our total returns; however it would also allow the Fund better reinvestment rates on the fixed income component, which would be welcomed.

## Contact Us

**Web:** [www.amp.com.au](http://www.amp.com.au)

**Email:** [askamp@amp.com.au](mailto:askamp@amp.com.au)

**Phone:** 131 267 (Mon. to Fri. 8:30am to 6:00pm AEST)

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