

# ipac Income Generator

Quarterly Investment Option Update

31 December 2018

## 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 please visit [www.amp.com.au](http://www.amp.com.au)

## Investment Option Overview

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

<b>Asset Allocation</b>	<b>Ranges (%)</b>
Global shares	0-15
Australian shares	15-45
Listed property & infrastructure	0-15
Unlisted property & infrastructure	0-10
Global fixed interest	30-70
Australian fixed interest	
Cash	0-20

<b>Actual Allocation</b>	<b>%</b>
Global shares	6.78
Australian shares	36.35
Listed property & infrastructure	5.58
Unlisted property & infrastructure	5.47
Australian fixed income	45.28
Cash	0.54

## Investment Option Commentary

Global markets endured a volatile fourth quarter, with significant falls across Australian and global equities offset by a belated rally in bond prices. Global equities fell 13.6% in the quarter whilst Australia fell 8.6%. The 10-year Australian bond yield fell from 2.67% to 2.29 % whilst the US also fell. Defensive equity sectors as such as listed infrastructure also lost value. The Fund finished the year with a small loss, due mainly to the volatile fourth quarter. Australian equities were the major contributor to the fall in value, whilst corporate bond holdings added value. Despite the volatility, the quarter was very productive for the Fund, with two significant buybacks from BHP and RIO adding outsized-gains in franking credits.

The majority of the Fund is held in bespoke, separately-managed mandates that allow the investments to be managed specifically to meet the Fund's objectives to deliver income with some capital growth. This also allows the Fund to more closely target the Environmental, Social and Governance (ESG) requirements that AMP Capital prefers, including the exclusion of tobacco and munitions dominated companies. Our international equity holdings, historically managed by Epoch, are being transitioned to a new mandate specifically for Income Generator, which excludes exposures to the above sectors. This will occur early in 2019

## Outlook

Despite the recent volatility, it is unlikely that there will be a recession this year, with reasons to be positive given very strong employment, positive economic and earnings growth and very low interest rates. In Australia, dividend yields remain robust, at well over 5% before franking, whilst the stocks in our portfolio are collectively delivering well above 8% gross at present. Yields internationally have also improved. In fixed income, there remains a challenge given interest rates remain very low. However, the embedded yield in our corporate bond allocation is running at around 3.5% and offering a degree of diversification when growth turns lower. In other positive news, this year sees the likelihood of additional franking credit releases. RIO and BHP have already completed two large buybacks that have benefitted the Fund and there is potential for several more in the first half of 2019. The Fund will be targeting buybacks heavily again in 2019.

## Availability

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

## Contact Details

**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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