AMP Lifecycle Active Capital Stable

Quarterly Investment Option Update

30 June 2019

Aim and Strategy

Aims to achieve a rate of return of 1.5% above the Consumer Price Index, after fees and superannuation tax, over the suggested investment timeframe. This investment option is an aged-based investment, meaning that its strategy has been designed to meet the investment needs of the average investor born before 1950. As capital stability is the priority of this investment option, it will hold mostly defensive assets such as fixed interest and cash. 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 each product, please visit www.amp.com.au

Investment Option Overview

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

Asset Allocation	Benchmark (%)
Australian Fixed Interest	18
International Fixed Interest	18
International shares	16
Australian Shares	15
Cash	13
Listed Property and Infrastructure	8
Defensive Alternatives	6
Growth Alternatives	6
Unlisted Property and Infrastructure	0

Actual Allocation	%
International Shares	18.76
Australian Shares	14.39
Listed Property and Infrastructure	7.70
Growth Alternatives	4.54
International Fixed Interest	14.60
Australian Fixed Interest	17.03
Defensive Alternatives	4.52
Cash	18.46

Fund Performance

AMP MySuper Capital Stable delivered a strong 5.6% return over the 2018-19 financial year, in what was a volatile but positive period, as most asset classes rebounded from their December lows. Pleasingly, this is the fifth consecutive financial year gain for the option.

Over the June quarter, the option returned 2.8%, adding to the positive performance of the previous quarter. Developed market shares rose 3.5% over the period (in local currency terms), boosted by the increasing likelihood of monetary policy easing by central banks to combat slowing global growth. Australian shares outperformed most major share markets, returning 7.8% over the quarter, helped by the re-election of the Coalition Government and a reduction in the official interest rate by the Reserve Bank of Australia.

The more dovish tone of central banks, generally soft global data releases and bouts of geopolitical uncertainty over the period helped drive global interest rates to fresh lows. This supported safe-haven assets such as government bonds and other fixed income assets. The performance of alternative strategies was mixed, with hedge funds performing well, but style-based strategies lagging.

While the returns experienced over the first half of 2019 have been impressive, they are likely to moderate in the next half of the year. Most of the strength year-to-date has been driven by an expectation that easing monetary policy and fiscal stimulus will prolong the already historic length of this market cycle and support economic growth. To see meaningful upside from here, there needs to be signs that global growth is reaccelerating and geopolitical risks, like the US-China trade dispute, are resolving. A more likely scenario is that markets will trade sideways until the outlook for global growth becomes clear. We hold a broadly neutral exposure to shares, having increased our allocation to Australian shares as easing monetary policy should be supportive. We have also trimmed our bond exposure after a run of strong performance. With interest rates at these levels we expect low returns from bonds, however they remain an important source of diversification.

Market Review

Global equities remained resilient during the quarter, despite the International Monetary Fund downgrading global growth forecasts. However, the risks around growth and the strong gains in shares this year have increased the probability of a correction. Central banks are retaining their bias towards accommodative measures as visibility on growth fades.

Despite the rise in equity values, there has been some flight-to-safety as trade war and geo-political risks increase, and this has seen bond yields fall, resulting in a positive correlation between bond and equity prices.

Despite the ongoing global trade tensions, hopes remain that a practical and sustainable resolution to the US-China dispute will be reached. However, market optimism is fragile and there remain significant risks. The US's approach appears to be widening in scope if anything, with its removal of India's preferential trade status and associated implementation of tariffs. In addition, the potential for armed conflict between the US and Iran has heightened the geo-political risk environment. There were thus great expectations for positive communications and outcomes for world trade at the G20 meeting in Japan at the tail-end of the quarter, particularly from sideline talks between country heads.

Availability

Product Name	APIR
AMP Flexible Super - Super account	AMP2064AU

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