

AMP MySuper Capital Stable

Quarterly Investment Option Update

31 March 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 Interest	37
Cash	12

Actual Allocation	%
Global Shares	21.78
Australian Shares	17.61
Listed Property and Infrastructure	10.03
Growth Alternatives	3.70
Global Fixed Interest	23.68
Australian Fixed Interest	15.37
Cash	7.84

Fund Performance

Both bond and equity markets experienced a strong quarter. This translated well for the Capital Stable Option, generating a positive return for the period.

With key allocations to bonds, cash, and equities; complimented by smaller allocations to alternatives, direct property and direct infrastructure, the Option was positioned to participate in the strong opening quarter. Sizeable allocations to bond and credit provided a strongly positive return as interest rates fell and central banks signalled they were prepared to pause the rate hiking cycle. Positions in Australian equities and international equities generated positive returns as inflationary pressures showed signs of easing. This was despite added volatility from recessionary and geopolitical concerns, as well as shocks to banking sectors in the US and Europe following collapses of Silicon Valley Bank then Credit Suisse. Performance of allocations to alternatives, direct property, direct infrastructure and private equity was mixed over the period, falling short of equity market gains. The large allocation to cash also provided welcomed stability, diversifying away from volatile markets later in the quarter.

The Option outperformed its CPI objective over the quarter, but remains behind over 12 months, following the sharp rise in CPI in combination with broad based corrections across equity and bond markets in 2022.

Looking ahead, we are beginning to see pockets of stress and a softening in economic data which we expect to translate to slower growth over the next 12-18 months. We have also seen indications of a peak in inflation and we expect to see a continuation of its recent downtrend throughout this year. Given the environment, we believe it is important for members to maintain and active well diversified asset exposure for potential risk mitigation. We are tilted towards quality assets that offer diversification from equity market volatility, such as government bonds and unlisted assets, as we expect it may limit downside risk in the months ahead.

Market Review

The earlier half of the March quarter saw growth markets generally gain ground as inflation, while still high, continued to exhibit signs of falling, fanning expectations the US Federal Reserve (Fed), along with other central banks, would soon ease hawkish monetary policy. In mid-February however, US CPI inflation was shown to have reduced only slightly, disappointing traders betting on a larger fall. This was followed by continued hawkish comments from the Fed, which dampened market sentiment somewhat. Data released in March, however, subsequently showed a further fall in US inflation.

The more unexpected story of the quarter however came in mid-March, as relatively unknown regional US banks, Silicon Valley, Signature and Silvergate collapsed amid a run on deposits. These banks weren't able to meet withdrawal demand, as long-dated treasuries held as capital had lost significant value over the previous year amid rising yields. The Fed promptly stepped in, providing around US\$300 billion in extra credit to help ensure other banks could continue to meet funding requirements. Other major central banks also announced measures to add liquidity and guard against contagion.

Focus turned to Swiss banking stalwart Credit Suisse, which after large outflows via mass withdrawals, particularly in recent months, became financially unviable. This culminated with the bank being taken over by local peer UBS at a heavily discounted price.

Availability

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