# Future Directions Conservative

## Quarterly Investment Option Update

30 June 2022

## Aim and Strategy

The strategy aims to achieve a rate of return of 1% above the inflation rate (measured by the Consumer Price Index) after investment fees and before tax over a 3-year period. Using a multi-manager approach, it provides investors access to a diversified portfolio with a bias towards income assets (bonds and cash) while having a limited exposure to growth (shares and property) and alternative assets. The multi-manager option diversifies at asset and manager level. The key benefits are:active management: within the asset classes (for example choosing stocks) and allocating between asset classes,a broad range of asset classes including investments into unlisted property and infrastructure, andan experienced investment team.

## 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** | 3 years |
| **Relative risk rating** | Medium |
| **Investment style** | Active |
| **Manager style** | Multi-manager |

| Asset Allocation | Benchmark (%) |
|---|---|
| Cash | 20 |
| Global fixed interest | 19 |
| Australian fixed interest | 17 |
| Global shares | 11 |
| Australian shares | 10 |
| Growth alternatives | 7 |
| Defensive alternatives | 6 |
| Unlisted infrastructure | 3 |
| Global listed property | 3 |
| Global listed infrastructure | 2 |
| Unlisted property | 2 |

| Actual Allocation | % |
|---|---|
| Global Shares | 11.17 |
| Australian Shares | 10.37 |
| Listed Property and Infrastructure | 4.81 |
| Unlisted Property and Infrastructure | 4.62 |
| Growth Alternatives | 7.70 |
| Global Fixed Interest | 20.93 |
| Australian Fixed Interest | 17.78 |
| Defensive Alternatives | 0.08 |
| Cash | 22.54 |

## Fund Performance

The Fund endured a volatile end to the 2021/22 financial year, generating a negative return in the June quarter and over the year as concerns around inflation, rising interest rates and the conflict in Ukraine weighed on investment markets. Overall, the Fund performed ahead of the neutral benchmark but underperformed the CPI objective. Despite near-term volatility, longer-term performance remains in line with expectations over most key time horizons.

Sentiment deteriorated over the quarter as an increasing chance of recession became the dominant market narrative. Global developed markets retreated -14.4% over the period. Emerging market equities also struggled, ending the period 8.1% lower, though outperforming developed markets on the back of easing COVID lockdown restrictions in China. Australian shares fell following the lead from global markets, returning -11.9%. Both government bonds and credit markets, continued to struggle as bond yields shifted higher, following interest rate hikes from central banks to combat inflation. Listed real assets were also constrained, with listed infrastructure outperforming broader equities given its exposure to energy and inflation. Unlisted real assets remained relatively stable over the period.

Despite weaker absolute returns, the Fund outperformed the strategic benchmark in the June quarter and the financial year as a whole. Unlisted real assets and private equity were strong contributors as valuations remained stable, outperforming listed markets. Underweight allocations to Australian and international bonds in favour of infrastructure and private equity also helped mitigate drawdowns relative to benchmark given the sizeable bond sell off. Additionally, strong stock selection underlying international equity managers helped at the margin. Performance versus CPI however remains constrained, as the sharp rise in CPI in combination with broad based corrections across equity and bond markets in 2022 hurt relative returns.

## Market Review

The June quarter saw pessimistic global sentiment continue to drive further falls across various markets and asset classes, as traders began to price in a growing likelihood of recession, against a backdrop of hawkish central banks aggressively hiking rates to combat inflation. There were however some positive through the quarter, with China pulling-back some of its harsh COVID restrictions providing some much-necessary relief on ports and supply chains, as well as some tentative signs that goods inflationary pressure in the US may be slightly easing. Russia's war on Ukraine meanwhile rolled on, wreaking havoc on global energy markets, particularly in Europe – not to mention the terrible human cost.

## Outlook

Looking ahead, we think markets are likely to remain volatile as concerns around the Ukraine crisis, inflation and tightening monetary policy remain. Despite the potential for short-term fluctuations, there are some green shoots of easing inflationary pressures which may be well received by investors. In this environment, we believe maintaining an active, well-diversified asset exposure, in addition to a long-term perspective on performance is important, particularly after a very strong 2021 for the investors. We remain cautiously optimistic for equity markets and remain well invested into alternative strategies and cash to provide stability against a backdrop of falling equity and volatile bond markets.

## Availability

| Product Name | APIR |
|---|---|
| Flexible Lifetime - Investments (Series 1) | AMP0688AU** |
| Flexible Lifetime - Investments (Series 2) | AMP1413AU** |
| SignatureSuper | AMP0799AU |
| SignatureSuper - Allocated Pension | AMP1081AU |
| SignatureSuper Term Pension | AMP1081AU |

**Closed to new and existing investors

## Contact Details


**Web: www.amp.com.au**
**Email:** askamp@amp.com.au
**Phone:** 131 267


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