

Future Directions Conservative

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 investment fees and before tax over the investment timeframe. Using a multi-manager approach, it provides investors access to a diversified portfolio with a bias towards defensive assets (bonds and cash) with some exposure to growth assets (shares and property). This is a multi-manager option which diversifies at asset and manager level.

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 |
| Standard Risk Measure | 4/Medium |
| Investment style | Active |
| Manager style | Multi-manager |

| Asset Allocation | Benchmark (%) |
|-------------------|---------------|
| Australian Shares | 10 |
| Global Shares | 13 |
| Property | 5 |
| Infrastructure | 6 |
| Alternatives | 5 |
| Fixed Interest | 37 |
| Cash | 24 |

| Actual Allocation | % |
|--------------------------------------|-------|
| Global Shares | 11.66 |
| Australian Shares | 9.34 |
| Listed Property and Infrastructure | 5.58 |
| Unlisted Property and Infrastructure | 5.75 |
| Growth Alternatives | 6.19 |
| Global Fixed Interest | 24.66 |
| Australian Fixed Interest | 14.90 |
| Defensive Alternatives | 0.02 |
| Cash | 21.88 |

Fund Performance

The first quarter of 2023 saw most major markets end in positive territory, buoyed by signals that inflation, whilst still high, was beginning to exhibit signs of peaking. This translated into strong quarterly performance for the Future Directions Conservative Fund. Overall, the Fund performed behind the neutral benchmark but outperformed the CPI objective for the quarter. With near-term volatility and current environment weighing on performance, longer-term performance is mixed over most key time horizons.

Investor sentiment experienced both highs and lows through the March quarter, as central bank policy decisions and inflationary concerns had prime influence over the market direction. Bond and credit allocations eked out a modest positive return for the second period in a row, as signs emerged that the aggressive rate hiking cycle by central banks was beginning to have its desired effect. Both Australian equities and international equities generated positive returns of 3.5% and 7.5% respectively, as inflationary pressures showed signs of easing. This was despite added volatility from recessionary and geopolitical concerns, as well as shocks to the banking sectors in the US and Europe following collapses of Silicon Valley Bank and Credit Suisse respectively. Emerging markets were also strong, though underperformed developed markets, returning 3.8% for the period. Geopolitical concerns emanating out of China and a strong US dollar partially constrained the return. Listed real assets performed in line with broader equities, as interest rate hikes began to slow. Unlisted real assets remained relatively stable over the period.

Weakness in Private equity and alternatives allocations constrained the Fund's relative performance for the quarter, as valuation movements underperformed gains in equity markets. This was partially offset by an underweight position to global listed real estate which added value as the real estate sector, namely in the US, came under pressure. Performance versus CPI was positive over the period, but remains challenged as the sharp rise in CPI in combination with broad based corrections across equity and bond markets in 2022 hurt relative performance over longer time horizons.

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.

Outlook

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.

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 investors

**Closed to new and existing investors

Contact Details

Web: www.amp.com.au

Email: askamp@amp.com.au

Phone: 131 267



What you need to know

This publication has been prepared by AWM Services Pty Limited ABN 15 139 353 496, AFSL No. 366121 (AWM Services). The information contained in this publication has been derived from sources believed to be accurate and reliable as at the date of this document. Information provided in this investment option update are views of the underlying investment manager only and not necessarily the views of AMP Limited ABN 49 079 354 519 (AMP Group). No representation is given in relation to the accuracy or completeness of any statement contained in it. Whilst care has been taken in the preparation of this publication, to the extent permitted by law, no liability is accepted for any loss or damage as a result of reliance on this information.

The investment option referred to in this publication is available through products issued by N.M. Superannuation Proprietary Ltd ABN 31 008 428 322, AFSL 234654 (NM Super) or ipac asset management limited ABN 22 003 257 225, AFSL 234655 (ipac). Before deciding to invest or make a decision about the investment options, you should read the current Product Disclosure Statement (PDS) for the relevant product, available from the issuer or your financial planner.

Any advice in this document is of a general nature only and does not take into account your financial situation, objectives and needs. Before you make any investment decision based on the information contained in this document you should consider how it applies to your personal objectives, financial situation and needs, or speak to a financial planner. In providing any general advice, AMP Group receives fees and charges and their employees and directors receive salaries, bonuses and other benefits.

Any references to the "Fund", strategies, asset allocations or exposures are references to the underlying managed fund that the investment option either directly or indirectly invests in. The investment option's aim and strategy mirrors the objective and investment approach of the underlying fund. An investment in the investment option is not a direct investment in the underlying fund.

Neither NM Super, ipac, AWM Services, any other company in the AMP Group nor the underlying fund manager guarantees the repayment of capital or the performance of any product or particular rate of return referred to in this document, unless expressly stated in the PDS. Past performance is not a reliable indicator of future performance. Any slight asset allocation deviations from 100% may be caused by rounding, asset categorisation and/or hedging.