



Future Directions Balanced

Quarterly Investment Option Update

31 March 2024

Aim and Strategy

The strategy aims to achieve a rate of return of 3% pa above the inflation rate (measured by the Consumer Price Index) after fees and superannuation tax, over a 10-year timeframe. Using a multi-manager approach, it provides investors access to a diversified portfolio with a bias towards growth assets (shares and property), with some exposure to defensive assets (bonds and cash). 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	5 years
Standard Risk Measure	6/High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
Australian shares	26
Global Shares	33
Property	6
Infrastructure	8
Alternatives	2
Fixed Income	19
Cash	6

Actual Allocation	%
Global Shares	37.06
Fixed Income	20.63
Australian Shares	26.31
Infrastructure	8.12
Property	5.83
Alternatives	2.37
Cash	-0.32

Fund Performance

The economic resilience and encouraging market momentum of 2023 continued into Q1 of 2024 with share markets ending the quarter strongly. This reflected well upon the Future Directions Balanced Fund performance, with strong returns over the quarter and longer time periods. Additionally, the Fund outperformed its CPI objective and strategic objective for the March quarter but remains mixed over longer time periods.

Stronger than expected global economic news, alongside signals from central banks of forthcoming rate cuts, saw both domestic and international share exposures generate returns of 5.3% and 10.1% respectively. Listed property and infrastructure markets were mixed, with listed property underperforming whilst infrastructure followed the broader market, ending the quarter strongly. Bond markets ended the period broadly flat, however higher yielding credit markets contributed positively to overall performance as credit spreads tightened. Unlisted real assets and private equity were mixed, as weaker valuations of underlying assets impacted direct property and private equity exposures, while infrastructure remained stable.

The Fund was well positioned in this environment to capture the strong market returns. International and domestic share allocations proved to be the key driver of outperformance, with the majority of underlying managers outperforming their respective objective. Bond and investment grade credit allocations slightly underperformed their benchmarks over the quarter whilst high yield exposures performed well. Unlisted and Alternative sectors were constrained relative to equity market performances, as diversifying assets such as hedge funds, private equity and real assets were somewhat subdued. Overall performance versus CPI has improved over most time periods. Relative performance over the medium-term remains mixed, however near and long-term performance is now ahead.

Market Review

The March quarter saw further strong gains in many financial markets. Inflation in the US, while not falling in a straight line, pulled back further, with the CPI shown to be 3.2% yoy as at the end of February, slightly lower than levels shown in the previous quarter, whilst the core PCE (Personal Consumption Expenditure) fell to 2.8% on an annual basis, nearing the Federal Reserve's (Fed) target of 2%. Inflation also generally continued to reduce elsewhere around the globe. The US labour market showed some signs of weakness, with jobless claims rising and average hours worked down and the unemployment rate continuing to slowly rise. US economic growth meanwhile remained positive, though negative GDP growth was experienced in countries such as the UK, Finland, Ireland, Canada and Germany. Markets however generally remained positive, while central banks were mostly slightly dovish, as a soft landing scenario seemed to be playing out in many economies.

Japan remained somewhat of an exception to the global interest rate cycle, as its central bank finally raised rates to positive levels after more than a decade of ultra-aggressive stimulus designed to help reflate its long-time stagnating economy. Along with the rate rise, the country's 'yield curve control' policy was wound back, as was the central bank's purchasing of Japanese equities; a policy which has seen the Bank of Japan (BoJ) buy nearly US\$0.5 trillion worth of Japanese equities over the past 14 years. Elsewhere in Asia, the Chinese economy continued to face ongoing structural challenges of falling economic growth, broad regulatory concern, local government debt issues, financial troubles in the property sector, employment demographic concerns and poor consumer confidence.

On the geopolitical front, the death toll in Eastern Europe continued, as Russia appeared to gain more of an upper hand, capturing further significant Ukrainian territory, including the city of Avdiivka in the Donetsk region. At the same time, the long-term sustainability of international financial support for Ukraine was a growing talking point, with more now questioning the apparent lack of diplomatic effort towards creating a path to peace. The death toll

also rose in the Middle East, as the Israel-Hamas war continued, as did skirmishes around Israel's borders with Lebanon and Syria with Iranian-funded Hezbollah, who are considerably better armed than Hamas. Pertinently, the upcoming US election also came further into focus, particularly with regard to its potential impact on these global conflicts.

Outlook

Looking ahead, we anticipate 2024 to be a broadly positive year for markets, helped by easing inflationary pressures, central banks moving to cut rates and prospects for stronger economic growth in 2025. However, with a meaningful risk of recession, high share market valuations and geopolitical risks, we believe it's likely to be a rougher and more constrained ride than in 2023. In this environment, we remain highly diversified across asset classes and strategies, and hold a small overweight position in most global share allocations given their positive momentum. The portfolio remains broadly neutral across other asset classes.

Availability

Product Name	APIR
SignatureSuper	AMP0798AU
SignatureSuper - Allocated Pension	AMP1080AU
SignatureSuper Term Pension	AMP1080AU*

*Closed to new investors

Contact Details

Web: www.amp.com.au

Email: askamp@amp.com.au

Phone: 131 267



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