

Future Directions Conservative

Quarterly Investment Option Update

30 September 2019

Aim and Strategy

To provide a rate of return of 1.5% above inflation (Consumer Price Index) after costs and before tax over a 3 year period. Future Directions Conservative option is a multi-manager option that gives 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 investing in both AMP Capital and external managers. The key benefits are:- active management: within the assets class for example choosing stocks and allocating between asset classes- a broad range of asset classes including investments into unlisted property and infrastructure and- an experienced investment team.

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	3 years
Relative risk rating	Low to Medium
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
Australian Fixed Interest	22
International Fixed Interest	20
Cash	18
International Shares	12
Australian Shares	9
Defensive Alternatives	5
Growth Alternatives	5
Listed Property and Infrastructure	5
Unlisted Property and Infrastructure	4

Actual Allocation	%
International Shares	12.28
Australian Shares	7.67
Listed Property and Infrastructure	4.21
Unlisted Property and Infrastructure	4.90
Growth Alternatives	5.87
International Fixed Interest	22.30
Australian Fixed Interest	18.98
Defensive Alternatives	3.79
Cash	20.00

Fund Performance

The Fund delivered a solid return over the September quarter. Despite volatility during the period, positive returns were generated across most underlying asset classes, with strong contributions from bonds as well as shares. Pleasingly, year-to-date the Fund has delivered healthy returns for investors.

Market sentiment experienced both lows and highs over the quarter, as the continued slowdown in global economic conditions and US-China trade tensions motivated global central banks to adopt further monetary policy stimulus in the form of interest rate cuts. This volatile environment supported allocations to 'safe-haven' assets, such as fixed income and credit. Lower rates also aided other yield-driven sectors such as property and infrastructure, which generated modest returns. For share markets, much of the positive impact of rate cuts was suppressed by lacklustre global economic data releases and the uncertainties of the US-China trade talks in August. However, less investor pessimism in September saw both developed international share markets and the Australian share market rebound, ending the quarter up 1.5% and 2.4% respectively. The performance of alternative strategies was mixed with hedge funds performing well but style-based strategies lagging.

Market Review

Increasing predispositions by global central banks to become ever more accommodative during the September quarter have kept the bias on interest rates downwards, making equities relatively attractive and increasing the correlation between equities and bonds. However, the International Monetary Fund revised down its projection for global growth further during the period.

For the US-China trade dispute, which saw further escalation during the period, trust will need to be re-established between both parties at face-to-face meetings before any serious progress can be made. Until then, there is the potential for volatility to ramp-up substantially.

As was widely factored into the market, the US Federal Reserve (Fed) cut the Federal Funds Rate range by 25 basis points to 2.0-2.25% on 31 July; the first cut since the Global Financial Crisis, followed by a further cut of 25 basis points on 18 September to take the rate range to 1.75-2.0%.

In the US economy, the trade deficit continued to widen. However, as a whole, US economic data was generally benign, and the US stock market reached a record high during the quarter. There has been strong consumer-related and business data; however, jobs growth has been somewhat sluggish, and the ISM manufacturing conditions index remains subdued. Recent retail sales have risen more than expected and small business confidence remains strong, although latest labour market indicators have been more mixed.

Outlook

Moving into the final quarter of 2019, we remain cautiously optimistic as global markets grapple with a number of unpredictable issues. Globally, monetary and fiscal policies remain accommodative, which should support markets, however continued concerns around the US-China trade tensions, a no-deal Brexit and slowing global growth are likely to increase fears of imminent recession. While valuations remain at reasonable levels, share markets are most at risk of a potential pullback as trading conditions could worsen towards year-end. For fixed income, the current environment is more supportive, although expensive valuations may limit the potential upside. Given the lack of clear market direction in shares and valuation levels in bonds, we hold a broadly neutral allocation with minor tilts into alternatives and away from bonds. Our allocations to alternatives, property and infrastructure should diversify risk and support portfolio growth in the event of share market declines. We have replaced a portion of our bond allocation with cash, given valuations, although we continue to expect both cash and fixed income to provide some protection if global growth deteriorates further. Overall, we expect returns to moderate by year-end.

Availability

Product Name	APIR
AMP Flexible Lifetime Super	AMP0656AU*
AMP Flexible Super - Retirement account	AMP1349AU*
AMP Flexible Super - Super account	AMP1478AU*
CustomSuper	AMP0656AU
Flexible Lifetime - Allocated Pension	AMP0602AU*
Flexible Lifetime - Investments (Series 1)	AMP0688AU*
Flexible Lifetime - Investments (Series 2)	AMP1413AU*
Flexible Lifetime - Term Pension	AMP0923AU*
SignatureSuper	AMP0799AU
SignatureSuper - Allocated Pension	AMP1081AU
SignatureSuper Select	AMP0799AU

*Closed to new 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 AMP Life Limited ABN 84 079 300 379, AFSL No. 233671 (AMP Life). 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 the 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. AMP Life is part of the AMP Group. In providing the general advice, AMP Life and AMP Group receives fees and charges and their employees and directors receive salaries, bonuses and other benefits.

The information 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.

The investment option referred to in this publication is available through products issued by AMP Superannuation Limited ABN 31 008 414 104, AFSL No. 233060 (ASL), AMP Capital Funds Management Limited ABN 15 159 557 724, AFSL 426455 (AMPCFM), ipac asset management limited ABN 22 003 257 225, AFSL 234655 (ipac) and/or AMP Life. Before deciding to invest or make a decision about the investment options, you should read the current Product Disclosure Statement for the relevant product, available from the issuer or your financial planner.

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 (Future Directions Conservative). 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.

No other company in the AMP Group nor underlying fund manager guarantees the repayment of capital or the performance of any product or particular rate of return referred to in this document. Past performance is not a reliable indicator of future performance.