Future Directions High Growth

Quarterly Investment Option Update

30 September 2019

Aim and Strategy

To provide high returns over the long term through a diversified portfolio investing mostly in Australian and international shares with some exposure to infrastructure alternative assets and property. The portfolio aims to achieve a rate of return above inflation after costs over a 7-year period.

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	7 years
Relative risk rating	High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
International shares	43
Australian Shares	39
Growth Alternatives	10
Unlisted Property and Infrastructure	4
Listed Property and Infrastructure	3
Cash	1
Defensive Alternatives	0
International Fixed Interest	0
Australian Fixed Interest	0

Actual Allocation	%
International Shares	45.60
Australian Shares	35.97
Listed Property and Infrastructure	2.21
Unlisted Property and Infrastructure	4.60
Growth Alternatives	8.14
International Fixed Interest	2.21
Defensive Alternatives	0.03
Cash	1.24

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 double-digit returns for investors.

Over the quarter, market sentiment was boosted by further global monetary policy easing in the form of interest rate cuts to combat slowing global economic growth. However, much of the impact of rate cuts was suppressed by lacklustre company earnings growth, waning business and consumer confidence, and uncertainties around US-China trade talks. By quarter-end, developed share markets had risen slightly, up 1.5% and the Australian share market had followed suit, gaining 2.4%. Trade risks, combined with slowing Chinese economic growth, constrained the performance of emerging market shares, which declined 1.9%.

The performance of alternative strategies was mixed, with hedge funds performing well but style-based strategies lagging. Helped by rate cuts and the rising concerns about the global economic outlook, allocations to listed property and infrastructure were well supported over the period. Exposures to foreign currencies also performed well, with the Australian dollar falling in value by 3.9% relative to the US dollar.

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. Ultimately, a resolution of the trade tensions and an improvement in global growth appears necessary for sustained returns going forward. Until then, share markets are likely to experience volatility. Given the lack of clear market direction, we hold a broadly neutral allocation to shares. We maintain meaningful positions in alternatives, property and infrastructure which should diversify growth assets and support portfolio growth in the event of share market declines. Overall, we expect returns to moderate by year end.

Availability

Product Name	APIR
AMP Flexible Lifetime Super	AMP0657AU*
AMP Flexible Super - Retirement account	AMP1355AU*
AMP Flexible Super - Super account	AMP1484AU*
CustomSuper	AMP0657AU
Flexible Lifetime - Allocated Pension	AMP0604AU*
Flexible Lifetime - Investments (Series 1)	AMP0692AU*
Flexible Lifetime - Investments (Series 2)	AMP1419AU*
Flexible Lifetime - Term Pension	AMP0927AU*
SignatureSuper	AMP0801AU
SignatureSuper - Allocated Pension	AMP1082AU
SignatureSuper Select	AMP0801AU

*Closed to new investors

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