Future Directions Moderately Conservative

Quarterly Investment Option Update

30 September 2019

Aim and Strategy

To provide moderate returns over the medium term through a diversified portfolio of assets such as fixed interest, shares, property and alternative assets. The portfolio aims to achieve a rate of return above inflation after costs over a 3 to 5-year period and to provide a total return, after costs and before tax, higher than the return from the relevant benchmarks of the underlying investments. The portfolio also aims to exceed the Chant West Multi-Manager Survey (Balanced Growth) Median(competitor universe) on a pre-tax basis.

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	4 years
Relative risk rating	Medium
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
International shares	20
Australian Fixed Interest	17
Australian Shares	17
International Fixed Interest	14
Cash	10
Growth Alternatives	7
Listed Property and Infrastructure	5
Unlisted Property and Infrastructure	5
Defensive Alternatives	5

Actual Allocation	%
International Shares	20.11
Australian Shares	15.96
Listed Property and Infrastructure	4.60
Unlisted Property and Infrastructure	5.73
Growth Alternatives	7.58
International Fixed Interest	17.81
Australian Fixed Interest	14.01
Defensive Alternatives	4.03
Cash	10.17

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	AMP0660AU*
AMP Flexible Super - Retirement account	AMP1358AU*
AMP Flexible Super - Super account	AMP1487AU*
CustomSuper	AMP0660AU
Flexible Lifetime - Allocated Pension	AMP0607AU*
Flexible Lifetime - Investments (Series 1)	AMP0689AU*
Flexible Lifetime - Investments (Series 2)	AMP1422AU*
Flexible Lifetime - Term Pension	AMP0930AU*
SignatureSuper	AMP0804AU
SignatureSuper - Allocated Pension	AMP1160AU
SignatureSuper Select	AMP0804AU

*Closed to new investors

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