Future Directions Australian Share (Original Series)

Quarterly Investment Option Update

31 March 2020

Aim and Strategy

To provide a total return (income and capital growth) after costs and before tax, above the S&P/ASX 300 Accumulation Index on a rolling three-year basis. The portfolio primarily invests in shares listed on the Australian Securities Exchange (ASX). The portfolio may also hold up to 5% in international shares, where those securities are also listed on the ASX. In normal circumstances the portfolio's international investments are fully hedged back to Australian dollars. The portfolio may use derivatives such as options, futures or swaps to protect against risks or enhance returns. The portfolio may also short sell securities.

Investment Option Performance

To view the latest investment performances for each product, please visit www.amp.com.au

Investment Option Overview

Investment category	Australian Shares
Suggested minimum investment timeframe	5 years
Relative risk rating	High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
Australian Shares	100
Cash	0

Actual Allocation	%
International Shares	1.54
Australian Shares	93.71
Listed Property and Infrastructure	3.03
Cash	1.72

Sector Allocation	%
Financials	25.63
Materials	16.73
Health Care	11.76
Consumer Staples	8.24
Consumer Discretionary	6.74
Information Technology	6.00
Cash	5.81
Energy	5.45
Industrials	5.22
Communication Services	4.02
Real Estate	3.00
Utilities	1.41

Top Holdings	%
CSL Ltd	7.14
Commonwealth Bank of Australia	5.16
BHP Group Ltd	3.68
Macquarie Group Ltd	3.11
National Australia Bank Ltd	3.09
Woodside Petroleum Ltd	2.72
Australia & New Zealand Banking Group Ltd	2.66
Rio Tinto Ltd	2.62
Newcrest Mining Ltd	2.33
a2 Milk Co Ltd	2.08

Fund Performance

In what was a very difficult period, the Fund posted a negative absolute return, but modestly outperformed its benchmark over the March quarter (before fees). All four of the Fund's underlying managers posted negative absolute returns, but ECP, Alphinity and AMP Capital outperformed their respective benchmarks, while Allan Gray underperformed its benchmark.

Sector allocation was the main driver of the outperformance, while stock selection modestly detracted from relative returns. Regarding sector allocation, the main contributors to relative returns were underweight exposures to real estate, financials and industrials, and an overweight exposure to consumer staples. The main detractors were an overweight exposure to energy and underweight exposures to Health Care and Utilities.

Regarding stock selection, the main detractors from relative returns were positions in financials and materials stocks, while the main positive contributors were positions in consumer staples and information technology stocks.

The largest individual detractors from relative returns were overweight positions in Corporate Travel Management and Woodside Petroleum, and an underweight position in the CSL Limited. Corporate Travel Management fell significantly (-56.8%) due to heightened concerns about the spread of COVID-19 and the impact the containment measures are having on travel, and petroleum explorer Woodside Petroleum declined (-45.6%) as crude oil prices weakened. Meanwhile, global biotechnology company CSL climbed (+8.1%) as it continued to benefit from being the world's largest producer of immunoglobulin, which is in short supply, and as it opens plasma collection centres faster than its main competitors.

The largest positive contributors to relative returns were overweight positions in Metcash and a2 Milk, and an underweight position in Scentre Group. Supermarket owner Metcash rallied strongly (+22.6%) and milk producer a2 Milk gained (+16.1%) as consumers raced to stock up on food and other essential household items as COVID-19 containment measures were rolled out. Meanwhile shopping centre landlord Scentre Group dropped (-57.9%) as the COVID-19 containment measures could see tenants push for rent relief or experience credit issues.

Market Review

Australian shares were hit heavily by the COVID-19 crisis in the March quarter, falling by 23.1%, as measured by the S&P/ASX200 index on a total return basis. This was despite a strong performance in January which led to record highs being touched early in the quarter, before fears grew around the COVID-19 virus and the likely sharp economic downturn it has caused. This resulted in large amounts of indiscriminate panic-selling, particularly during mid-to-late quarter. While the virus and its associated lockdowns are causing a significant and sharp effect on earnings, it is still the general (and a mostly logical) consensus that this will be temporary in nature, although the timeframe is hard to accurately forecast. Nonetheless, some areas of apparent good value emerged from the broad sell-down, albeit many companies withdrew their forward guidance given a lack of earnings visibility and flagged that dividends may be impacted. Positive for shares, the Australian government announced an enormous amount of targeted fiscal stimulus, totalling around A$200 billion or 10% of GDP, which is nearly double that of the stimulus injected during the Global Financial Crisis. The RBA also cut the official cash rate to 0.25% and announced low-cost funding for banks, at 0.25% for three years.

Outlook

Australian shares will likely remain to be strongly influenced by global markets, as the impact of the COVID-19 virus plays out. Australia's economic growth is likely to sharply fall, though similar to its international peers, this is likely to be temporary and bounce back at some stage. Valuations now appear significantly cheaper after the recent virus-related falls and relative to low bond yields, though given the lack of earnings visibility over the shorter term, a degree of caution is appropriate. Highly supportive Australian monetary and fiscal policy should also aid markets over the medium term.

Availability

Product Name	APIR
Flexible Lifetime - Investments (Series 1)	AMP0015AU*

*Closed to new investors

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