

# Future Directions Moderately Conservative

Quarterly Investment Option Update

31 March 2020

## 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](http://www.amp.com.au)

## Investment Option Overview

<b>Investment category</b>	Multi-Sector
<b>Suggested minimum investment timeframe</b>	3 years
<b>Relative risk rating</b>	Medium
<b>Investment style</b>	Active
<b>Manager style</b>	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	19.72
Australian Shares	13.87
Listed Property and Infrastructure	3.91
Unlisted Property and Infrastructure	6.45
Growth Alternatives	7.55
International Fixed Interest	14.97
Australian Fixed Interest	19.53
Defensive Alternatives	4.56
Cash	9.45

## Fund Performance

The Fund delivered a negative return for the first quarter of 2020 as the world economy was brought to a standstill by the COVID-19 pandemic. Despite diversification and sizeable allocations to defensive assets lessening the impact on returns, the swiftness and severity of share market and credit market falls all but erased returns generated in 2019.

The start of 2020 saw concerns shift from trade and geo-politics to COVID-19 and its effect on the global economy. As the number of countries impacted increased exponentially, the virus evolved from a primarily China-centric issue to a catalyst for global recession. The Fund's sizeable allocations to defensive assets, such as government bonds and cash, benefitted as investors rotated to safety. Similarly, more stable assets such as direct property and infrastructure reduced the Fund's volatility as returns from direct real assets are less sensitive to sharp market moves. However, growth assets experienced extreme volatility and tight liquidity conditions. Despite record fiscal stimulus packages by global governments and further rate cuts and quantitative easing by central banks, both developed and emerging market shares fell 20% and 19% respectively (in local currencies terms) and Australian shares followed suit. Credit markets suffered due to concerns about liquidity and corporate profit.

## Market Review

The first quarter of 2020 began with the renewed conflicts between the US and Iran and the US-China trade tensions which were later resolved and share markets were encouraged by initial signs the global economy was improving. However, as March approached, the global surge in COVID-19 cases outside of China led to a pandemic. At the end of the quarter, despite the continued rise in new COVID-19 cases (especially in the US and Italy) and signs of a slowdown in global economic activity, share markets had a strong rebound in response to further announcements of unprecedented stimulus measures by governments and central banks.

The Federal Reserve reduced interest rates by a further 100 basis points to 0.00%–0.25% and commenced its quantitative easing. The US government announced the largest fiscal package, worth \$US2 trillion. The Bank of Canada lowered its overnight rate target to 0.75% and launched a credit facility program.

In Europe, the UK officially left the European Union on 31 January. The European Central Bank launched a new Pandemic Emergency Purchase Programme, worth €750 billion. The Bank of England lowered its Bank Rate further and launched a new substantial quantitative easing program whilst the UK government announced its credit guarantees.

In Asia, China's central bank announced a reduction in reserve ratios for banks. The Bank of Japan provided a significant liquidity injection and expanded its quantitative easing program.

## Outlook

With the severity and duration of the pandemic unclear, the outlook for 2020 is challenged and returns are likely to remain volatile over the months ahead. Given the conservative nature of the Fund, already sizeable allocations to bonds and cash should provide some protection from share market volatility. Domestic and international share exposure has been actively managed to below neutral levels in favour of more defensive assets, given the risk-adverse market conditions. We also maintain broad exposures to alternative assets such as direct property, infrastructure and hedge funds which allow us to manage portfolio risk during periods of share market volatility. It is important to remember that these market shocks do not last forever and to remain focussed on the long term.

## 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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