Future Directions Conservative

Quarterly Investment Option Update

30 June 2020

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	11.43
Australian Shares	9.05
Listed Property and Infrastructure	4.85
Unlisted Property and Infrastructure	4.44
Growth Alternatives	4.55
International Fixed Interest	22.80
Australian Fixed Interest	20.51
Defensive Alternatives	3.93
Cash	18.43

Fund Performance

After a volatile March quarter, the Fund delivered a positive return over the June quarter as global markets rebounded due to encouraging developments in the global response to COVID-19. Growth assets, particularly shares, provided the largest contribution to overall return, partially recovering from lows experienced at the height of COVID-19 concerns in late March. Relatively, the Fund outperformed the benchmark, largely driven by manager performance in the Australian shares and credit allocations. The Fund also comfortably exceeded its CPI objective over the period.

During the period, the more interest rate sensitive assets, such as the Fund's sizable credit and bond allocations, generated positive returns as they gained liquidity support from central banks. Investor sentiment improved throughout the period as central banks and governments around the globe adopted stimulus programmes and commenced reopening economies. Growth assets, such as the Fund's shares allocations, experienced sizeable rebounds in this environment, despite the ongoing risks surrounding COVID-19. Developed and emerging market shares rallied 18.5% and 16.7% respectively (in local currency terms), boosted by the positive employment and business confidence data released. Australian shares rose 16.5%. Returns from the Fund's direct property and infrastructure allocations were constrained as asset revaluations captured the adverse impact of COVID-19.

Market Review

As expected, global markets were heavily impacted by COVID-19 government restrictions and the flow-on effects of lockdown. Equities were volatile as shifting sentiment created swings between a risk-on and risk-off bias. Despite this, there was a net sharp rally over the quarter in equity markets as some COVID-19 lockdown measures started to be unwound. This leaves equity markets open to the risk of a correction. COVID-19 impacts were aggravated by increasingly acrimonious relations between the US and China. In addition, there is the risk of further waves of COVID-19, especially in the more densely populated countries, and the potential for economies to fall back once working capital supplied by government policies peters out and companies review their strategies and demand. The World Bank, the Organisation for Economic Co-operation and Development, and the International Monetary Fund all indicate they expect the worst global recession since the Great Depression.

In the US, the Federal Reserve (Fed) significantly increased its COVID-19-related lending programmes. Fed Chairman Jerome Powell suggested the central bank will use its "full range of tools" and act "forcefully, proactively and aggressively until it is confident the economy is on the road to recovery". He also said the central bank still had plenty of options available, with the expectation that monthly bond purchases will increase.

Outlook

Looking ahead, we remain cognisant of the prevailing risks associated with COVID-19 over the near term. With certain regions continuing to experience rising infection rates, the possibility of a 'second wave' could lead to further social distancing measures being imposed or economies reverting to lockdowns. Ultimately this leaves markets susceptible to a correction or bouts of volatility should the situation worsen. We maintain a highly diversified portfolio to mitigate and diversify risk away from share market movements while holding a close to neutral growth-defensive asset split. A tilt into investment grade credit, away from government bonds has also been adopted, given the more attractive yields and global central bank liquidity support for the asset class.

Availability

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

*Closed to new investors

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