

Future Directions Balanced

Quarterly Investment Option Update

30 June 2021

Aim and Strategy

To provide moderate to high returns over the long term through a diversified portfolio, with a bias towards growth assets such as shares, property and alternative assets. The portfolio aims to achieve a rate of return above inflation after costs over a 5-year period.

Investment Option Performance

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

Investment Option Overview

Investment category	Multi-Sector
Suggested minimum investment timeframe	5 years
Relative risk rating	Medium to High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
International shares	31
Australian Shares	23
Growth Alternatives	12
Australian Fixed Interest	10
International Fixed Interest	8
Unlisted Property and Infrastructure	7
Listed Property and Infrastructure	4
Cash	3
Defensive Alternatives	2

Actual Allocation	%
International Shares	32.38
Australian Shares	24.06
Listed Property and Infrastructure	4.76
Unlisted Property and Infrastructure	6.07
Growth Alternatives	9.06
International Fixed Interest	10.92
Australian Fixed Interest	3.90
Defensive Alternatives	2.95
Cash	5.89

Fund Performance

The Fund posted a healthy gain over the June quarter, rounding off an exceptionally strong performance over the full financial year. Most asset classes gained over the quarter, with domestic and international share markets delivering the strongest returns. Overall, the Fund continued to outperform both the benchmark and its CPI objective.

Markets moved higher over the quarter, due to supportive monetary and fiscal policy combined with continued economic recovery, which has been enabled by the accelerating inoculation effort across developed countries. Economic growth and manufacturing and service sector activity rose strongly. Against this backdrop, most share market sectors rallied. The S&P/ASX 200 index ended the quarter up 8.3% and the MSCI World ex Australia index closed 7.6% higher (in local currency terms). In line with broader share markets, listed property and infrastructure saw meaningful gains as interest rates were largely range bound following assurances from the US Federal Reserve that any monetary policy tightening is unlikely over the near term. Unlisted assets, particularly private equity, also generated positive returns as revaluations rose. As the economic outlook improved, defensive assets such as bonds and investment-grade credit, moved largely sideways.

The Fund's outperformance over the quarter was largely driven by its sizable allocations to Australian shares and listed real assets. Its allocations to private equity and absolute return strategies also added to outperformance, largely due to strong revaluations. Its allocations to fixed income assets were broadly in line with respective benchmarks, however an underweight exposure to fixed income in favour of shares and alternatives continued to provide a strong boost to overall performance. Pleasingly, its allocation to diversified credit maintained its strong outperformance as investor sentiment continued to show signs of improvement.

Market Review

The economic backdrop became more complicated as the quarter progressed. Uncertainty over the persistency of inflationary pressures, ongoing stimulus packages, more hawkish than expected US Federal Reserve communications, and stretched valuations in many areas, all resulted in a more heterogeneous market interpretation of future economic direction and an increasingly fluid risk on/ risk off bias. In addition, there remain some unresolved global supply-demand mismatches. The G7 meeting in Cornwall concluded with communications regarding the equalisation of global taxes but there is long way to go before anything concrete can be agreed on an international basis. The meeting also laid bare the West's increasingly fractious relationship with China. However, this year's summit was generally considered to be more positive than recent ones under the Trump administration, which should augur well for increased global cohesion, especially amongst developed democracies. Strong US demand is coming up against some supply-demand mismatches and bottlenecks which are also boosting market fears of inflation. However, the US Federal Reserve is playing down inflationary risks, citing they are transitory, which is currently assuaging markets. Despite this, investors will be watching how the combined effect of ongoing stimulus programmes, married to disrupted and possible structural changes to some supply chains, may ultimately impact the longer-term inflationary environment.

Outlook

Looking ahead, we remain optimistic. As the COVID-19 vaccine rollout continues to gain pace and economic growth follows, we believe the recovery theme, of governments supporting economies and reopening momentum, will remain the main drivers of growth. Against this backdrop, we look favourably upon shares relative to fixed income. However, the emergence of new COVID-19 variants and inflationary concerns has left markets somewhat susceptible to a correction. Maintaining an active, well-diversified asset exposure should continue to aid portfolio resilience. We continue to lean into shares and alternatives at the expense of domestic and international government bonds as we expect growth assets to benefit from the ongoing global recovery. Option protection also continues to be implemented to help mitigate losses should share markets selloff.

Availability

Product Name	APIR
AMP Flexible Super - Retirement	AMP1348AU*
AMP Flexible Super - Super	AMP1477AU*
CustomSuper	AMP0506AU
Flexible Lifetime - Allocated Pension	AMP0601AU*
Flexible Lifetime - Investments (Series 1)	AMP0690AU**
Flexible Lifetime - Investments (Series 2)	AMP1412AU**
Flexible Lifetime - Super	AMP0506AU*
Flexible Lifetime - Term Pension	AMP0922AU*
SignatureSuper	AMP0798AU
SignatureSuper - Allocated Pension	AMP1080AU
SignatureSuper Select	AMP0798AU

*Closed to new investors

**Closed to new and existing investors

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