

Future Directions Conservative

Quarterly Investment Option Update

30 June 2021

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/performance

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	20
International Fixed Interest	20
Cash	19
International Shares	11
Australian Shares	9
Growth Alternatives	7
Unlisted Property and Infrastructure	5
Defensive Alternatives	5
Listed Property and Infrastructure	4

Actual Allocation	%
International Shares	13.18
Australian Shares	9.42
Listed Property and Infrastructure	2.68
Unlisted Property and Infrastructure	4.93
Growth Alternatives	3.85
International Fixed Interest	21.74
Australian Fixed Interest	13.95
Defensive Alternatives	4.59
Cash	25.64

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 allocations to Australian shares and high-yield credit, as investor sentiment continued to show signs of improvement. Its allocations to global shares and listed real assets also posted strong returns, while its allocations to defensive fixed income assets were broadly in line with respective benchmarks. Additionally, the Fund's underweight exposure to fixed income in favour of shares continued to provide a strong boost to overall performance over both the quarter and the full year.

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 hold tilts into cash, shares and credit assets 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	AMP1349AU*
AMP Flexible Super - Super	AMP1478AU*
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

**Closed to new and existing investors

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