

# Future Directions Moderately Conservative

Quarterly Investment Option Update

30 June 2021

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

## Investment Option Overview

<b>Investment category</b>	Multi-Sector
<b>Suggested minimum investment timeframe</b>	4 years
<b>Relative risk rating</b>	Medium
<b>Investment style</b>	Active
<b>Manager style</b>	Multi-manager

<b>Asset Allocation</b>	<b>Benchmark (%)</b>
International shares	19
Australian Fixed Interest	17
Australian Shares	17
International Fixed Interest	13
Cash	10
Growth Alternatives	9
Unlisted Property and Infrastructure	6
Defensive Alternatives	5
Listed Property and Infrastructure	4

<b>Actual Allocation</b>	<b>%</b>
International Shares	20.96
Australian Shares	17.44
Listed Property and Infrastructure	2.81
Unlisted Property and Infrastructure	5.73
Growth Alternatives	5.63
International Fixed Interest	15.96
Australian Fixed Interest	11.08
Defensive Alternatives	4.72
Cash	15.65

## 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.

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## Availability

Product Name	APIR
AMP Flexible Super - Retirement	AMP1358AU*
AMP Flexible Super - Super	AMP1487AU*
CustomSuper	AMP0660AU
Flexible Lifetime - Allocated Pension	AMP0607AU*
Flexible Lifetime - Investments (Series 1)	AMP0689AU**
Flexible Lifetime - Investments (Series 2)	AMP1422AU**
Flexible Lifetime - Super	AMP0660AU*
Flexible Lifetime - Term Pension	AMP0930AU*
SignatureSuper	AMP0804AU
SignatureSuper - Allocated Pension	AMP1160AU
SignatureSuper Select	AMP0804AU

\*Closed to new investors

\*\*Closed to new and existing investors

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