Future Directions Moderately Conservative

Quarterly Investment Option Update

30 September 2022

Aim and Strategy

The strategy aims to achieve a rate of return of 2% pa above the inflation rate (measured by the Consumer Price Index) after investment fees and before tax over a 4-year period. Using a multi-manager approach, it provides investors access to a diversified portfolio with a balanced mix of income assets (cash and bonds) and growth (shares and property) and alternative assets. The multi-manager option diversifies at asset and manager level. The key benefits are: active management: within the asset classes (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 this product, please visit www.amp.com.au/performance

Investment Option Overview

Investment category	Multi-Sector
Suggested minimum investment timeframe	4 years
Relative risk rating	5 / Medium to High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
Global shares	19
Australian shares	18
Australian fixed interest	15
Global fixed interest	12
Cash	10
Growth alternatives	9
Defensive alternatives	6
Unlisted infrastructure	3
Unlisted property	3
Global listed property	3
Global listed infrastructure	2

Actual Allocation	%
International Shares	17.32
Australian Shares	16.69
Listed Property and Infrastructure	4.76
Unlisted Property and Infrastructure	5.46
Growth Alternatives	10.33
International Fixed Interest	16.83
Australian Fixed Interest	12.12
Defensive Alternatives	0.05
Cash	16.44

Fund Performance

The September quarter saw a continuation of the themes challenging markets over prior months. This led to a negative return in the September quarter for the Fund, as continued inflationary and economic growth concerns, rising interest rates and geopolitical pressures pushed markets lower. The Fund performed ahead of the neutral benchmark but underperformed the CPI objective. Despite near-term volatility, longer-term performance remains in line with expectations over most key time horizons.

Despite a strong start to the period, markets quickly retreated by quarter end, as central banks continued to hike to quell inflation, making recession appear increasingly difficult to avoid. Global developed markets retreated -5% during the quarter. Emerging market equities also struggled ending the period -8% lower, with China concerns a key catalyst. In contrast, Australian shares outperformed, eking out a small gain as bank and mining stocks supported the market. Both government bonds and credit markets continued to struggle as bond yields shifted higher. Listed real assets underperformed broader equities as economic growth concerns weighed heavily on the sector, particularly real estate. Comparatively, unlisted real assets remained relatively stable over the period.

Despite weaker absolute returns, the Fund outperformed the strategic benchmark in the September quarter and remains ahead over 1, 3 and 5-year time horizons. Unlisted real assets and private equity were strong contributors as valuations remained stable and outperformed listed markets. Options protection, as well as underweight allocations to Australian and international bonds in favour of infrastructure and alternatives, also helped mitigate drawdowns relative to benchmark given the sizeable sell off. This was partially offset by weaker stock selection in Australian equities, with managers Macquarie and DNR underperforming in the banking and mining sectors. Performance versus CPI remains challenged, as the sharp rise in CPI in combination with broad based corrections across equity and bond markets in 2022 continues to hurt relative returns.

Market Review

Broader economic sentiment initially improved, then deteriorated during the September quarter. July saw a bout of optimism permeate markets, with early hopes inflation was close to peaking. This however faded mid-quarter, as hopes of an early central bank pivot fizzled out on the back of commentaries from central banks, most notably Fed Chair Powell's remarks at the Jackson Hole symposium, all of which conveyed a clear resolve to fight inflation with further rate hikes. Bearishness then increased in markets through the rest of August and September, not helped by a 40-year high monthly US inflation print, more nuclear threats from Vladimir Putin as Ukrainian forces drove Russian troops back, strife in the British bond market as soaring yields forced UK pension funds to cover losses, raising solvency concerns in the process, and even rumours of financial strife at global banking giant Credit Suisse surfaced.

Economic data releases through the quarter were generally soft. In the US, GDP was shown to have fallen in two consecutive quarters, marking a technical recession, though not being declared as one by US government departments due to a lack of 'significant decline in economic activity' evidenced by job markets' statistics. Payroll figures were shown to be stronger than expected and unemployment remained very low.

Outlook

As we move towards year end, we believe markets are likely to remain volatile as the Ukraine crisis, inflation and monetary tightening remains a constant threat. Despite the potential for short-term fluctuations, there are some green shoots of easing inflationary pressures which would likely be well received by investors and central banks. Additionally, equity and bond valuations are beginning to move to more reasonable levels. On balance however, we remain cautious on the near-term outlook for markets and continue to maintain an active and well-diversified portfolio exposure.

Availability

Product Name	APIR
Flexible Lifetime - Investments (Series 1)	AMP0689AU**
Flexible Lifetime - Investments (Series 2)	AMP1422AU**
SignatureSuper	AMP0804AU
SignatureSuper - Allocated Pension	AMP1160AU
SignatureSuper Term Pension	AMP1160AU

**Closed to new and existing investors

Contact Details

Web: www.amp.com.au
Email: askamp@amp.com.au
Phone: 131 267

INSIGHTS
IDEAS
RESULTS