Future Directions High Growth

Quarterly Investment Option Update

31 March 2023

Aim and Strategy

The strategy aims to achieve a rate of return of 4.0% pa above the inflation rate (measured by the Consumer Price Index) after investment fees and before tax over the investment timeframe. Using a multi-manager approach, it provides investors access to a diversified portfolio that primarily invests in growth assets (shares and property). This is a multi-manager option which diversifies at asset and manager level.

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	10 years
Standard Risk Measure	6/High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
Australian Shares	41
Global Shares	47
Property	4
Infrastructure	4
Alternatives	2
Fixed Interest	0
Cash	2

Actual Allocation	%
Global Shares	44.15
Australian Shares	41.23
Listed Property and Infrastructure	4.41
Unlisted Property and Infrastructure	3.16
Growth Alternatives	5.49
Global Fixed Interest	0.01
Defensive Alternatives	0.01
Cash	1.54

Fund Performance

The first quarter of 2023 saw most major markets end in positive territory, buoyed by signals that inflation, whilst still high, was beginning to exhibit signs of peaking. This translated into strong quarterly performance for the Future Directions High Growth Fund. Overall, the Fund performed behind the neutral benchmark but outperformed the CPI objective for the quarter. With near-term volatility and current environment weighing on performance, longer-term performance is mixed over most key time horizons.

Investor sentiment experienced both highs and lows through the March quarter as central bank policy decisions and inflationary concerns had prime influence over the market direction. In this environment, both Australian equities and international equities generated positive returns of 3.5% and 7.5% respectively, as inflationary pressures showed signs of easing. This was despite volatility from recessionary and geopolitical concerns, as well as shocks to the banking sectors in the US and Europe following collapses of Silicon Valley Bank and Credit Suisse. Emerging markets were also strong, though underperformed developed markets, returning 3.8% for the period. Bond and credit allocations eked out a modest positive performance as signs emerged that the aggressive rate hiking cycle by central banks was beginning to have its desired effect. Listed real assets performed in line with broader equities, as interest rate hikes began to slow. Unlisted real assets remained relatively stable.

Weakness in Private equity and alternatives allocations constrained the Fund's relative performance for the quarter, as valuation movements underperformed gains in equity markets. Alternatives have also been a key detractor over longer time horizons. For the quarter, underperformance was partially offset by an underweight position to Global Listed Real Estate which added value as the real estate sector, namely in the US, came under pressure over the period. Performance versus CPI was positive over the period but remains challenged as the sharp rise in CPI in combination with corrections across equity and bond markets in 2022 hurt relative performance over longer time horizons.

Market Review

The earlier half of the March quarter saw growth markets generally gain ground as inflation, while still high, continued to exhibit signs of falling, fanning expectations the US Federal Reserve (Fed), along with other central banks, would soon ease hawkish monetary policy. In mid-February however, US CPI inflation was shown to have reduced only slightly, disappointing traders betting on a larger fall. This was followed by continued hawkish comments from the Fed, which dampened market sentiment somewhat. Data released in March, however, subsequently showed a further fall in US inflation.

The more unexpected story of the quarter however came in mid-March, as relatively unknown regional US banks, Silicon Valley, Signature and Silvergate collapsed amid a run on deposits. These banks weren't able to meet withdrawal demand, as long-dated treasuries held as capital had lost significant value over the previous year amid rising yields. The Fed promptly stepped in, providing around US$300 billion in extra credit to help ensure other banks could continue to meet funding requirements. Other major central banks also announced measures to add liquidity and guard against contagion.

Focus turned to Swiss banking stalwart Credit Suisse, which after large outflows via mass withdrawals, particularly in recent months, became financially unviable. This culminated with the bank being taken over by local peer UBS at a heavily discounted price.

Outlook

Looking ahead, we are beginning to see pockets of stress and a softening in economic data, which we expect to translate to slower growth over the next 12-18 months. We have also seen indications of a peak in inflation and we expect to see a continuation of its recent downtrend throughout this year. Given the environment, we believe it is important for members to maintain and active well diversified asset exposure, for potential risk mitigation. We are tilted towards quality assets that offer diversification from equity market volatility, such as government bonds and unlisted assets, as we expect it may limit downside risk in the months ahead.

Availability

Product Name	APIR
Flexible Lifetime - Investments (Series 1)	AMP0692AU**
Flexible Lifetime - Investments (Series 2)	AMP1419AU**
SignatureSuper	AMP0801AU
SignatureSuper - Allocated Pension	AMP1082AU
SignatureSuper Term Pension	AMP1082AU*

*Closed to new investors

**Closed to new and existing investors

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