

# Future Directions Balanced

Quarterly Investment Option Update

30 September 2023

## Aim and Strategy

The strategy aims to achieve a rate of return of 3.0% 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 with a bias towards growth assets (shares and property), with some exposure to defensive assets (bonds and cash). 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](http://www.amp.com.au/performance)

## Investment Option Overview

<b>Investment category</b>	Multi-Sector
<b>Suggested minimum investment timeframe</b>	5 years
<b>Standard Risk Measure</b>	6/High
<b>Investment style</b>	Active
<b>Manager style</b>	Multi-manager

Asset Allocation	Benchmark (%)
Australian Shares	25
Global Shares	34
Property	7
Infrastructure	7
Alternatives	4
Fixed Income	17
Cash	6

Actual Allocation	%
Global Shares	33.12
Fixed Income	17.75
Australian Shares	26.04
Infrastructure	7.67
Property	6.11
Alternatives	4.66
Cash	4.64

## Fund Performance

After strong gains in the first half of the year, the September quarter was reminiscent of 2022, where share and bond markets retreated as investor sentiment remained negative on inflation falling less than expected and interest rates looking likely to be higher for longer. For the Fund, this translated to a modest negative return. The Fund produced strong performance relative to its strategic benchmark over the quarter but underperformed its CPI objective. With a highly volatile 2022 weighing on recent returns, longer-term performance is mixed over most key time horizons.

The start of the new financial year saw share markets give up a portion of the gains generated in the tail end of FY2023, as the forward looking inflationary and interest rate outlook somewhat tempered the expectation of a 'soft landing' in the current global economic cycle. In this environment, both Australian equities and international equities retreated, returning -0.8% and -2.7% respectively. Growth-focussed US technology stocks yet again stood out as major market movers. The quarter saw more volatility for bonds, with interest rate sensitive segments, such as government bonds, continuing to languish amid rising yields and volatility.

Despite the small negative return, the Future Directions Balanced Fund weathered much of the downturn in Q3 through actively managed exposures, as well as remaining well diversified. The Fund outperformed the strategic benchmark in the near-term and over three years but remains challenged over the year. Last quarter, active stock selection from underlying managers in Australian and International shares boosted overall performance, leading to outperformance against their respective benchmarks. Similarly, diversifying allocations to alternatives and direct infrastructure, as well as private equity lifted returns in the face of falling listed markets. Bond and direct property allocations were down over the period as rates continued to rise, putting pressure on debt markets. Performance versus CPI remains challenged over the short to medium-term, as the sharp rise in CPI in combination with broad based market corrections in 2022 hurt relative performance, but remains ahead over the longer-term.

## Market Review

The September quarter initially saw global optimism build in investment markets amid an emerging view that a 'soft landing' scenario was starting to play out, reflected by still-falling inflation combined with resilient economic growth and employment numbers, notably in the US. Mid-quarter however, there was a small, but noticeable pull-back in sentiment, as global inflation prints fell - though not by as much as expected, demonstrating some equity markets had become a little ahead of themselves on the likelihood of an early and soft landing.

In the US, annualised inflation for August was shown to be 3.7%, up from 3.2% the previous month, though still in a downtrend from its 9.2% peak of mid-2022. The increase was largely driven by rising energy prices, such as gas and oil, amid production cuts from Russia and Saudi Arabia. Economic growth meanwhile was shown to be at 2.1%, while the unemployment rate ticked up to a still-low 3.8%. Consumer spending was resilient. Outside of economics, immigration policy was in the headlines, amid an influx of arrivals across the southern border. Government shutdown prospects and party leadership for the 2024 election were also widely discussed.

## Outlook

Looking ahead, we expect continued market volatility for the remainder of 2023. Share markets remain precariously positioned with valuations elevated. Inflation is not falling as fast as previously expected and higher interest rates are now likely to remain well into 2024, on top of increasingly worrisome national debt levels and recessionary fears. Against this backdrop, we are rotating away from equity markets, locking in recent gains in favour of diversifying assets such as credit and infrastructure, as we expect these assets to provide good diversification and defensive characteristics.

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## Availability

Product Name	APIR
Flexible Lifetime - Investments (Series 1)	AMP0690AU**
Flexible Lifetime - Investments (Series 2)	AMP1412AU**
SignatureSuper	AMP0798AU
SignatureSuper - Allocated Pension	AMP1080AU
SignatureSuper Term Pension	AMP1080AU*

\*Closed to new investors

\*\*Closed to new and existing investors

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