



Future Directions Balanced

Quarterly Investment Option Update

30 June 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

Investment Option Overview

Investment category	Multi-Sector
Suggested minimum investment timeframe	5 years
Standard Risk Measure	6/High
Investment style	Active
Manager style	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	34.24
Fixed Income	16.70
Australian Shares	24.82
Infrastructure	6.58
Property	6.56
Alternatives	4.25
Cash	6.85

Fund Performance

The June quarter saw share markets continue their rally which started during the fourth quarter of 2022. This recovery ultimately resulted in a firmly positive financial year for markets and strong quarterly and financial year performance for the Future Directions Balanced Fund. Before fees and costs, the Fund performed behind the neutral benchmark and CPI objective for the quarter. With a highly volatile 2022 weighing on recent returns, longer-term performance is mixed over most key time horizons.

Financial Year 2023 ended on a high as investors continued to favour risk-on investments in the June quarter, despite continued concerns around inflation, rising interest rates and a potential recession towards the late 2023/early 2024. In this environment, both Australian equities and international equities generated positive returns of 1.0% and 7.5% respectively. Technology and growth-focussed stocks dominated, with some of these stocks approaching somewhat extreme earnings multiples. Emerging markets underperformed broader global equities, returning 1.7% amid weak Chinese trade and manufacturing data. Bond and credit allocations were close to flat for quarter as yields were largely range bound. Listed real assets were constrained relative to broader equities, as elevated interest rates and recessionary concerns hampered the sector. Unlisted real assets were also flat, as revaluations of underlying assets begin to reflect the current market environment.

Weakness in Private equity and alternatives allocations continued to limit relative performance, as valuation movements underperformed gains in equity markets over the quarter. This 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 remains challenged across the medium-term, as the sharp rise in CPI in combination with broad based corrections across equity and bond markets in 2022 hurt relative performance over longer time horizons. This is likely to continue until CPI levels return to more normal ranges.

Market Review

The June quarter saw previous concerns around banking stability ease somewhat, as did volatility in many investment markets. The US debt ceiling was, for some time, a focus in the financial press, though markets weren't overly bothered. In late May, a last-minute agreement was unsurprisingly reached, as has been the case so frequently in past decades. High but falling inflation remained an ever-present theme, with drops in commodity prices shown to be reducing headline figures, though core inflation remained somewhat sticky around the globe, notably in Europe and the US. Global employment levels remained close to full, while wages growth also continued. Services PMIs were shown to be at healthy levels, though declined slightly in June, while manufacturing PMIs continued to show contracting activity.

In the US, the economy continued to grow at a moderate pace, despite gloomy headlines. Inflation ticked down consistently and now sits at only 4.0%, a level last seen in April 2021 and well down from the peak of 9.1%. Jobless claims, while still low, trended slightly higher along with the unemployment rate, adding to hopes central banks may ease off the monetary brakes. Consumer spending meanwhile remained resilient, surprising a little to the upside.

Outlook

Despite recent share market gains, the road ahead for investors remains fraught with challenges and we expect more volatility over the next 6-12 months. Share markets are precariously positioned, as much of the recent rally has largely been driven by gains in the tech sector thanks to excitement surrounding artificial intelligence. Additionally, we are still yet to see the full effect on rising interest rates on global economic growth, with recessionary fears, particularly in the US and Europe, a highly plausible reality. In this environment, we are modestly rotating away from equity markets, locking in recent gains in favour of more diversifying assets such as fixed income and infrastructure.

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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