Future
Directions

Issued
March 2024

All returns are quoted net of investment fees and taxes

AMP

Contents

Message from your fund manager

The first quarter of 2024 marked a solid start to the year and pleasingly extended the strong investment performance witnessed over the latter part of 2023. This was broadly a reflection of supportive, though generally balanced tones from central banks, a surprisingly resilient economic backdrop and a continuation of the artificial intelligence (AI) earnings tailwind. Thus far, expectations of (potential) rate cuts and low unemployment have been supportive of a so called "soft landing" scenario. Through the March quarter however, market expectations for the likely timing of rate cuts were pushed back, introducing the prospect of a "no landing" scenario in which rates remain on hold through 2024.

As has been the case for some time, geopolitical concerns continued, particularly pertaining to ongoing fighting in eastern Europe and the Middle East. While this continues to come at a terrible human cost that cannot be overstated, from an investment perspective the impact has been somewhat low; and not dissimilar to historic market behaviour in previous times of significant military conflict.

For the quarter, double digit returns were seen from global shares, with high single digit returns from Australian shares. Emerging market shares also rose strongly, though underperformed developed markets on the back of continued structural issues in the Chinese economy. Global listed real estate meanwhile pulled back slightly after an extremely strong return in the previous quarter, as investors adjusted their view on the likely timing of rate cuts in 2024.

Fixed income markets experienced some small negative returns for the quarter, as sovereign yields rose slightly amid falling (but still somewhat sticky) inflation, as well as evolving central bank sentiment. Despite some drawdown in developed government bond markets, higher-yielding credit markets generally performed well during the quarter, with corporate balance sheets remaining relatively strong despite modest increases in default rates and downgrades.

Pleasingly, absolute returns for the Future Directions Fund Options for the quarter were very strong. Stepping back to a one-year timeframe, the Options are showing double-digit (or near) returns.

Importantly, given inflation has cumulatively continued to drive down the real value of money, the Options have generated significant real returns (i.e., returns above inflation) over both the quarter and one-year periods. Active stock selection contributed positively, with most of our equity managers beating their respective benchmarks. Higher yielding credit allocations also contributed positively.

Looking ahead, we believe returns in 2024 are likely to be underpinned by easing inflation as central banks move to cut rates; though this will likely come with some bumps and surprises along the way. A recession is still quite possible in the US, whilst a number of other economies, including the UK, Finland, Ireland, Canada and Germany, have already experienced negative GDP growth. This, combined with higher equity valuations and elevated geopolitical risk, leads us to believe 2024 may entail more volatility than 2023.

It is difficult to accurately predict short-term winners and losers across asset classes and, as always, we remain highly diversified across these classes and strategies, with a focus on generating strong real returns for our members over the long-term. An important part of our portfolio management approach is to retest each options' asset allocation to make sure we remain positioned to deliver against our investment objectives and this review for 2024 is well underway.

As always, we'd encourage clients to remain focussed on the longer-term and not be overly distracted by shorter-term market movements, remembering volatility is ultimately what allows outsized returns to be generated for patient investors.

Anna Shelley
Chief Investment Officer

Future Directions **Conservative**

Fund objective

To provide moderate returns over the medium term through a diversified portfolio, with a bias towards defensive assets such as cash and fixed interest. The portfolio aims to achieve a rate of return above inflation after costs over a three-year period.

Investor Profile

- **Standard risk measure:** 3/Low to medium
- **Suggested minimum investment timeframe:** 3 years

Performance

The Future Directions Conservative Fund returned 2.4% for the March quarter.

Quarter Highlights

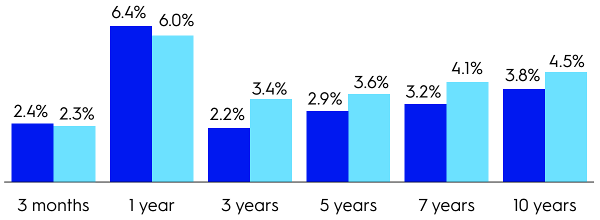
The economic resilience and encouraging market momentum of 2023 continued into Q1 of 2024, with share markets ending the quarter strongly. This reflected well upon the Future Directions Conservative Fund performance, with strong returns over the quarter and longer time periods. Additionally, the Fund outperformed its CPI objective and strategic objective for the March quarter but remains mixed over longer time periods.

Stronger than expected global economic news, alongside signals from central banks of forthcoming rate cuts, saw both domestic and international share exposures generate returns of 5.3% and 10.1% respectively. Listed property and infrastructure markets were mixed, with listed property underperforming whilst infrastructure followed the broader market, ending the quarter strongly. Bond markets ended the period broadly flat, however higher yielding credit markets contributed positively to overall performance as credit spreads tightened. Unlisted real assets and private equity were mixed, as weaker valuations of underlying assets impacted direct property and private equity exposures, while infrastructure remained stable.

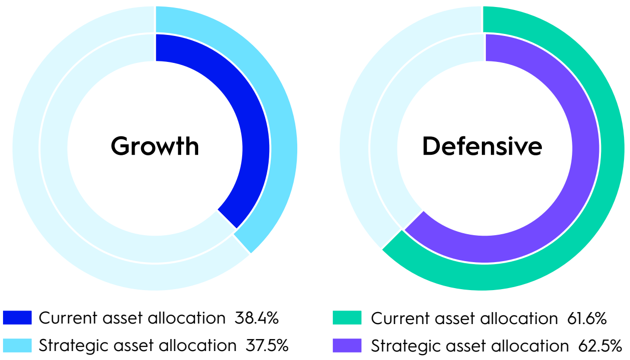
The Fund was well positioned in this environment to capture the strong market returns. Despite a more conservative approach, International and domestic share allocations proved to be the key driver of outperformance, with the majority of underlying managers outperforming their respective objectives. Sizeable Bond and investment grade credit allocations slightly underperformed their benchmarks over the quarter whilst high yield exposures performed well. Unlisted and Alternative sectors were constrained relative to equity market performances as diversifying assets such as hedge funds, private equity and real assets were somewhat subdued. Overall performance versus CPI has improved over most time periods. Relative performance over the medium-term remains mixed, however near and long-term performance is now ahead.

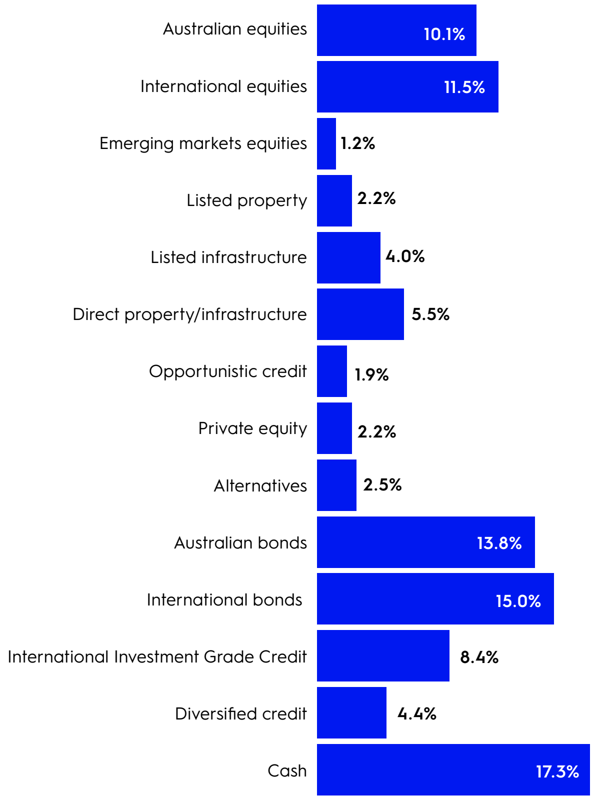
Outlook

Looking ahead, we anticipate 2024 to be a broadly positive year for markets, helped by easing inflationary pressures, central banks moving to cut rates and prospects for stronger economic growth in 2025. However, with a meaningful risk of recession, high share market valuations and geopolitical risks, we believe it's likely to be a rougher and more constrained ride than in 2023. In this environment, we remain highly diversified across asset classes and strategies, and hold a small overweight position in most global share allocations given their positive momentum. The portfolio remains broadly neutral across other asset classes.

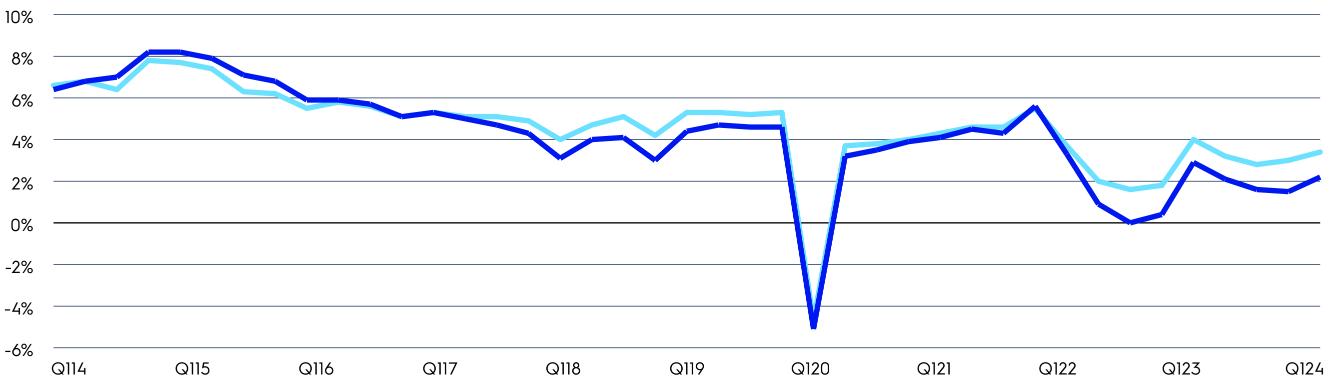


Performance as at 31 March 2024. Past performance is not a reliable indicator of future performance. All returns are net of investment fees and taxes.

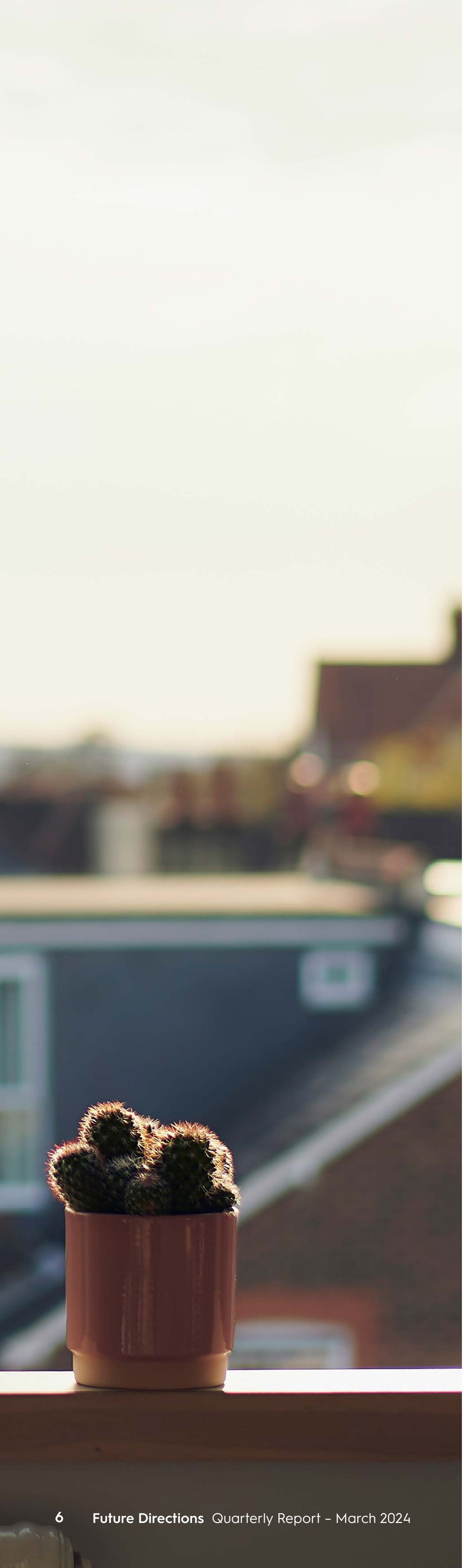




Current asset allocation as at 31 March 2024.



Source: Chant West Multi-Manager Quarterly Survey.



Future Directions **Moderately Conservative**

Fund objective

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 three to five-year period.

Investor Profile

- **Standard risk measure:** 4/Medium
- **Suggested minimum investment timeframe:** 3 to 5 years

Performance

The Future Directions Moderately Conservative Fund returned 3.8% for the March quarter.

Quarter Highlights

The economic resilience and encouraging market momentum of 2023 continued into Q1 of 2024 with share markets ending the quarter strongly. This reflected well upon the Future Directions Moderately Conservative Fund performance, with strong returns over the quarter and longer time periods. Additionally, the Fund outperformed its CPI objective and strategic objective for the March quarter but remains mixed over longer time periods.

Stronger than expected global economic news, alongside signals from central banks of forthcoming rate cuts, saw both domestic and international share exposures generate returns of 5.3% and 10.1% respectively. Listed property and infrastructure markets were mixed, with listed property underperforming whilst infrastructure followed the broader market, ending the quarter strongly. Bond markets ended the period broadly flat, however higher yielding credit markets contributed positively to overall performance as credit spreads tightened. Unlisted real assets and private equity were mixed, as weaker valuations of underlying assets impacted direct property and private equity exposures, while infrastructure remained stable.

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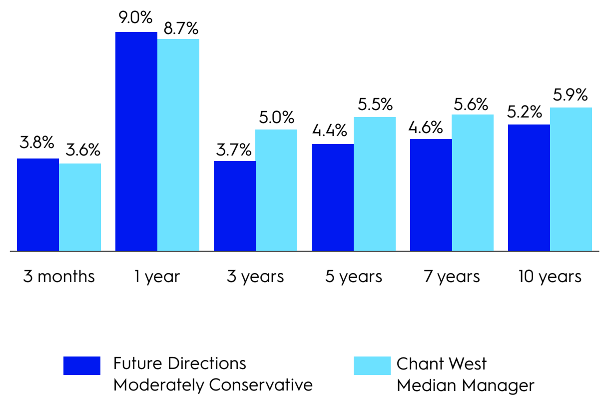
Outlook

Looking ahead, we anticipate 2024 to be a broadly positive year for markets, helped by easing inflationary pressures, central banks moving to cut rates and prospects for stronger economic growth in 2025. However, with a meaningful risk of recession, high share market valuations and geopolitical risks, we believe it's likely to be a rougher and more constrained ride than in 2023. In this environment, we remain highly diversified across asset classes and strategies, and hold a small overweight position in most global share allocations given their positive momentum. The portfolio remains broadly neutral across other asset classes.



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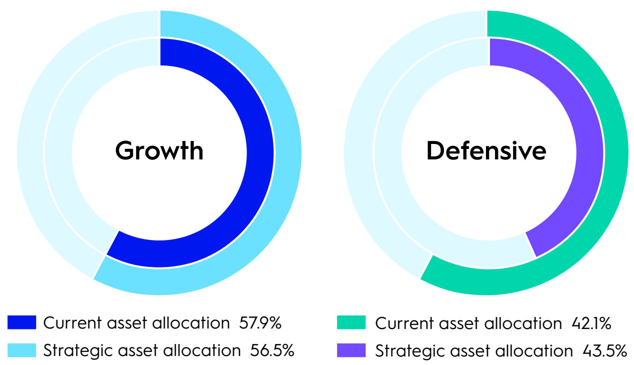
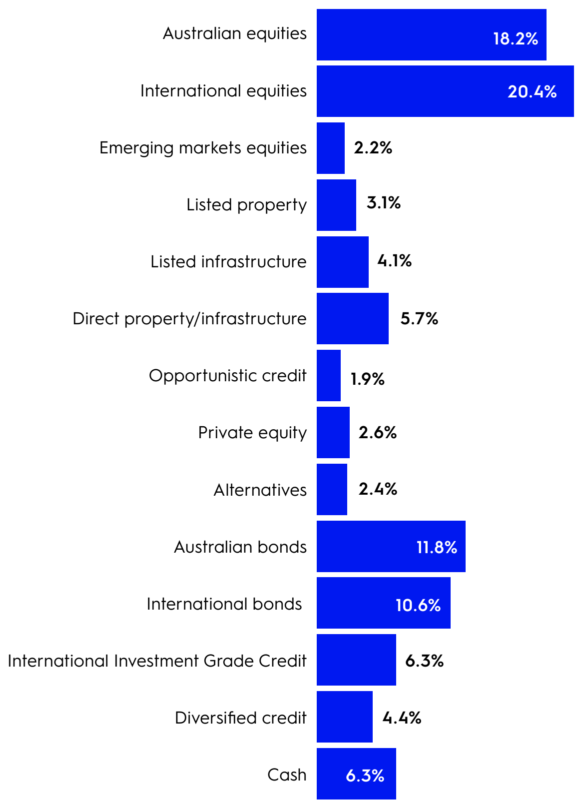
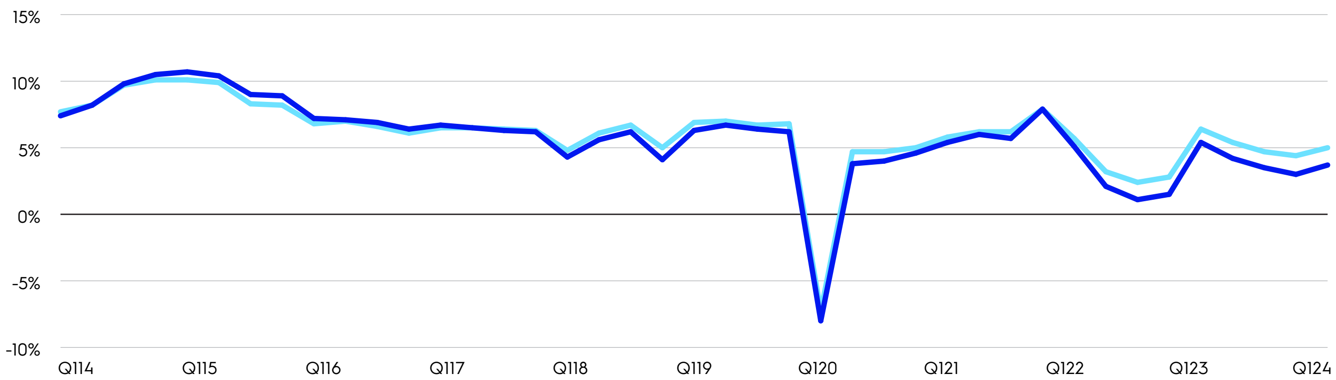




Current asset allocation as at 31 March 2024.



Source: Chant West Multi-Manager Quarterly Survey.

Future Directions **Balanced**

Fund objective

To provide moderate to high returns over the long term through a diversified portfolio, with a bias towards growth assets such as shares, property and alternative assets. The portfolio aims to achieve a rate of return above inflation after costs over a five-year period.

Investor Profile

- **Standard risk measure:** 5/Medium to high
- **Suggested minimum investment timeframe:** 5 years

Performance

The Future Directions Balanced Fund returned 5.0% for the March quarter.

Quarter Highlights

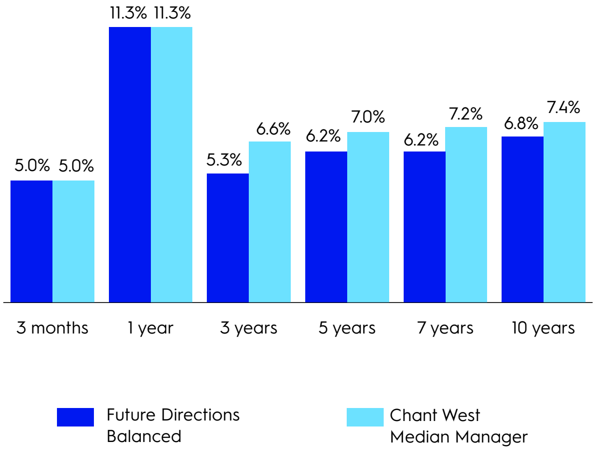
The economic resilience and encouraging market momentum of 2023 continued into Q1 of 2024 with share markets ending the quarter strongly. This reflected well upon the Future Directions Balanced Fund performance, with strong returns over the quarter and longer time periods. Additionally, the Fund outperformed its CPI objective and strategic objective for the March quarter but remains mixed over longer time periods.

Stronger than expected global economic news, alongside signals from central banks of forthcoming rate cuts, saw both domestic and international share exposures generate returns of 5.3% and 10.1% respectively. Listed property and infrastructure markets were mixed, with listed property underperforming whilst infrastructure followed the broader market, ending the quarter strongly. Bond markets ended the period broadly flat, however higher yielding credit markets contributed positively to overall performance as credit spreads tightened. Unlisted real assets and private equity were mixed, as weaker valuations of underlying assets impacted direct property and private equity exposures, while infrastructure remained stable.

The Fund was well positioned in this environment to capture the strong market returns. International and domestic share allocations proved to be the key driver of outperformance, with the majority of underlying managers outperforming their respective objective. Bond and investment grade credit allocations slightly underperformed their benchmarks over the quarter whilst high yield exposures performed well. Unlisted and Alternative sectors were constrained relative to equity market performances, as diversifying assets such as hedge funds, private equity and real assets were somewhat subdued. Overall performance versus CPI has improved over most time periods. Relative performance over the medium-term remains mixed, however near and long-term performance is now ahead.

Outlook

Looking ahead, we anticipate 2024 to be a broadly positive year for markets, helped by easing inflationary pressures, central banks moving to cut rates and prospects for stronger economic growth in 2025. However, with a meaningful risk of recession, high share market valuations and geopolitical risks, we believe it's likely to be a rougher and more constrained ride than in 2023. In this environment, we remain highly diversified across asset classes and strategies, and hold a small overweight position in most global share allocations given their positive momentum. The portfolio remains broadly neutral across other asset classes.



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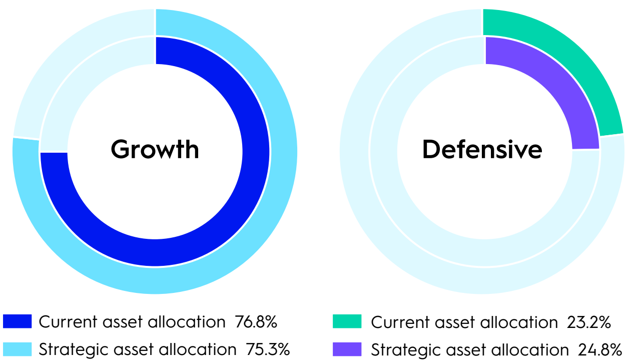
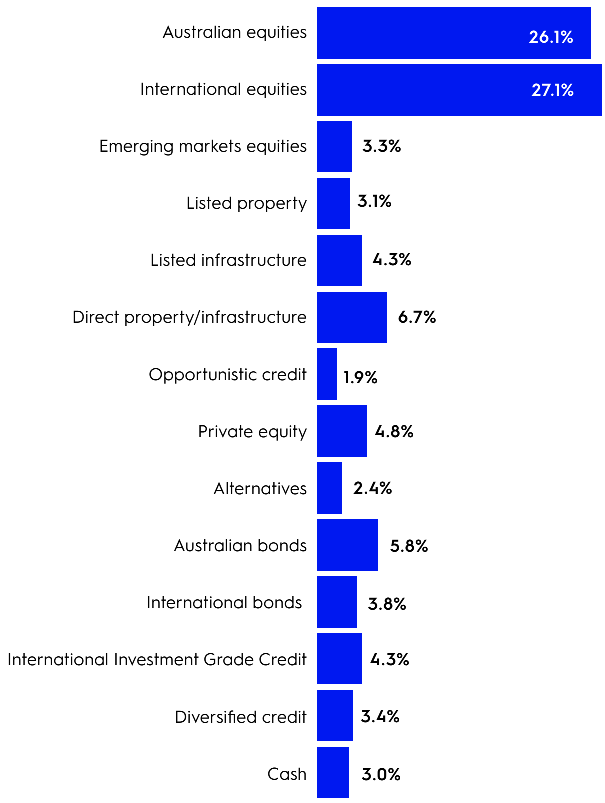
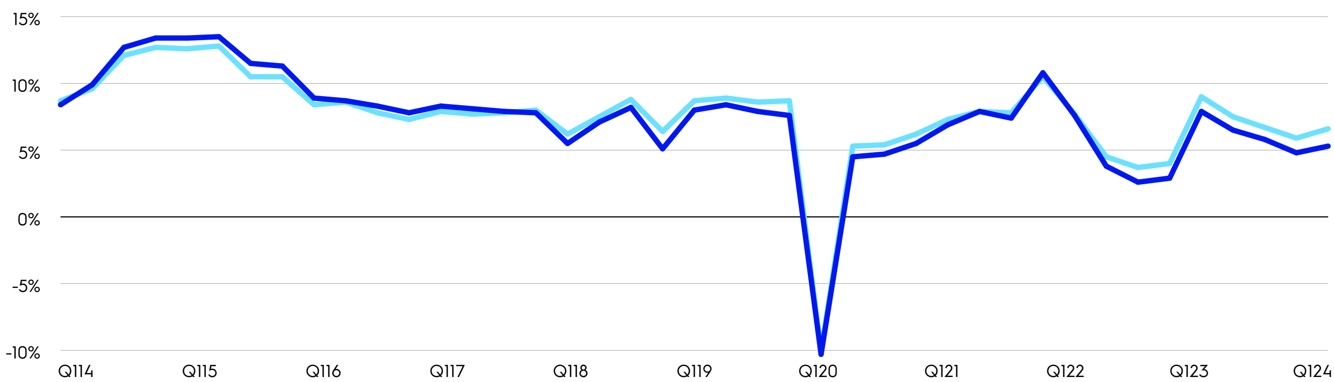
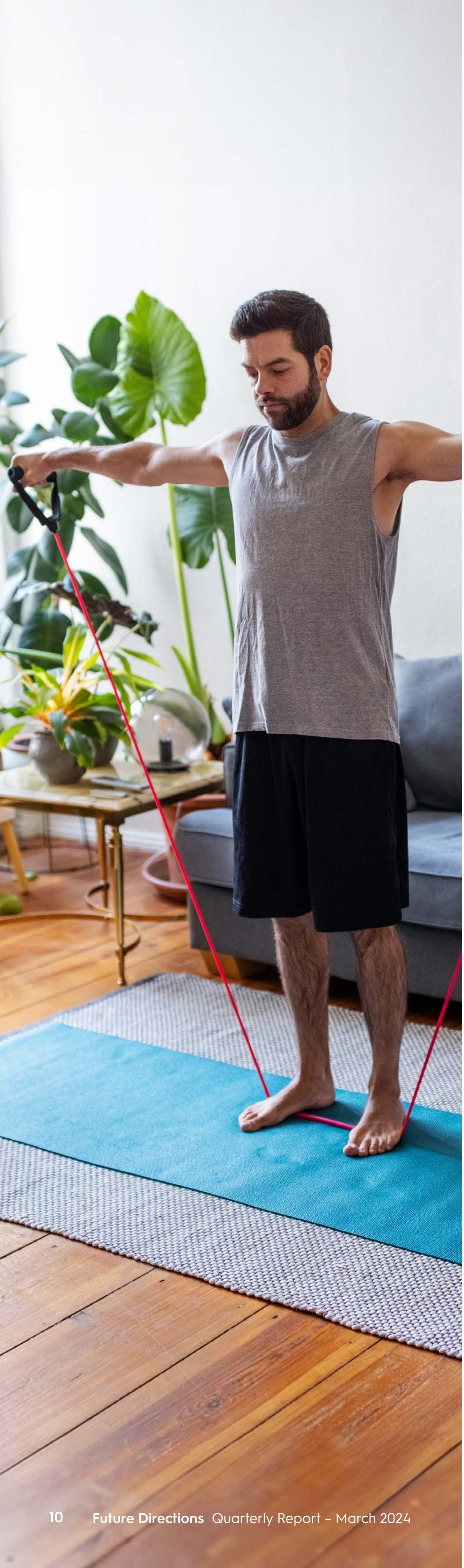




Current asset allocation as at 31 March 2024.



Source: Chant West Multi-Manager Quarterly Survey.



Future Directions **Growth**

Fund objective

To provide high returns over the long term through a diversified portfolio investing mostly in shares with some exposure to property, fixed interest and alternative assets. The portfolio aims to achieve a rate of return above inflation after costs over a five to seven-year period.

Investor Profile

- **Standard risk measure:** 6/High
- **Suggested minimum investment timeframe:** 5 to 7 years

Performance

The Future Directions Growth Fund returned 6.2% for the March quarter.

Quarter Highlights

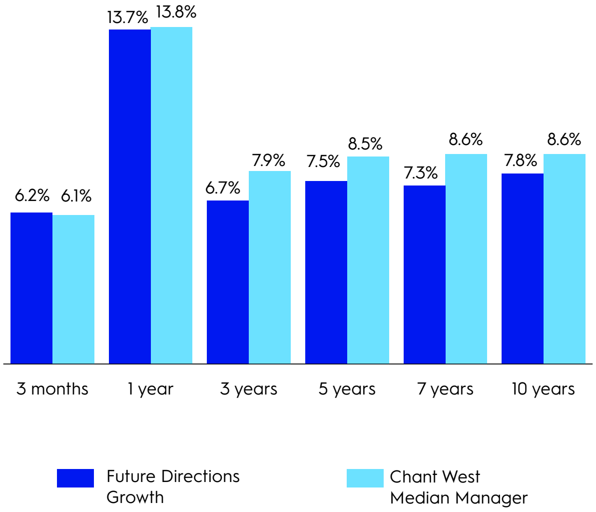
The economic resilience and encouraging market momentum of 2023 continued into Q1 of 2024 with share markets ending the quarter strongly. This reflected well upon the Future Directions Growth Fund performance, with strong returns over the quarter and longer time periods. Additionally, the Fund outperformed its CPI objective and strategic objective for the March quarter but remains mixed over longer time periods.

Stronger than expected global economic news, alongside signals from central banks of forthcoming rate cuts, saw both domestic and international share exposures generate returns of 5.3% and 10.1% respectively. Listed property and infrastructure markets were mixed, with listed property underperforming whilst infrastructure followed the broader market, ending the quarter strongly. Bond markets ended the period broadly flat, however higher yielding credit markets contributed positively to overall performance as credit spreads tightened. Unlisted real assets and private equity were mixed, as weaker valuations of underlying assets impacted direct property and private equity exposures, while infrastructure remained stable.

The Fund was well positioned in this environment to capture the strong market returns. Sizeable International and domestic share allocations proved to be the key driver of outperformance, with the majority of underlying managers outperforming their respective objectives. High yield credit exposures also performed well as yields shifted lower. Unlisted and Alternative sectors were constrained relative to equity market performances, as diversifying assets such as hedge funds, private equity and property were somewhat subdued. Overall performance versus CPI has improved over most time periods. Relative performance over the medium-term remains mixed, however near and long-term performance is now ahead.

Outlook

Looking ahead, we anticipate 2024 to be a broadly positive year for markets, helped by easing inflationary pressures, central banks moving to cut rates and prospects for stronger economic growth in 2025. However, with a meaningful risk of recession, high share market valuations and geopolitical risks, we believe it's likely to be a rougher and more constrained ride than in 2023. In this environment, we remain highly diversified across asset classes and strategies, and hold a small overweight position in most global share allocations given their positive momentum. The portfolio remains broadly neutral across other asset classes.



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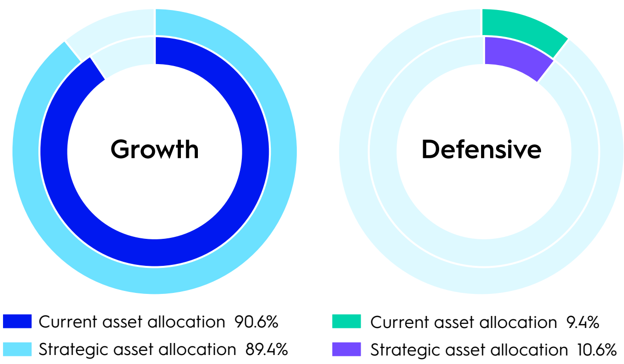
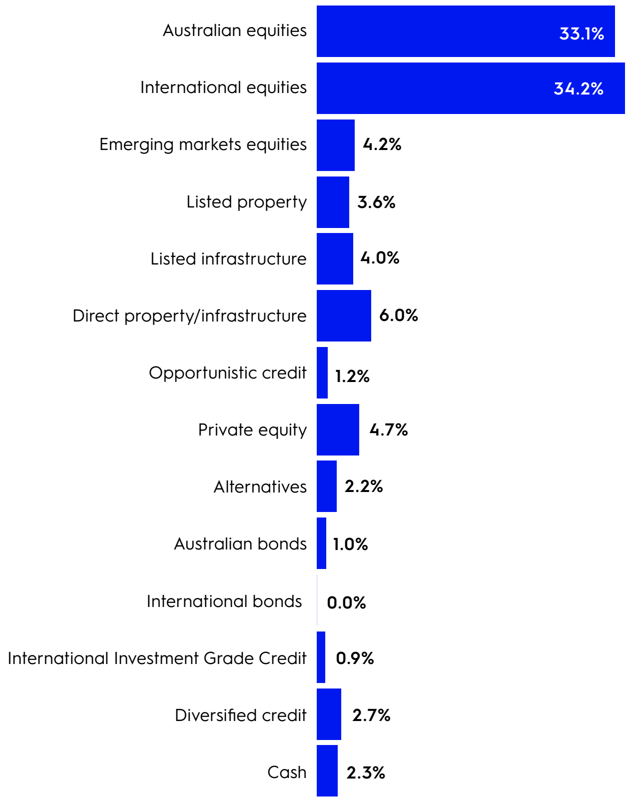
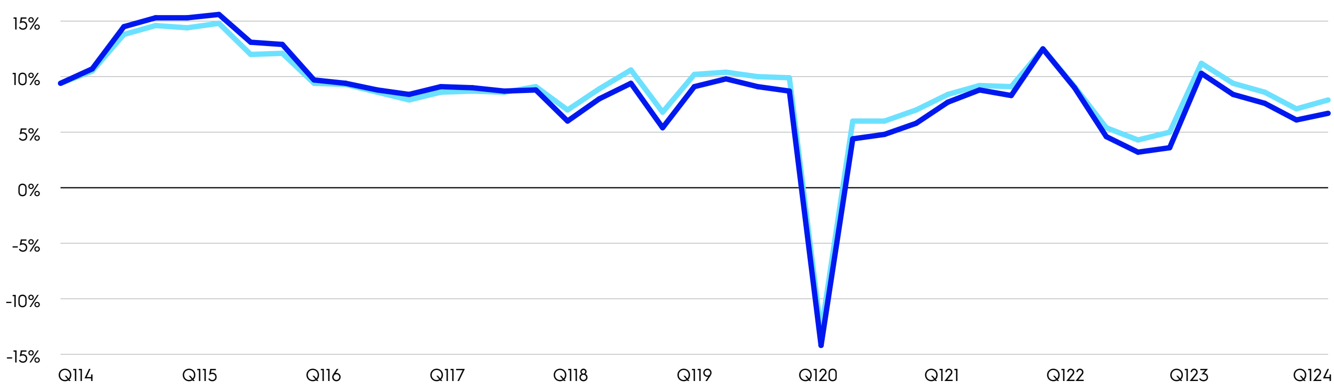




Current asset allocation as at 31 March 2024.



Source: Chant West Multi-Manager Quarterly Survey.

Future Directions Growth   Chant West Median Manager

Future Directions
High Growth

Fund objective

To provide high returns over the long term through a diversified portfolio investing mostly in Australian and international shares with some exposure to alternative assets and property. The portfolio aims to achieve a rate of return above inflation after costs over a seven-year period.

Investor Profile

- **Standard risk measure:** 6/High
- **Suggested minimum investment timeframe:** 7 years

Performance

The Future Directions High Growth Fund returned 7.5% for the March quarter.

Quarter Highlights

The economic resilience and encouraging market momentum of 2023 continued into Q1 of 2024, with share markets ending the quarter strongly. This reflected well upon the Future Directions High Growth Fund performance, with strong returns over the quarter and longer time periods. Additionally, the Fund outperformed its CPI objective and strategic objective for the March quarter but remains mixed over longer time periods.

Stronger than expected global economic news, alongside signals from central banks of forthcoming rate cuts, saw both domestic and international share exposures generate returns of 5.3% and 10.1% respectively. Listed property and infrastructure markets were mixed, with listed property underperforming whilst infrastructure followed the broader market, ending the quarter strongly. Bond markets ended the period broadly flat, however higher yielding credit markets contributed positively to overall performance as credit spreads tightened. Unlisted real assets and private equity were mixed, as weaker valuations of underlying assets impacted direct property and private equity exposures, while infrastructure remained stable.

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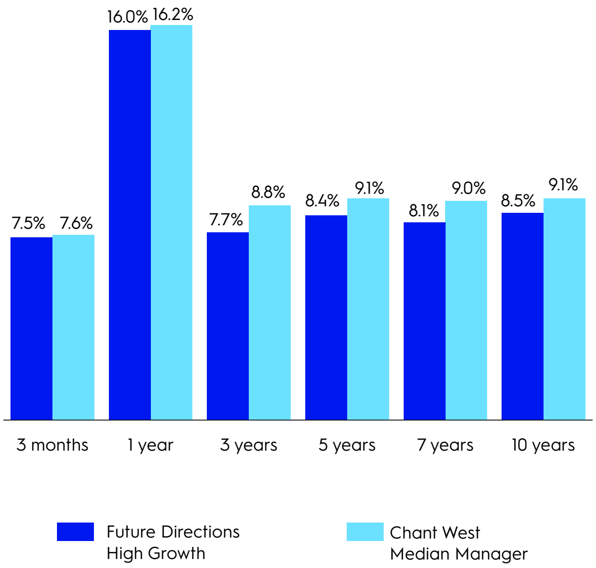

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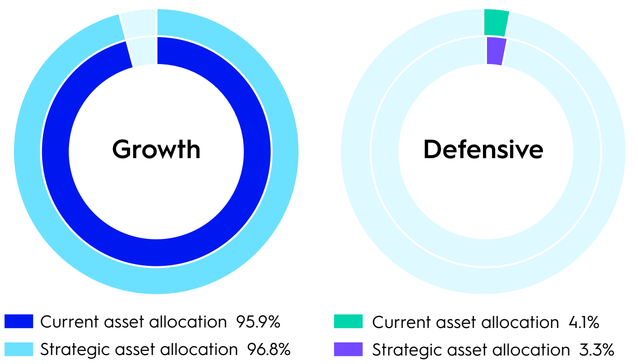

Outlook

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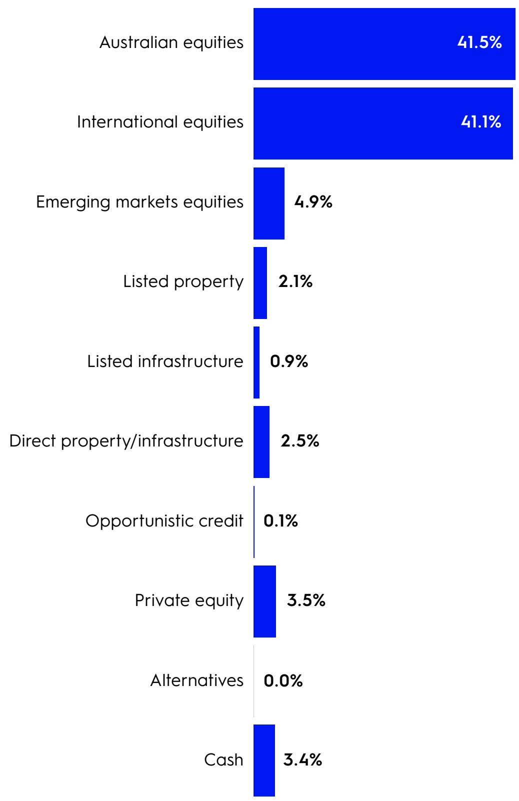
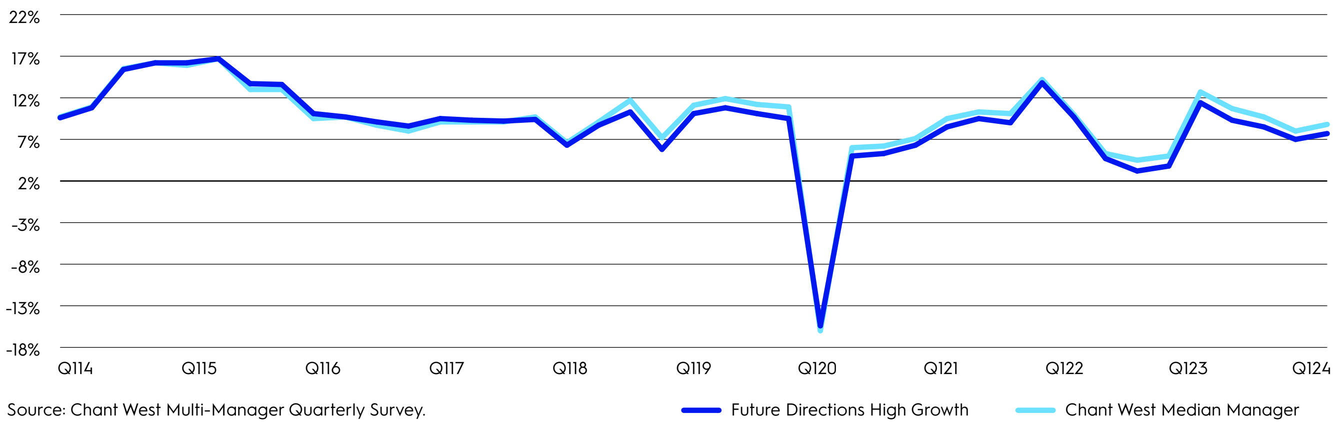


Current asset allocation as at 31 March 2024.



Source: Chant West Multi-Manager Quarterly Survey.

Meet the AMP Future Directions Management Team

Anna Shelley

Anna Shelley Anna is the Chief Investment Officer, AMP Investments and the Portfolio Manager for AMP's default Corporate Super offerings. Anna is responsible for overseeing the Group's specialised portfolio management capability. This capability includes the management of AMP's full range of diversified portfolios. Before joining AMP, Anna was CIO of Catholic Super.

Stuart Eliot

Stuart Eliot As Head of Portfolio Management for AMP Investments, Stuart Eliot brings more than 30 years of diverse financial markets experience to the stewardship of our client's funds. Most recently he spent 12 years with Pendal Group where he was Senior Portfolio Manager, Multi-Asset Investments since 2016, and previously Portfolio Manager, Diversified Funds since 2009. In these roles Stuart was responsible for strategic and dynamic asset allocation, portfolio management and investment research, including a strong focus on responsible investing. Prior to joining Pendal, he held senior investment banking, trading and quantitative research roles, encompassing multiple asset classes, at several leading investment banks. Stuart holds a BComm (Actuarial Studies) from Macquarie University.

Jeronimo Harrison

Jeronimo is the co-Portfolio Manager for the North Index range. He is also co-Portfolio Manager for the Future Directions, AMP Diversified, Experts' Choice and Wholesale Trust fund ranges. Jeronimo joined AMP in 2016. His responsibilities include research, risk management, portfolio construction and generating trade recommendations. Previously Jeronimo covered Australian, global and emerging markets equities across the AMP Capital single sector manager research portfolios and supported the private equity and hedge fund programs. Prior to joining AMP Capital, Jeronimo was an Investment Analyst within the AMP Group corporate venture capital fund. Jeronimo holds a double degree in Commerce (Finance) and Mechanical Engineering (Hons. Class 1) from the University of Sydney and is a CFA Charterholder.

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