

Future Directions Growth

Quarterly Investment Option Update

31 December 2019

Aim and Strategy

To provide high returns over the long term through a diversified portfolio investing, mostly in shares with some exposure to alternative assets and property. The portfolio aims to achieve a rate of return above inflation after costs over a 5 to 7-year period.

Investment Option Performance

To view the latest investment performances for each product, please visit www.amp.com.au

Investment Option Overview

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

Asset Allocation	Benchmark (%)
International shares	39
Australian Shares	32
Growth Alternatives	10
Listed Property and Infrastructure	5
Unlisted Property and Infrastructure	5
Australian Fixed Interest	4
International Fixed Interest	3
Cash	2
Defensive Alternatives	0

Actual Allocation	%
International Shares	41.25
Australian Shares	31.18
Listed Property and Infrastructure	3.30
Unlisted Property and Infrastructure	6.28
Growth Alternatives	8.08
International Fixed Interest	3.99
Australian Fixed Interest	2.97
Defensive Alternatives	0.05
Cash	2.90

Fund Performance

The Fund delivered a positive return for the December quarter, capping a stellar 2019 as the Fund generated a double-digit return over the year. The performance of share allocations significantly contributed over the year and was the key driver of returns over the final quarter.

Market sentiment improved as the year came to an end, with growth assets outperforming more defensive assets over the quarter. Supportive global economic data releases, strong US corporate earnings, the announcement of a 'phase one' US-China trade deal and the resolution of the UK election provided a strong environment for growth assets. Both developed and emerging market shares rallied 7.7% and 9.5% respectively (in local currencies terms). Australian shares also ended the period slightly higher but underperformed their global counterparts due to lack of positive domestic news and end-of-year profit taking, returning 0.7%. Exposures to foreign currencies also performed poorly over the quarter as the Australian dollar rose in value relative to the US dollar. The low interest rate environment also aided direct property and infrastructure, which generated modest returns. With investors taking greater risk and yields shifting higher, government bonds and other yield-driven assets, such as listed property ended the quarter lower, giving up some of their gains generated over the year. The performance of alternatives was mixed with hedge funds performing well but style-based strategies, such as value and momentum, continuing to lag.

Market Review

The start of the quarter saw initial concerns of the risk of a recession. However, as the quarter progressed, US economic data was generally positive overall. Market sentiment further improved following the conclusion of the US-China trade disputes. US gross domestic product grew at an annualised rate of 1.9% in the third quarter. In October, the Federal Funds Rate was reduced by 25 basis points to 1.50-1.75%. Meanwhile President Trump's impeachment had little impact on financial markets.

In Europe, business conditions were flat in December but remain up from their low adding to confidence that Eurozone growth may be improving. During the quarter, the European Central Bank made no changes to interest rates. Meanwhile, in December the Swedish central bank raised rates from -0.25% to zero, ending roughly five years of negative rates.

In the UK, the Conservative party won the general election and will seek to prevent an extension of the Brexit transition period beyond the end of 2020. During the quarter, the Bank of England left rates on hold.

In Asia, Japan's gross domestic product growth for the September quarter was revised upward. The government announced fiscal stimulus plans in December whilst the Bank of Japan left monetary policy on hold. In China, industrial production and retail sales were stronger-than-expected in November suggesting positive signs for growth. China's central bank lowered its one-year loan prime rate in November by five basis points to 4.15%.

Outlook

Looking ahead, we remain cautiously optimistic for the start of 2020. With easy monetary conditions and global growth stabilising, share markets should post reasonable returns but these are likely to be more modest than 2019. Higher valuations and continued geopolitical risks such as Iran, US-China trade and Brexit will generate some volatility. The risk of recession however remains unlikely.

Given this positive outlook, the Fund holds a slightly overweight exposure to growth assets, such as alternatives and shares. Within the share allocation, we favour global shares over Australian shares given expansionary policies globally and sub-par domestic economic and profit growth. The Fund also maintains a diverse exposure to unlisted assets to better manage risk and smooth returns in periods of significant share market volatility. Smaller allocations to cash, bonds and other fixed income assets should also provide some protection if global economic growth deteriorates.

Availability

Product Name	APIR
AMP Flexible Lifetime Super	AMP0510AU*
AMP Flexible Super - Retirement account	AMP1353AU*
AMP Flexible Super - Super account	AMP1482AU*
CustomSuper	AMP0510AU
Flexible Lifetime - Allocated Pension	AMP0603AU*
Flexible Lifetime - Investments (Series 1)	AMP0691AU*
Flexible Lifetime - Investments (Series 2)	AMP1417AU*
Flexible Lifetime - Term Pension	AMP0925AU*
SignatureSuper	AMP0800AU
SignatureSuper - Allocated Pension	AMP1155AU
SignatureSuper Select	AMP0800AU

*Closed to new investors

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