Future Directions Moderately Conservative

Quarterly Investment Option Update

31 December 2019

Aim and Strategy

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 3 to 5-year period and to provide a total return, after costs and before tax, higher than the return from the relevant benchmarks of the underlying investments. The portfolio also aims to exceed the Chant West Multi-Manager Survey (Balanced Growth) Median(competitor universe) on a pre-tax basis.

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	3 years
Relative risk rating	Medium
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
International shares	20
Australian Fixed Interest	17
Australian Shares	17
International Fixed Interest	14
Cash	10
Growth Alternatives	7
Listed Property and Infrastructure	5
Unlisted Property and Infrastructure	5
Defensive Alternatives	5

Actual Allocation	%
International Shares	20.51
Australian Shares	16.29
Listed Property and Infrastructure	4.26
Unlisted Property and Infrastructure	5.47
Growth Alternatives	6.78
International Fixed Interest	15.92
Australian Fixed Interest	14.42
Defensive Alternatives	4.10
Cash	12.25

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. Developed market shares rallied 7.7% (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%. 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.

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, primarily through allocations to alternatives and global shares. 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 alternatives and defensive assets, to better manage risk in periods of share market volatility. Within the defensive assets, we have replaced a portion of the bond allocation with cash given stretched valuations, although we expect both to provide some protection should global growth deteriorate.

Availability

Product Name	APIR
AMP Flexible Lifetime Super	AMP0660AU*
AMP Flexible Super - Retirement account	AMP1358AU*
AMP Flexible Super - Super account	AMP1487AU*
CustomSuper	AMP0660AU
Flexible Lifetime - Allocated Pension	AMP0607AU*
Flexible Lifetime - Investments (Series 1)	AMP0689AU*
Flexible Lifetime - Investments (Series 2)	AMP1422AU*
Flexible Lifetime - Term Pension	AMP0930AU*
SignatureSuper	AMP0804AU
SignatureSuper - Allocated Pension	AMP1160AU
SignatureSuper Select	AMP0804AU

*Closed to new investors

Contact Details

Web: **www.amp.com.au**
Email: askamp@amp.com.au
Phone: 131 267