

Future Directions Balanced

Quarterly Investment Option Update

30 June 2020

Aim and Strategy

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 infrastructure inflation after costs over a 5-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	Medium to High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
International shares	31
Australian Shares	23
Australian Fixed Interest	11
Growth Alternatives	10
International Fixed Interest	9
Unlisted Property and Infrastructure	7
Listed Property and Infrastructure	4
Cash	3
Defensive Alternatives	2

Actual Allocation	%
International Shares	29.86
Australian Shares	23.15
Listed Property and Infrastructure	3.50
Unlisted Property and Infrastructure	6.27
Growth Alternatives	8.76
International Fixed Interest	12.61
Australian Fixed Interest	9.25
Defensive Alternatives	3.31
Cash	3.27

Fund Performance

After a volatile March quarter, the Fund delivered a positive return over the June quarter as global markets rebounded due to encouraging developments in the global response to COVID-19. Growth assets, particularly shares, provided the largest contribution to overall return, partially recovering from lows experienced at the height of COVID-19 concerns in late March. Relatively, the Fund underperformed the benchmark over the quarter. Strong manager performance in the Australian shares and credit allocations was largely offset by devaluations across unlisted assets and private equity investments. However, the Fund comfortably exceeded its CPI objective over the period.

Investor sentiment improved throughout the June quarter as central banks and governments around the globe adopted stimulus programmes and commenced reopening economies. Growth assets, such as the Fund's shares allocations, experienced sizeable rebounds in this environment, despite the ongoing risks surrounding COVID-19. Developed and emerging market shares rallied 18.5% and 16.7% respectively (in local currency terms), boosted by the positive employment and business confidence data released. Australian shares rose 16.5%. The more interest rate sensitive assets, such as the Fund's credit and bond allocations, also generated positive returns as they gained liquidity support from central banks. Returns from the Fund's private equity, direct property and infrastructure allocations were constrained as asset revaluations captured the adverse impact of COVID-19.

Market Review

As expected, global markets were heavily impacted by COVID-19 government restrictions and the flow-on effects of lockdown. Equities were volatile as shifting sentiment created swings between a risk-on and risk-off bias. Despite this, there was a net sharp rally over the quarter in equity markets as some COVID-19 lockdown measures started to be unwound. This leaves equity markets open to the risk of a correction. COVID-19 impacts were aggravated by increasingly acrimonious relations between the US and China. In addition, there is the risk of further waves of COVID-19, especially in the more densely populated countries, and the potential for economies to fall back once working capital supplied by government policies peters out and companies review their strategies and demand. The World Bank, the Organisation for Economic Co-operation and Development, and the International Monetary Fund all indicate they expect the worst global recession since the Great Depression.

In the US, the Federal Reserve (Fed) significantly increased its COVID-19-related lending programmes. Fed Chairman Jerome Powell suggested the central bank will use its "full range of tools" and act "forcefully, proactively and aggressively until it is confident the economy is on the road to recovery". He also said the central bank still had plenty of options available, with the expectation that monthly bond purchases will increase.

Outlook

Looking ahead, we remain cognisant of the prevailing risks associated with COVID-19 over the near term. With certain regions continuing to experience rising infection rates, the possibility of a 'second wave' could lead to further social distancing measures being imposed or economies reverting to lockdowns. Ultimately this leaves markets susceptible to a correction or bouts of volatility should the situation worsen. We maintain a highly diversified portfolio to mitigate and diversify risk away from share market movements while holding a close to neutral growth-defensive asset split. A tilt into investment grade credit has also been adopted, given the more attractive yields and global central bank liquidity support for the asset class.

Availability

Product Name	APIR
AMP Flexible Super	AMP1477AU*
AMP Flexible Super - Retirement	AMP1348AU*
CustomSuper	AMP0506AU
Flexible Lifetime - Allocated Pension	AMP0601AU*
Flexible Lifetime - Investments (Series 1)	AMP0690AU*
Flexible Lifetime - Investments (Series 2)	AMP1412AU*
Flexible Lifetime - Super	AMP0506AU*
Flexible Lifetime - Term Pension	AMP0922AU*
SignatureSuper	AMP0798AU
SignatureSuper - Allocated Pension	AMP1080AU
SignatureSuper Select	AMP0798AU

*Closed to new investors

Contact Details

Web: www.amp.com.au

Email: askamp@amp.com.au

Phone: 131 267



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