

# Future Directions Balanced

Quarterly Investment Option Update

30 September 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/performance](http://www.amp.com.au/performance)

## Investment Option Overview

<b>Investment category</b>	Multi-Sector
<b>Suggested minimum investment timeframe</b>	5 years
<b>Relative risk rating</b>	5 / Medium to High
<b>Investment style</b>	Active
<b>Manager style</b>	Multi-manager

Asset Allocation	Benchmark (%)
International shares	31
Australian Shares	23
Growth Alternatives	12
Australian Fixed Interest	10
International Fixed Interest	8
Unlisted Property and Infrastructure	7
Listed Property and Infrastructure	4
Cash	3
Defensive Alternatives	2

Actual Allocation	%
International Shares	31.07
Australian Shares	22.91
Listed Property and Infrastructure	3.58
Unlisted Property and Infrastructure	6.36
Growth Alternatives	8.84
International Fixed Interest	12.63
Australian Fixed Interest	8.87
Defensive Alternatives	3.18
Cash	2.56

## Fund Performance

The Fund delivered a positive return over the September quarter, building on the strong gains of the June quarter. Growth assets again proved to be the key drivers of overall return, as global markets enjoyed a relatively encouraging quarter, despite volatility in the latter half of the period. Overall, the Fund outperformed the benchmark and comfortably exceeded its CPI objective over the quarter.

While many economies entered a recession, July and August saw share markets rally. Buoyed by strong growth in the US technology sector and sustained monetary and fiscal policy stimulus, domestic and international shares generated strong returns. By September however, markets began to diverge as fears of a 'second wave' of COVID-19 and renewed lockdowns dampened investor sentiment. Overall, the S&P/ASX 200 index ended the quarter down -0.4%, while the MSCI World ex Australia index closed up 6.9% (in local currency terms). Government bonds were generally unchanged as yields were largely range bound, while credit markets rallied due to the 'risk-on' tone of the quarter. Unlisted assets were broadly flat as the impact of COVID-19 continued to weigh on asset prices.

In this volatile environment, the Fund performed relatively well largely due to active management. Its active Australian share exposure achieved a positive return, well ahead of the S&P/ASX 200 index. Similarly, strong stock selection in its Australian fixed income exposure added to returns. The decision to hold an overweight allocation to credit also boosted relative performance. The Fund remained invested in private equity and absolute return strategies which provided an alternate source of returns, less correlated to listed markets.

## Market Review

Global equities rose during most of the quarter as the balance of data and economic expectations was initially viewed positively and on hopes that a COVID-19 vaccine might be available in a compressed timeframe. However, by quarter end, global equity markets suffered a pullback, led by the technology sector which later broadened to other sectors. Energy was also impacted as the oil price pulled back. For COVID-19, conditions and outlook remained uncertain. The global death count from the pandemic has now exceeded the one million mark.

Escalating tensions between the US and China have also elevated uncertainty. The US has rejected China's territorial claims to the South China Sea and has ended Hong Kong's special trade status with the US, requesting support in its stance from its allies. The US administration has also moved to put restrictions on some Chinese companies operating in the US, including TikTok and WeChat, although the US courts have moderated some of these decisions.

In the US, there is likely to be further downward pressure on the US dollar as quantitative easing measures continue to ramp up. An ongoing US dollar retracement would be consistent with improving global growth relative to that in the US and the US Federal Reserve's aggressive quantitative easing programme, which is significantly increasing the supply of US dollars.

## Outlook

Looking ahead, the final quarter of the year is poised to be eventful for markets. With the US election, the potential of further fiscal stimulus and positive news on a vaccine for COVID-19, markets are likely to experience volatility. As such, we remain confident an active diversified approach across defensive and growth assets will be beneficial going forward. We remain neutral across share allocations and continue to hold tilts into credit and alternative assets at the expense of government bonds, as global central bank liquidity keeps bond yields low. Option protection also continues to be implemented to help mitigate losses should share markets fall.

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## Availability

Product Name	APIR
AMP Flexible Super - Retirement	AMP1348AU*
AMP Flexible Super - Super	AMP1477AU*
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

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