

Future Directions Conservative

Quarterly Investment Option Update

30 September 2020

Aim and Strategy

To provide a rate of return of 1.5% above inflation (Consumer Price Index) after costs and before tax over a 3 year period. Future Directions Conservative option is a multi-manager option that gives investors access to a diversified portfolio with a bias towards income assets (bonds and cash) while having a limited exposure to growth (shares and property) and alternative assets. The multi manager option diversifies at asset and manager level investing in both AMP Capital and external managers. The key benefits are:- active management: within the assets class for example choosing stocks and allocating between asset classes- a broad range of asset classes including investments into unlisted property and infrastructure and- an experienced investment team.

Investment Option Performance

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

Investment Option Overview

Investment category	Multi-Sector
Suggested minimum investment timeframe	3 years
Relative risk rating	3 / Low to Medium
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
Australian Fixed Interest	20
International Fixed Interest	20
Cash	19
International Shares	11
Australian Shares	9
Growth Alternatives	7
Unlisted Property and Infrastructure	5
Defensive Alternatives	5
Listed Property and Infrastructure	4

Actual Allocation	%
International Shares	11.60
Australian Shares	9.16
Listed Property and Infrastructure	4.47
Unlisted Property and Infrastructure	4.51
Growth Alternatives	4.69
International Fixed Interest	21.15
Australian Fixed Interest	19.41
Defensive Alternatives	4.09
Cash	20.92

Fund Performance

The Fund delivered a positive return over the September quarter, building on the strong gains of the June quarter. In what was a quarter of two halves, growth assets initially provided a strong uplift to overall returns, while in September the large allocation to defensive assets protected capital as volatility increased. 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, 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 investment grade credit, at the expense of international bonds, also boosted relative performance as riskier assets rallied and monetary policy helped anchor yields at low levels. A small overweight allocation to emerging market shares also added value, driven by strong returns in Asian 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 that an active diversified approach across defensive and growth assets will be beneficial going forward and protect capital. We continue to hold tilts into credit assets at the expense of government bonds as we expect continued global central bank liquidity to support credit markets. Option protection also continues to be implemented to help mitigate losses should share markets fall.

Availability

Product Name	APIR
AMP Flexible Super - Retirement	AMP1349AU*
AMP Flexible Super - Super	AMP1478AU*
CustomSuper	AMP0656AU
Flexible Lifetime - Allocated Pension	AMP0602AU*
Flexible Lifetime - Investments (Series 1)	AMP0688AU*
Flexible Lifetime - Investments (Series 2)	AMP1413AU*
Flexible Lifetime - Super	AMP0656AU*
Flexible Lifetime - Term Pension	AMP0923AU*
SignatureSuper	AMP0799AU
SignatureSuper - Allocated Pension	AMP1081AU
SignatureSuper Select	AMP0799AU

*Closed to new investors

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