

Future Directions Balanced

Quarterly Investment Option Update

31 December 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

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 (%)
Australian Fixed Interest	N/A
Australian Shares	N/A
Cash	N/A
Defensive Alternatives	N/A
Growth Alternatives	N/A
International Fixed Interest	N/A
International shares	N/A
Listed Property and Infrastructure	N/A
Unlisted Property and Infrastructure	N/A

Actual Allocation	%
International Shares	31.27
Australian Shares	23.80
Listed Property and Infrastructure	4.25
Unlisted Property and Infrastructure	6.36
Growth Alternatives	8.52
International Fixed Interest	12.10
Australian Fixed Interest	8.87
Defensive Alternatives	2.95
Cash	1.90

Fund Performance

The Fund delivered a strong positive return over the December quarter, continuing an impressive rebound since the March quarter lows, to finish the year on an encouraging note. As has been the case since the second quarter of 2020, the momentum of growth assets has continued to drive the strong Fund performance. Overall, the Fund underperformed the benchmark but comfortably exceeded its CPI objective over the quarter.

Geopolitics, stimulus relief and COVID-19 news dominated investor sentiment over the quarter. In the US, political uncertainty was quelled, as Joe Biden was confirmed by the electoral college as the President Elect of the United States. Additionally, the signing of the economic stimulus relief bill, aptly titled the CARES Act, provided further reprieve and economic support. On the COVID-19 front, despite a worrying uptick in cases in the northern hemisphere, the announcement of three effective vaccines added fuel to the post-US election rally, leading to a strong finish to the year. Overall, the S&P/ASX 200 index ended the quarter up 13.7%, while the MSCI World ex Australia index closed up 12.7% (in local currency terms), with cyclical segments of the market and small cap stocks among the key winners. Government bonds were generally unchanged as yields were largely range bound, while credit markets rallied due to the 'risk-on' tone. Unlisted assets and alternatives also saw gains.

Relative to benchmark, the Fund underperformed over the quarter. Despite positive asset allocation decisions, stock selection was a drag on relative performance. An underweight to fixed interest added value, as bonds delivered low returns, although underlying managers outperformed the benchmark. Allocations to private equity detracted, as private company valuations lagged rallying public share market benchmarks, however this underperformance should be clawed back overtime. Share market exposures were also mixed, as quantitative strategies such as quality, growth and momentum signals underperformed value.

Market Review

December saw some closure and improved visibility on issues that had been weighing on the market for most of 2020. Despite further COVID-19 waves, breakouts and new strains, tangible plans for vaccine rollouts in 2021 showed an improved path to normalcy. In Europe, a Brexit deal was finally agreed and signed. All-in-all, the global environment imparted a more positive backdrop at the tail-end of the year which kept equity markets supported. However, many equity markets now look stretched and signs of excessive optimism have been reflected in IPOs often trading significantly above their launch valuations, with sketchy or sometimes zero profitability.

Ahead of the US presidential election global equities exhibited mixed performance as the initial acrimonious presidential debate impacted market certainty and support. After a protracted count, Democratic candidate Joe Biden won the election, although it took significant time for the Trump administration to tacitly accept defeat and agree to co-operate with a transition of power. Post the US election, global equity markets were buoyed by increased political certainty and positive news on several viable COVID-19 vaccines.

Global markets will be looking ahead to 2021 hoping than the impact of 2020 will be able to be reversed as soon as possible once vaccine programmes start to make their full effect felt.

Outlook

Looking ahead, we remain cautiously optimistic for 2021. The continuation of easy monetary policy, fiscal stimulus, rollout of vaccines and the resolution of many geopolitical concerns, which benefitted markets in 2020, should continue to do so in the new year. However, the sharp 'V-shaped' recovery has left markets somewhat susceptible to a correction. As such, holding an active, well-diversified asset exposure to both growth and defensive assets will continue to provide support should volatility return. We remain invested in credit and alternative assets, at the expense of government bonds, as global central bank liquidity keeps bond yields low, while remaining broadly neutral across share allocations.

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, **Closed to new and existing investors

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