

Future Directions Balanced

Quarterly Investment Option Update

31 March 2021

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 (%) |
|--------------------------------------|---------------|
| 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 | 32.27 |
| Australian Shares | 24.25 |
| Listed Property and Infrastructure | 4.49 |
| Unlisted Property and Infrastructure | 6.31 |
| Growth Alternatives | 8.40 |
| International Fixed Interest | 10.95 |
| Australian Fixed Interest | 4.90 |
| Defensive Alternatives | 3.01 |
| Cash | 5.43 |

Fund Performance

The Fund commenced 2021 on a positive note, delivering a fourth consecutive quarter of positive performance. Growth assets continued to be the key driver of performance as broad-based optimism drove the share market higher, while more defensive assets weakened. Overall, the Fund outperformed the benchmark and comfortably exceeded its CPI objective over the period.

In general, investors reacted positively to the execution of a US\$1.9 trillion US economic stimulus bill, the American Rescue Plan Act, as well as the strong progress of the vaccine rollout in the US and UK. It is expected that with the further economic support and continued inoculation effort, global economies should be able to sustainably reopen and realise strong economic growth throughout 2021. This backdrop saw share markets rally, and bond markets fall. Overall, the S&P/ASX 200 index ended the quarter up 4.3% and the MSCI World ex Australia index closed up 6.2% (in local currency terms), largely driven by sharp gains in value stocks and commodities. Global bonds returned -2.5% (on an Australian dollar hedged basis), as yields rose. Unlisted assets and alternatives gained as investors reacted to positive sentiment.

Relative to the benchmark, the Fund performed well over the quarter. Active share exposures were a key driver of outperformance, with value strategies performing strongly. Alternatives, particularly private equity, also made strong gains as revaluations boosted returns. Exposures to Australian and international bonds weighed on overall performance as underlying managers underperformed relative to benchmark due to long duration positions. However, the impact of this was offset by an active decision to be underweight these asset classes.

Market Review

Share markets were volatile over the March quarter overall as uncertainty increased around the potential effect of upward pressure on bond rates, evidenced toward the tail-end of the quarter, nascent inflationary pressures, and how central banks will react in the current environment. There were also some concerns over the pace of vaccine rollout in some countries, supply bottlenecks, and the general pace of economic recovery. However, countering this, global share markets saw some support in the period from improving visibility developing around these areas. Despite this, technology stocks continue to exhibit some risk-on / risk-off vacillation around potentially excessive valuations and the ongoing rotation bias from growth into value.

In the US, the US\$1.9 trillion support programme was passed in an attempt to provide further stimulus to the economy and make good an initial election promise to reduce some economic inequality. Markets are hoping the programme will be able to stimulate activity without stoking inflation. The passing of the bill has imparted some confidence to the new administration and Joe Biden gave his first press conference, albeit somewhat later than expected, with optimism.

Outlook

Looking ahead, we remain cautiously optimistic for the remainder of 2021. As the COVID-19 vaccine rollout continues to gain pace globally and the hospitalisation rate continues to trend downward, economic growth is projected to boom as economies ramp up their re-opening efforts. Against this backdrop, we look favourably on shares relative to bonds. However, the sharp 'V-shaped' recovery has left markets somewhat susceptible to a correction. Maintaining an active, well-diversified asset exposure should help mitigate losses should this scenario arise. We continue to lean into shares and alternative assets, at the expense of domestic and international government bonds, as we expect them to benefit in this environment. Option protection also continues to be implemented to help mitigate losses should share markets selloff.

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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