

Future Directions Growth

Quarterly Investment Option Update

31 March 2021

Aim and Strategy

To provide high returns over the long term through a diversified portfolio investing, mostly in shares with some exposure to alternative assets and property. The portfolio aims to achieve a rate of return above inflation after costs over a 5 to 7-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	6 years
Relative risk rating	High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
International shares	38
Australian Shares	32
Growth Alternatives	12
Unlisted Property and Infrastructure	6
Listed Property and Infrastructure	4
Australian Fixed Interest	3
International Fixed Interest	3
Cash	2
Defensive Alternatives	0

Actual Allocation	%
International Shares	39.01
Australian Shares	32.86
Listed Property and Infrastructure	4.52
Unlisted Property and Infrastructure	5.65
Growth Alternatives	7.32
International Fixed Interest	7.22
Australian Fixed Interest	1.86
Defensive Alternatives	0.06
Cash	1.50

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 hold tilts into cash, at the expense of government bonds, as we expect continued global central bank liquidity to support credit markets, while remaining broadly neutral across share allocations.

Availability

Product Name	APIR
AMP Flexible Super - Retirement	AMP1353AU*
AMP Flexible Super - Super	AMP1482AU*
CustomSuper	AMP0510AU
Flexible Lifetime - Allocated Pension	AMP0603AU*
Flexible Lifetime - Investments (Series 1)	AMP0691AU**
Flexible Lifetime - Investments (Series 2)	AMP1417AU**
Flexible Lifetime - Super	AMP0510AU*
Flexible Lifetime - Term Pension	AMP0925AU*
SignatureSuper	AMP0800AU
SignatureSuper - Allocated Pension	AMP1155AU
SignatureSuper Select	AMP0800AU

*Closed to new investors

**Closed to new and existing investors

Contact Details

Web: www.amp.com.au

Email: askamp@amp.com.au

Phone: 131 267



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