

Future Directions Conservative

Quarterly Investment Option Update

30 September 2021

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	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	14.29
Australian Shares	9.50
Listed Property and Infrastructure	5.01
Unlisted Property and Infrastructure	4.86
Growth Alternatives	4.18
International Fixed Interest	26.46
Australian Fixed Interest	17.39
Defensive Alternatives	2.89
Cash	15.42

Fund Performance

The Fund delivered a modest positive return over the September quarter. Performance was mixed for most asset classes, with markets starting off strongly then selling off in September. Overall, the Fund modestly underperformed the neutral benchmark and its CPI objective amid the market volatility.

July and August saw share markets continue to move higher as a strong earnings season and dovish global central banks buoyed investor sentiment. However, growth and inflationary concerns late in the period saw most global share markets retrace earlier gains. Overall, the S&P/ASX 200 index ended up 1.7%, while the MSCI World ex Australia index closed 0.6% higher (in local currency terms). Emerging market shares ended down 2.8% (in local currency terms) as increased regulations in China, as well as the potential default of large Chinese property developer, Evergrande, saw investors rotate out of the region. Listed real assets also started strong but gave up a portion of gains by quarter end as concerns about China increased. Unlisted real assets and private equity remained relatively stable, while defensive assets, such as bonds and credit continued to move sideways.

The Fund modestly underperformed the neutral benchmark over the quarter but remained ahead over the year. Sizeable allocations to Australian shares and listed real assets continued to produce strong relative performance. Allocations to absolute return strategies, such as hedge funds, also contributed positively. Outperformance in these asset classes was largely offset by weaker performance from an overweight exposure to cash and an underweight exposure to foreign currencies.

Market Review

A complex macroeconomic and political backdrop characterised the September quarter, pulling markets in varying directions. Major themes included ongoing fears on the persistency of inflation, a focus shifting towards living with COVID-19 rather than persisting with lockdowns - particularly given much of the population has now had the opportunity to be vaccinated - and the mixed interpretation of central bank communications leading to continued speculation on the path towards 'normalisation' of monetary and fiscal policy. Geopolitics was also heavily in focus, as the US withdrew from Afghanistan, leading to a swift and unopposed takeover by the Taliban regime. China was also in the spotlight during the period, coming under criticism for adopting an apparent conciliatory tone towards the Taliban, in addition to its continued regulatory crackdown on technology and the property sector amid its continuing broader shift towards 'big government' policy. Later in the quarter, volatility rose in markets on heavily fluctuating commodity prices, as well as the news that major Chinese property developer, China Evergrande Group, had run into financial stress, with concerns that a failure to pay its debts could spread to global markets, given its significant size. This volatility was further exacerbated by concerns on the Biden administration's upcoming tax rises and an impending debt-ceiling in the US, with the risk of a government shutdown possible.

Outlook

Despite increased volatility over the quarter, we remain optimistic for the rest of 2021. With the global economy on the path to recovery, we continue to look favourably on shares relative to bonds. However, the impact of the pandemic during the northern hemisphere winter, as well as inflationary concerns and future tightening of monetary policy, has left markets susceptible to a short-term correction. Maintaining an active, well-diversified asset exposure, in addition to a focus on the long term, should aid portfolio resilience and performance outcomes. We continue to lean into shares and alternative assets at the expense of cash, as we expect them to benefit from the ongoing global recovery over the medium term.

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

**Closed to new and existing investors

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