

Future Directions Balanced

Quarterly Investment Option Update

31 December 2021

Aim and Strategy

The strategy aims to achieve a rate of return of 3% above the inflation rate (measured by the Consumer Price Index) after investment fees and before tax over a 5-year period. Using a multi-manager approach, it provides investors access to a diversified portfolio with a bias towards growth (shares and property) and alternative assets, while having a limited exposure to income assets (bonds and cash). The multi-manager option diversifies at asset and manager level.

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	High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
Global shares	31
Australian shares	24
Growth alternatives	10
Global fixed interest	8
Australian fixed interest	8
Defensive alternatives	4
Unlisted property	4
Global listed property	3
Cash	3
Unlisted infrastructure	3
Global listed infrastructure	2

Actual Allocation	%
International Shares	32.16
Australian Shares	24.67
Listed Property and Infrastructure	6.03
Unlisted Property and Infrastructure	6.36
Growth Alternatives	8.47
International Fixed Interest	11.20
Australian Fixed Interest	7.58
Defensive Alternatives	1.60
Cash	1.93

Fund Performance

The Future Directions Balanced Fund ended 2021 with a positive December quarter despite the threat of higher inflation, tighter monetary policy and the emergence of the Omicron variant. Developed market equities were the key driver of returns over the period (as was the case for the year), whilst more defensive asset classes were subdued. Overall, the Fund outperformed both the neutral benchmark and CPI objective over the period boosted by strong asset allocation decisions and relative performances from underlying managers.

December quarter saw global share markets continued to trend upwards despite concerns centred around COVID-19 and its economic ramifications. Investors were buoyed by a strengthening corporate earnings outlook for 2022 in addition to an easing of supply chain constraints and other inflationary pressures. Overall, the S&P/ASX 200 index ended up 2.1%, while the MSCI World ex Australia index closed 8.3% higher (in local currency terms). Emerging market shares ended down -0.9% (in local currency terms) as they were harder hit by prevailing inflationary concerns and weakness in Chinese economic growth. Both unlisted and listed real assets posted strong returns as valuation uplifts aided returns. Conversely, rising government bond yields saw fixed income markets end the period broadly lower.

The Fund outperformed the benchmark in the December quarter and over the year. Overweight allocations to shares at the expense of bonds and cash drove strong performance versus benchmark amid the share market rally. Additionally, positive stock selection from underlying international share and listed real asset managers produced strong relative performance over the period. Unlisted real assets also remained a strong contributor as valuations trend upward. Outperformance in these asset classes was partially offset by weaker relative performances in bonds, credit, Australian shares and hedge funds.

Market Review

The December quarter saw investor sentiment remain generally buoyant, reflected in global equity markets climbing to new highs towards year-end, as markets began to accept high inflation as a prevailing condition, rather than a transient concern, while the world continued its long-winded road towards exiting the COVID-19 pandemic. US inflation was shown to be at 6.8% over the year to November, the highest seen in 39 years, with many other countries also reaching multi-year peaks. Indeed, the rhetoric of the US Federal Reserve (Fed) took a notable, slightly hawkish turn in this regard, with Chair Jerome Powell, indicating a clear preference to speed up the withdrawal of bond purchases given current inflationary pressures that Powell believes will remain "well into next year."

Outside of finance, the broader media focus was on the latest COVID-19 variant, Omicron. While raw case numbers rapidly rose to new peaks towards the end of the quarter, numerous studies have now shown Omicron symptoms to be generally relatively mild in nature (despite being considerably more infectious), with fatality and hospitalisation percentage rates far below that of previous variants. As has been the case for some time however, global governments reacted vastly differently across the globe, heavily impacting confidence, trade, travel and adding to civil discontent.

Outlook

Looking ahead, we remain optimistic for 2022, albeit with continued risks. COVID-19, inflation and rate hikes are likely to be at the forefront of investors' sentiment, leaving share markets somewhat susceptible to a short-term correction. Bond markets also are also likely to be constrained as monetary policy begins to tighten. However, we continue to believe investors will be rewarded for remaining invested, as the global recovery continues. In this environment, we favour equities and alternative assets at the expense of cash and fixed interest. Maintaining an active, well-diversified asset exposure in addition to a long-term focus should aid portfolio resilience and member outcomes.

Availability

Product Name	APIR
Flexible Lifetime - Investments (Series 1)	AMP0690AU*
Flexible Lifetime - Investments (Series 2)	AMP1412AU*
SignatureSuper	AMP0798AU
SignatureSuper - Allocated Pension	AMP1080AU
SignatureSuper Term Pension	AMP1080AU

*Closed to new investors

Contact Details

Web: www.amp.com.au

Email: askamp@amp.com.au

Phone: 131 267



What you need to know

This publication has been prepared by AWM Services Pty Limited ABN 15 139 353 496, AFSL No. 366121 (AWM Services). The information contained in this publication has been derived from sources believed to be accurate and reliable as at the date of this document. Information provided in this investment option update are views of the underlying investment manager only and not necessarily the views of AMP Limited ABN 49 079 354 519 (AMP Group). No representation is given in relation to the accuracy or completeness of any statement contained in it. Whilst care has been taken in the preparation of this publication, to the extent permitted by law, no liability is accepted for any loss or damage as a result of reliance on this information.

The investment option referred to in this publication is available through products issued by N.M. Superannuation Proprietary Ltd ABN 31 008 428 322, AFSL 234654 (NM Super), AMP Capital Funds Management Limited ABN 15 159 557 721, AFSL 426455 (AMPCFM) and/or ipac asset management limited ABN 22 003 257 225, AFSL 234655 (ipac). Before deciding to invest or make a decision about the investment options, you should read the current Product Disclosure Statement (PDS) for the relevant product, available from the issuer or your financial planner.

Any advice in this document is of a general nature only and does not take into account your financial situation, objectives and needs. Before you make any investment decision based on the information contained in this document you should consider how it applies to your personal objectives, financial situation and needs, or speak to a financial planner. In providing any general advice, AMP Group receives fees and charges and their employees and directors receive salaries, bonuses and other benefits.

Any references to the "Fund", strategies, asset allocations or exposures are references to the underlying managed fund that the investment option either directly or indirectly invests in. The investment option's aim and strategy mirrors the objective and investment approach of the underlying fund. An investment in the investment option is not a direct investment in the underlying fund.

Neither NM Super, AMPCFM, ipac, AWM Services, any other company in the AMP Group nor the underlying fund manager guarantees the repayment of capital or the performance of any product or particular rate of return referred to in this document, unless expressly stated in the PDS. Past performance is not a reliable indicator of future performance. Any slight asset allocation deviations from 100% may be caused by rounding, asset categorisation and/or hedging.