

# Future Directions Moderately Conservative

Quarterly Investment Option Update

31 December 2021

## Aim and Strategy

The strategy aims to achieve a rate of return of 2% above the inflation rate (measured by the Consumer Price Index) after investment fees and before tax over a 4-year period. Using a multi-manager approach, it provides investors access to a diversified portfolio with a balanced mix of income assets (cash and bonds) and growth (shares and property) and alternative assets. 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](http://www.amp.com.au/performance)

## Investment Option Overview

<b>Investment category</b>	Multi-Sector
<b>Suggested minimum investment timeframe</b>	4 years
<b>Relative risk rating</b>	Medium to High
<b>Investment style</b>	Active
<b>Manager style</b>	Multi-manager

Asset Allocation	Benchmark (%)
Global shares	19
Australian shares	18
Australian fixed interest	15
Global fixed interest	12
Cash	10
Growth alternatives	9
Defensive alternatives	6
Unlisted infrastructure	3
Unlisted property	3
Global listed property	3
Global listed infrastructure	2

Actual Allocation	%
International Shares	21.97
Australian Shares	18.73
Listed Property and Infrastructure	5.65
Unlisted Property and Infrastructure	5.28
Growth Alternatives	7.40
International Fixed Interest	16.21
Australian Fixed Interest	14.31
Defensive Alternatives	2.09
Cash	8.36

## Fund Performance

The 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 performance from underlying managers.

The December quarter saw global share markets continue 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 easing 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 by 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 performance. 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 trended 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.

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## Availability

Product Name	APIR
Flexible Lifetime - Investments (Series 1)	AMP0689AU*
Flexible Lifetime - Investments (Series 2)	AMP1422AU*
SignatureSuper	AMP0804AU
SignatureSuper - Allocated Pension	AMP1160AU
SignatureSuper Term Pension	AMP1160AU

\*Closed to new and existing investors

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