

Future Directions Conservative

Quarterly Investment Option Update

30 September 2022

Aim and Strategy

The strategy aims to achieve a rate of return of 1% above the inflation rate (measured by the Consumer Price Index) after investment fees and before tax over a 3-year period. Using a multi-manager approach, it provides 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. The key benefits are: active management: within the asset classes (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 this product, please visit www.amp.com.au/performance

Investment Option Overview

Investment category	Multi-Sector
Suggested minimum investment timeframe	3 years
Relative risk rating	4. Medium
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
Cash	20
Global fixed interest	19
Australian fixed interest	17
Global shares	11
Australian shares	10
Growth alternatives	7
Defensive alternatives	6
Unlisted infrastructure	3
Global listed property	3
Global listed infrastructure	2
Unlisted property	2

Actual Allocation	%
International Shares	9.24
Australian Shares	9.16
Listed Property and Infrastructure	4.07
Unlisted Property and Infrastructure	4.82
Growth Alternatives	9.03
International Fixed Interest	21.03
Australian Fixed Interest	14.22
Defensive Alternatives	0.05
Cash	28.38

Fund Performance

The start to the 2022/2023 financial year saw a continuation of the themes challenging markets over prior months. This led to a negative return in the September quarter for the Future Directions Conservative Fund as continued inflationary and economic growth concerns, rising interest rates and geopolitical pressures pushed markets lower. Overall, the Fund performed ahead of the neutral benchmark but underperformed the CPI objective. Despite near-term volatility, longer-term performance remains in line with expectations over most key time horizons.

Investment markets were again under pressure over the quarter. Despite a strong start to the period, markets quickly retreated by quarter end, as global central banks continued to rapidly hike interest rates in an effort to quell high levels of inflation, which in turn stoked investor apprehension that a recession will become increasingly difficult to avoid. Against this backdrop, global developed markets retreated -5% during the quarter. Emerging market equities also struggled, ending the period -8% lower, with China concerns a key catalyst. In contrast, Australian shares outperformed, eking out a small gain as bank and mining stocks supported the market. Both government bonds and credit markets continued to struggle as bond yields shifted higher. Listed real assets underperformed broader equities as economic growth concerns weighed heavily on the sector, particularly real estate. Comparatively, unlisted real assets remained relatively stable over the period.

Despite a strong start to the period, markets quickly retreated by quarter end, as central banks continued to hike to quell inflation, making recession appear increasingly difficult to avoid. Global developed markets retreated -5% during the quarter. Emerging market equities also struggled ending the period -8% lower, with China concerns a key catalyst. In contrast, Australian shares outperformed, eking out a small gain as bank and mining stocks supported the market. Both government bonds and credit markets continued to struggle as bond yields shifted higher. Listed real assets underperformed broader equities as economic growth concerns weighed heavily on the sector, particularly real estate. Comparatively, unlisted real assets remained relatively stable over the period.

Market Review

Broader economic sentiment initially improved, then deteriorated during the September quarter. July saw a bout of optimism permeate markets, with early hopes inflation was close to peaking. This however faded mid-quarter, as hopes of an early central bank pivot fizzled out on the back of commentaries from central banks, most notably Fed Chair Powell's remarks at the Jackson Hole symposium, all of which conveyed a clear resolve to fight inflation with further rate hikes. Bearishness then increased in markets through the rest of August and September, not helped by a 40-year high monthly US inflation print, more nuclear threats from Vladimir Putin as Ukrainian forces drove Russian troops back, strife in the British bond market as soaring yields forced UK pension funds to cover losses, raising solvency concerns in the process, and even rumours of financial strife at global banking giant Credit Suisse surfaced.

Economic data releases through the quarter were generally soft. In the US, GDP was shown to have fallen in two consecutive quarters, marking a technical recession, though not being declared as one by US government departments due to a lack of 'significant decline in economic activity' evidenced by job markets' statistics. Payroll figures were shown to be stronger than expected and unemployment remained very low.

Outlook

As we move towards year end, we believe markets are likely to remain volatile as the Ukraine crisis, inflation and monetary tightening remains a constant threat. Despite the potential for short-term fluctuations, there are some green shoots of easing inflationary pressures which would likely be well received by investors and central banks. Additionally, equity and bond valuations are beginning to move to more reasonable levels. On balance however, we remain cautious on the near-term outlook for markets and continue to maintain an active and well-diversified portfolio exposure.

Availability

Product Name	APIR
Flexible Lifetime - Investments (Series 1)	AMP0688AU**
Flexible Lifetime - Investments (Series 2)	AMP1413AU**
SignatureSuper	AMP0799AU
SignatureSuper - Allocated Pension	AMP1081AU
SignatureSuper Term Pension	AMP1081AU

**Closed to new and existing 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) 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, 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.