# Future Directions Conservative

Quarterly Investment Option Update

31 December 2022

## Aim and Strategy

The strategy aims to achieve a rate of return of 1.0% pa above the inflation rate (measured by the Consumer Price Index) after investment fees and before tax over the investment timeframe. Using a multi-manager approach, it provides investors access to a diversified portfolio with a bias towards defensive assets (bonds and cash) with some exposure to growth assets (shares and property). This is a multi-manager option which diversifies at asset and manager level.

## 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 |
| **Standard Risk Measure** | 4/Medium |
| **Investment style** | Active |
| **Manager style** | Multi-manager |

| Asset Allocation | Benchmark (%) |
|---|---|
| Fixed Income | 37 |
| Cash | 24 |
| Global Shares | 13 |
| Australian Shares | 10 |
| Infrastructure | 6 |
| Property | 5 |
| Alternatives | 5 |

| Actual Allocation | % |
|---|---|
| Global Shares | 11.06 |
| Australian Shares | 9.91 |
| Listed Property and Infrastructure | 5.85 |
| Unlisted Property and Infrastructure | 4.95 |
| Growth Alternatives | 6.79 |
| International Fixed Interest | 22.98 |
| Australian Fixed Interest | 14.37 |
| Defensive Alternatives | 0.05 |
| Cash | 24.03 |

## Fund Performance

After a difficult year in markets, the final quarter of 2022 brought some relief for investors. Positive returns across most asset classes saw the Fund end the year on an encouraging note after being constrained by higher inflation, rising interest rates and global growth concerns for most of 2022. Overall, the Fund performed behind the neutral benchmark, but outperformed the CPI objective for the quarter. Despite near-term volatility, longer term performance remains in line with expectations over most key time horizons.

There was some respite across most major markets in the December quarter as inflationary and interest rate pressures showed some signs of easing in October and November. In this environment, global developed equity markets recovered 7.4% during the period. Emerging market equities also saw strong gains, ending the period 6.5% higher, driven by a sharp recovery in Chinese equities. Domestically, Australian shares also generated positive returns, with mining and banking sectors boosting overall performance. Bond and credit allocations eked out a modest positive return after falling for most of the year. Listed real assets performed in line with broader equities, as interest rate hikes from central banks began to show some signs of slowing. Unlisted real assets remained relatively stable over the period.

Given the recovery in markets, overall fund performance finished the quarter in positive territory. Despite the strong absolute returns, the Fund underperformed the strategic benchmark in the December quarter but remains in line over 1-year and slightly ahead over 3-year time horizons. Unlisted real assets and private equity constrained relative performance, as valuation movements underperformed gains in equity markets over the quarter. Gains from Australian equity allocations were also slightly inhibited due to weaker stock selection by managers Bennelong and ECP as "Growth" style managers underperformed. Performance versus CPI was positive over the period but remains challenged, as the sharp rise in CPI in combination with broad based corrections across equity and bond markets in 2022 hurt relative performance over longer time horizons.

## Market Review

The December quarter saw continued choppy conditions across many markets, similar to that experienced throughout the rest of 2022. While driven by familiar themes, broader market sentiment was pulled in contrary directions, perhaps due to differing timeframes of investor outlooks, as shorter-term traders unsurprisingly continued to focus on inflation prints and the pathway of rate rises, medium-term considerations tended to centre around the growing likelihood of recession, while many longer-term investors looked beyond impending recessionary conditions to what opportunities a post-downturn recovery in economic growth, along with potentially lower inflation, may bring. Around the globe, central bankers' comments remained generally hawkish, even towards the end of the quarter, despite a clear slowing in the pace of hikes. Amid all this, continued geopolitical and diplomatic developments added complexity to the broader global outlook, with Russia's war on Ukraine and Chinese government policy both remaining in the spotlight. In the meantime, the US unveiled its next generation stealth bomber, the B21, arguably adding significant weight to NATO's strategic and tactical deterrence. Elsewhere, long-standing political tensions continued to simmer between Greece and Turkey. Finally, China suddenly began its exit from its draconian 'COVID-zero' policy, injecting a shot of optimism into the global outlook, particularly in Asian emerging markets.

## Outlook

As we move into 2023, the impacts of higher inflation and interest rates, as well as geopolitical concerns, remains a constant threat. However, with expectations of a recession largely priced into global markets and signals of inflationary and interest rate pressures beginning to level out, we remain cautiously optimistic on a 12-24 month basis. We believe maintaining an active, well-diversified asset exposure, in addition to remaining focused on the longer-term should aid portfolio returns.

## 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 |

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## Contact Details

**Web:** www.amp.com.au
**Email:** askamp@amp.com.au
**Phone:** 131 267

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