

Future Directions Balanced

Quarterly Investment Option Update

31 December 2023

Aim and Strategy

The strategy aims to achieve a rate of return of 3% pa above the inflation rate (measured by the Consumer Price Index) after fees and superannuation tax, over a 10-year timeframe. Using a multi-manager approach, it provides investors access to a diversified portfolio with a bias towards growth assets (shares and property), with some exposure to defensive assets (bonds and cash). 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	5 years
Standard Risk Measure	6/High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
Australian shares	26
Global Shares	33
Property	6
Infrastructure	8
Alternatives	2
Fixed Income	19
Cash	6

Actual Allocation	%
Global Shares	33.37
Fixed Income	18.02
Australian Shares	26.59
Infrastructure	8.30
Property	6.07
Alternatives	3.38
Cash	4.28

Fund Performance

Despite some bumps along the road, 2023 ended on a positive note, with both share and bond markets generating strong returns as inflation fell and markets anticipated lower interest rates. This translated well for the Fund, with both Q4 and one-year time periods generating a positive return. Additionally, the Fund outperformed its CPI objective but underperformed its strategic objectives both for the December quarter and 2023 as a whole.

The run into year-end saw share markets rally on positive sentiment, after the Fed reflected on inflation slowing faster than anticipated and stronger than expected economic growth following continued resilience in the global economy. In this environment both Australian and global shares gained 8.4% and 9.9% respectively for the quarter. All sharemarket sectors, including listed real assets, saw strong gains over the period but again growth-focussed technology stocks stood out as the major market mover. The quarter also saw bonds mirror share market movements, supported by the more dovish anticipated path for interest rates. Credit markets, both investment grade and high yield also benefited in this environment as spreads tightened. Unlisted real assets were mixed as revaluations of underlying assets impacted direct property, while infrastructure remained stable.

Strong market gains as well as exposure to a variety of alternative asset classes saw the Fund end 2023 on a high. Relative to the strategic benchmark, returns have been mixed, with near-term performance somewhat challenged, whilst medium and longer-term performance has been more stable. Unlisted real assets and private equity constrained relative performance as valuation movements underperformed gains in equity markets over the quarter. Share market allocations, in both Australian and global markets, were slightly below benchmark as active stock selection from underlying managers was mixed. Bond and investment grade credit allocations outperformed their benchmarks over the quarter of 2023. Performance versus CPI has improved over most time periods. Relative performance over the medium term remains mixed, however near and long-term performance is now ahead.

Market Review

The December quarter began with falling financial markets on the back of continued difficult economic conditions. News-flow then promptly gave way to geopolitics, as Israel suffered a mass-scale terrorist attack at the hands of Gaza-based terrorist group, Hamas. Unsurprisingly, this resulted in a swift declaration of war on Hamas, which has sadly led to significant further bloodshed of innocent civilians in and around the Gaza strip. Implications for the global economy were generally not significant over the remainder of the quarter, although threats of further escalation saw a notably increased naval presence to the Mediterranean.

Mid-quarter saw sentiment turn strongly positive, with stocks surging higher and bond yields falling significantly as global inflation resumed its downtrend, economic growth remained positive, and US economic productivity showed significant improvement. Accordingly, most central banks remained on pause with rate-rises. There were also positive developments on the geopolitical front, with US and Chinese Presidents Biden and Xi meeting face to face in California, signalling a will to improve dialogue between the nations.

Markets rallied further throughout December across most regions and asset classes, as falling inflation, particularly in Europe and the US, led to increased expectations of rate cuts in 2024 and the "higher for longer" prognosis beginning to unwind.

Outlook

Looking ahead, we anticipate 2024 to be a broadly positive year for markets, helped by peaking and eventually falling interest rates - but it is not without risks. The timing of interest rate cuts remains uncertain as central banks continue to monitor the economy and inflation, with a considerable risk to markets that rate cuts may come later than expected. Recessionary risks also remain, given tighter lending standards and stalling consumer spending globally. In this environment, we remain highly diversified across asset classes and strategies and have shifted to a broadly neutral position across most asset classes, limiting active risk across the portfolio.

Availability

Product Name	APIR
SignatureSuper	AMP0798AU
SignatureSuper - Allocated Pension	AMP1080AU
SignatureSuper Term Pension	AMP1080AU*

*Closed to new investors

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