

Future Directions Moderately Conservative

Quarterly Investment Option Update

31 December 2018

Aim and Strategy

To provide moderate returns over the medium term through a diversified portfolio. The portfolio aims to achieve a rate of return above inflation after costs over a three to five-year period. The Future Directions Moderately Conservative Fund is a multi-manager fund that gives 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 investing in both AMP Capital and external managers. The key benefits are:

- active management: within the assets class for example, choosing stocks and allocating between asset classes
- a broad range of asset classes including investments into unlisted property and infrastructure
- an experienced investment team

Investment Option Performance

To view the latest investment performances please visit www.amp.com.au

Investment Option Overview

Investment category	Multi-sector
Suggested investment timeframe	4 years
Relative risk rating	Medium
Investment style	Multi-Manager

Asset Allocation	Benchmark (%)
Global shares	20
Australian shares	17
Listed property & infrastructure	5
Unlisted property & infrastructure	5
Growth alternatives	7
Global fixed interest	14
Australian fixed interest	17
Defensive alternatives	5
Cash	10

Actual Allocation	%
Global shares	21.92
Australian shares	15.45
Listed property & infrastructure	1.89
Unlisted property & infrastructure	3.42
Growth alternatives	13.38
Global fixed interest	8.65
Australian fixed interest	17.50
Defensive alternatives	4.18
Cash	11.96
Others	1.64

Portfolio Summary

- The Fund posted a negative return over the December quarter, resulting in a negative return over the year.
- Shares were the main detractor, subject to significant selling pressure towards the end of 2018.
- Volatility is likely to remain high in 2019 as concerns surrounding global monetary conditions and geopolitical risks continue.

Investment Option Commentary

The Fund posted a negative return over the December quarter, resulting in a negative return over the year. Shares were the main detractor from performance, with markets subject to significant selling pressure towards the end of 2018. This was due to uncertainty regarding the pace of future interest rate increases in the US, weakening economic data across developed markets, growing concern over the threat of a protracted US-China trade war, and a disorderly Brexit process in the UK.

Developed share markets returned -13.3% over the quarter in local currency terms, and Australian shares returned -8.2%. However, concerns over the state of the global economy and suggestions that the US Federal Reserve might be less aggressive with rate hikes than previously anticipated, helped push bond yields down. Lower bond yields supported the Fund's allocations to fixed income, property and infrastructure assets. Bonds, direct infrastructure, property and cash were diversifying, and all rose to partially offset the falls of share markets. Alternative strategies (hedge funds and private equity) also contributed to returns over the quarter, outperforming share markets. These strategies continue to act as important diversifiers from share risk, particularly late in the market cycle.

Outlook

The weak end to 2018 added an air of uncertainty for investors heading into 2019. Volatility is likely to remain high in 2019, as concerns surrounding global monetary conditions and geopolitical risks continue. However, economic indicators continue to show that underlying economic growth remains healthy. Company earnings, business confidence and employment across developed economies remain positive and monetary policy, while tighter, remains at historically accommodative levels. Given this, we continue to have a favourable view of global shares over the medium term. Our overall bond position remains underweight in favour of cash, as we expect bonds to remain vulnerable to any evidence of inflationary pressure or monetary tightening.

Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP0660AU*
AMP Flexible Super - Retirement account	AMP1358AU*
AMP Flexible Super - Super account	AMP1487AU*
CustomSuper	AMP0660AU
Flexible Lifetime - Allocated Pension	AMP0607AU*
Flexible Lifetime - Term Pension	AMP0930AU*
Flexible Lifetime - Investments (Series 1)	AMP0689AU*
Flexible Lifetime - Investments (Series 2)	AMP1422AU*
SignatureSuper	AMP0804AU
SignatureSuper - Allocated Pension	AMP1160AU
SignatureSuper Select	AMP0804AU

*Closed to new investors

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