

Future Directions Moderately Conservative

Quarterly Investment Option Update

30 June 2019

Aim and Strategy

To provide moderate returns over the medium term through a diversified portfolio of assets such as fixed interest, shares, property and alternative assets. The portfolio aims to achieve a rate of return above inflation after costs over a 3 to 5-year period and to provide a total return, after costs and before tax, higher than the return from the relevant benchmarks of the underlying investments. The portfolio also aims to exceed the Chant West Multi-Manager Survey (Balanced Growth) Median(competitor universe) on a pre-tax basis.

Investment Option Performance

To view the latest investment performances for each product, please visit www.amp.com.au

Investment Option Overview

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

Asset Allocation	Benchmark (%)
International shares	20
Australian Fixed Interest	17
Australian Shares	17
International Fixed Interest	14
Cash	10
Growth Alternatives	7
Listed Property and Infrastructure	5
Unlisted Property and Infrastructure	5
Defensive Alternatives	5

Actual Allocation	%
International Shares	19.99
Australian Shares	16.29
Listed Property and Infrastructure	4.20
Unlisted Property and Infrastructure	6.00
Growth Alternatives	7.16
International Fixed Interest	12.87
Australian Fixed Interest	15.60
Defensive Alternatives	3.94
Cash	13.95

Fund Performance

The Fund delivered a strong return over the June quarter, adding to the positive performance of the previous quarter. Most major asset classes rose over the period to end the 2018-19 financial year on a high.

Developed market shares rose 3.5% over the period (in local currency terms), boosted by the increasing likelihood of monetary policy easing by central banks to combat slowing global growth. Emerging market shares ended the period flat as strong resource prices and broadly positive sentiment were offset by uncertainty about the geopolitical environment, particularly US actions on trade in May and early June. Australian shares outperformed most major share markets, returning 7.8% over the quarter, helped by the re-election of the Coalition Government and a reduction in the official interest rate by the Reserve Bank of Australia.

The more dovish tone of central banks and softer global economic data also supported strong returns for bonds and other fixed income assets over the period. The performance of alternative strategies was mixed, with hedge funds performing well, but style-based strategies lagging. Property and infrastructure assets also rose, supported by falling global interest rates.

Market Review

Global equities remained resilient during the quarter, despite the International Monetary Fund downgrading global growth forecasts. However, the risks around growth and the strong gains in shares this year have increased the probability of a correction. Central banks are retaining their bias towards accommodative measures as visibility on growth fades.

Despite the rise in equity values, there has been some flight-to-safety as trade war and geo-political risks increase, and this has seen bond yields fall, resulting in a positive correlation between bond and equity prices.

Despite the ongoing global trade tensions, hopes remain that a practical and sustainable resolution to the US-China dispute will be reached. However, market optimism is fragile and there remain significant risks. The US's approach appears to be widening in scope if anything, with its removal of India's preferential trade status and associated implementation of tariffs. In addition, the potential for armed conflict between the US and Iran has heightened the geo-political risk environment. There were thus great expectations for positive communications and outcomes for world trade at the G20 meeting in Japan at the tail-end of the quarter, particularly from sideline talks between country heads.

Outlook

While the returns experienced over the first half of 2019 have been impressive, they are likely to moderate in the next half of the year. Most of the strength year-to-date has been driven by an expectation that easing monetary policy and fiscal stimulus will prolong the already historic length of this market cycle and support economic growth. To see meaningful upside from here, there needs to be signs that global growth is reaccelerating and geopolitical risks, like the US-China trade dispute, are resolving. A more likely scenario is that markets will trade sideways until the outlook for global growth becomes clear. We hold a broadly neutral exposure to shares, having increased our allocation to Australian shares as easing monetary policy should be supportive. We have also trimmed our bond exposure after a run of strong performance. With interest rates at these levels we expect low returns from bonds, however they remain an important source of diversification.

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 - Investments (Series 1)	AMP0689AU*
Flexible Lifetime - Investments (Series 2)	AMP1422AU*
Flexible Lifetime - Term Pension	AMP0930AU*
SignatureSuper	AMP0804AU
SignatureSuper - Allocated Pension	AMP1160AU
SignatureSuper Select	AMP0804AU

*Closed to new investors

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