# Future Directions Conservative

## Quarterly Investment Option Update

30 June 2024

## Aim and Strategy

The strategy aims to achieve a rate of return of 1.5% 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 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](http://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 (%) |
|---|---|
| Australian shares | 10 |
| Global Shares | 13 |
| Property | 5 |
| Infrastructure | 7 |
| Alternatives | 2 |
| Fixed Income | 40 |
| Cash | 23 |

| Actual Allocation | % |
|---|---|
| Fixed Income | 44.48 |
| Global Shares | 15.17 |
| Australian Shares | 10.17 |
| Infrastructure | 6.95 |
| Property | 4.52 |
| Alternatives | 1.30 |
| Cash | 17.43 |

## Fund Performance

Spurred on by market momentum that commenced in Q1, June quarter performance ended on a positive note for most markets despite increased volatility. This translated well for Future Directions Conservative Investment Option's performance, which eked out a small gain over the quarter and a made strong FY24 return (after all fees and taxes). Against CPI, the Investment Option underperformed its objective for the quarter but outperformed over the year. Over longer time periods, relative performance remains mixed but is moving in a positive direction.

After a choppy start to the quarter, initial concerns of a global 'hard landing' subsided in June as inflationary indicators cooled, as did the risk of a rate increase in the US. In fact, by quarter's end, some developed economies appeared to have entered a period of policy easing, delivering their first cuts to cash rates since the outbreak of COVID-19. This was well received by both developed and emerging markets.

Companies exposed to artificial intelligence added to performance over the quarter. Returns of Australian share allocations lagged global counterparts, as domestic inflation proved relatively difficult to bring under control, creating a bias towards further tightening or, at least, a 'higher for longer' rate environment. Bond markets were also constrained by the evolving outlook, however higher yielding credit sectors generated a positive return thanks to a strong end of quarter. Unlisted property and alternatives were somewhat constrained over the quarter amid weaker valuations, particularly when compared to global share markets, whilst infrastructure was broadly stable.

Broadly neutral positioning across most asset classes benefitted the Investment Option, in what was a relatively volatile period. International share allocations were the key driver of returns, along with smaller gains from underlying high yield credit managers. Underlying Australian equity managers generated a small return but underperformed the benchmark, whilst bond allocations were broadly in line with benchmark and had a neutral effect on overall performance. Real assets were constrained with property particularly challenged in a higher interest rate environment.

## Market Review

The June quarter in many ways was a close reflection of recent quarters and indeed much of the 2024 financial year. Further gains in global growth asset markets were seen, as familiar themes remained dominant in economic news flow. Deflation also generally continued around the globe, though some spikes in inflation again caused some angst in interest rate-sensitive markets. Services, rather than goods, were generally the culprit of these inflationary spikes, particularly in the US. Global central banks meanwhile continued their slow shift towards cutting rates, with a number of rate cuts in Europe and the Americas, though this didn't eventuate in the US or Australia over the period. Outside of inflation, US economic data, while still somewhat resilient, weakened slightly, which again drove positive market sentiment via hopes of bringing Fed rate cuts closer, despite the central bank indicating fewer hikes were likely this year than markets were predicting.

## Outlook

Looking ahead, we anticipate the second half of 2024 to be a reasonable year for returns, bolstered by easing inflation pressures, central banks moving to cut rates and prospects for stronger growth in 2025-2026. As previously mentioned however, there remains a high risk of recession, geopolitical risks and possible delays to expected rate cuts. In this environment, we remain highly diversified across asset classes and strategies.

## Availability

| Product Name | APIR |
|---|---|
| SignatureSuper | AMP0799AU |
| SignatureSuper - Allocated Pension | AMP1081AU |
| SignatureSuper - Term Pension | AMP1081AU* |

*Closed to new investors

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