



# Future Directions Australian Bond

Quarterly Investment Option Update

30 September 2023

## Aim and Strategy

To provide a total return (income and capital growth) after costs and before tax, above the return from the benchmark over a rolling three-year basis. The portfolio invests in short and long-term fixed interest securities including inflation linked bonds, government, semi-government, bank, corporate and asset-backed securities, derivatives and currency. The portfolio may also have exposure to international securities in both developed and emerging markets. In normal circumstances the portfolio's international investments are fully hedged back to Australian dollars. The benchmark is Bloomberg AusBond Composite 0+ Yr Index.

## 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

<b>Investment category</b>	Australian Fixed Interest
<b>Suggested minimum investment timeframe</b>	3 years
<b>Standard Risk Measure</b>	4/Medium
<b>Investment style</b>	Active
<b>Manager style</b>	Multi-manager

<b>Asset Allocation</b>	<b>Benchmark (%)</b>
Fixed interest securities and cash	85
Inflation linked bonds	15

<b>Actual Allocation</b>	<b>%</b>
International Fixed Interest	9.80
Australian Fixed Interest	86.89
Cash	3.31

## Fund commentary

The Fund produced a small negative return in the September quarter, close to the benchmark. The core composite component of the portfolio managed by Macquarie outperformed its Australian bond composite benchmark, while the inflation-linked component managed by Ardea was close to in line with its benchmark.

In regard to our inflation-linked allocation to Ardea, as is common for this manager, performance drivers for the quarter were diversified across many small gains & losses, with no unusually concentrated sources, given the manager's relative value focus. Ardea believes the current market environment is ripe with relative value opportunities due to volatility.

In regard to our allocation to Macquarie, outperformance was generated over the quarter due to credit asset allocation and bottom up security selection within credit. Macquarie have tilted towards higher quality holdings, with a focus on sectors such as toll roads and utilities and high quality AAA tranche residential mortgage backed (RMBS) securities, which contributed to the outperformance. Macquarie has also been tactically trading duration, with a modest long bias, which detracted modestly over the course of the quarter.

## Market Review

Australian bonds mirrored movements of global bond markets, with the Australian 10 year climbing 0.46% to end the quarter at 4.49%. Unlike other developed central banks, the Reserve Bank (RBA) held rates steady at 4.1% over the quarter, viewing it prudent to adopt a 'wait and see' approach, given the extent of rate hikes already implemented and 'significant uncertainties' around the outlook. Market participants started to factor in a higher probability that the RBA was close to a peak during the quarter, however sticky inflation and surprisingly resilient economic data, paired with more hawkish comments from the RBA post quarter-end, indicate that they may still lift the cash rate further.

Australian bonds, as measured by the Bloomberg AusBond Composite (All Maturities) Index, returned -0.28% over the period, while the AusBond Credit index returned 1.26% in Australian dollar terms. The Inflation-linked market, as measured by the Bloomberg AusBond Inflation Government (All Maturities) Index, delivered a negative return of -0.61% over the same timeframe, given the increase in bond yields over the quarter.

## Outlook

Like their global counterparts, Australian bond valuations have improved significantly and have moved closer to fair valuation levels as yields have risen. We therefore believe forward looking returns are now significantly more compelling than in recent history.

## Availability

Product Name	APIR
Flexible Lifetime - Investments (Series 1)	AMP0693AU**
Flexible Lifetime - Investments (Series 2)	AMP1409AU**

\*\*Closed to new and existing investors

## Contact Details

**Web:** [www.amp.com.au](http://www.amp.com.au)

**Email:** [askamp@amp.com.au](mailto:askamp@amp.com.au)

**Phone:** 131 267



**What you need to know** This publication has been prepared by AWM Services Pty Limited ABN 15 139 353 496, AFSL No. 366121 (AWM Services). The information contained in this publication has been derived from sources believed to be accurate and reliable as at the date of this document. Information provided in this investment option update are views of the underlying investment manager only and not necessarily the views of AMP Limited ABN 49 079 354 519 (AMP Group). No representation is given in relation to the accuracy or completeness of any statement contained in it. Whilst care has been taken in the preparation of this publication, to the extent permitted by law, no liability is accepted for any loss or damage as a result of reliance on this information.

The investment option referred to in this publication is available through products issued by ipac asset management limited ABN 22 003 257 225, AFSL 234655 (ipac). Before deciding to invest or make a decision about the investment options, you should read the current Product Disclosure Statement (PDS) for the relevant product, available from the issuer or your financial planner.

Any advice in this document is of a general nature only and does not take into account your financial situation, objectives and needs. Before you make any investment decision based on the information contained in this document you should consider how it applies to your personal objectives, financial situation and needs, or speak to a financial planner. In providing any general advice, AMP Group receives fees and charges and their employees and directors receive salaries, bonuses and other benefits.

Any references to the "Fund", strategies, asset allocations or exposures are references to the underlying managed fund that the investment option either directly or indirectly invests in. The investment option's aim and strategy mirrors the objective and investment approach of the underlying fund. An investment in the investment option is not a direct investment in the underlying fund.

Neither ipac, AWM Services, any other company in the AMP Group nor the underlying fund manager guarantees the repayment of capital or the performance of any product or particular rate of return referred to in this document, unless expressly stated in the PDS. Past performance is not a reliable indicator of future performance. Any slight asset allocation deviations from 100% may be caused by rounding, asset categorisation and/or hedging.