



Future Directions Australian Bond

Quarterly Investment Option Update

31 March 2024

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

Investment Option Overview

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

Asset Allocation	Benchmark (%)
Australian bonds	85
Inflation linked bonds	15

Actual Allocation	%
Fixed Income	96.00
Cash	4.00

Fund Performance

Over the March quarter, the Fund posted a solid positive return and matched the benchmark before fees. The core composite component of the portfolio, managed by Macquarie, outperformed its Australian bond composite benchmark, while the inflation-linked component, managed by Ardea, underperformed its inflation linked benchmark.

In regard to our inflation-linked allocation to Ardea, as normal for this manager, performance drivers continued to be spread across many small gains and losses with no unusually concentrated sources, given the focus on relative value. Ardea believe that risk premia will be priced back into markets as latent macro-risks such as inflation, recession risk and geopolitics resurface.

Regarding our allocation to Macquarie, outperformance was generated throughout the quarter, particularly in February due to sector rotation and security selection. Macquarie increased its semi-government position mid to late quarter to take advantage of spread movements, which aided the return.

Market Review

Australian bond yields mirrored rising yields in global peers over the quarter, albeit to a lower degree, and as a result, outperformed their global counterparts. The main factors driving bond markets around the globe, including Australia, were falling inflation numbers (despite remaining sticky in selected areas), shifting central bank rhetoric and continued signs of economic resilience. The Australian 10-year yield rose 0.01%, to end at 3.96%, while the 2-year yield rose 0.05%, to end at 3.76%.

Australian bonds, as measured by the Bloomberg AusBond Composite (All Maturities) index, returned 1.03% over the period, while the AusBond Credit index returned 1.37% in Australian dollar terms. The Inflation-linked market, as measured by the Bloomberg AusBond Inflation Government (All Maturities) index, delivered a return of 0.15% over the same timeframe.

Outlook

Like their global counterparts, Australian bond valuations have improved significantly in recent years and have moved closer to fair value as yields have risen. We therefore believe forward-looking returns are now significantly more compelling than in recent history when interest rates were close to zero.

Availability

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

**Closed to new and existing investors

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