



Future Directions International Bond

Quarterly Investment Option Update

31 March 2024

Aim and Strategy

To provide a total return, after costs and before tax, higher than the return from the Bloomberg Global Aggregate Index (Hedged to AUD) on a rolling 3 year basis through investing in fixed or floating interest rate securities in countries around the globe. These securities may include government securities, government related securities, corporate securities, asset backed securities and hybrid securities (such as convertible notes) in both developed and emerging markets.

Investment Option Performance

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

Investment Option Overview

Investment category	Global fixed interest
Suggested minimum investment timeframe	5 years
Standard Risk Measure	5/Medium to High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
Cash	0
Global fixed interest	100

Actual Allocation	%
Fixed Income	99.68
Cash	0.32

Fund Performance

After a very strong prior quarter, the Fund produced a small negative return in the March quarter and underperformed the benchmark (before fees).

The global government bond segment of the portfolio outperformed the custom GDP weighted (ex China) sovereign bond benchmark. Colchester's return was held back by bond selection as well as currency selection. Kapstream's performance meanwhile was aided by net active long positions in Germany, Spain and New Zealand. The global credit segment of the portfolio, managed by Blackrock and Morgan Stanley, outperformed the benchmark. BlackRock generated outperformance mid-period due to asset allocation, as the manager was positioned for risk-on trades. Morgan Stanley's outperformance meanwhile was driven by overall investment grade credit positioning, such as its overweight to banking and insurance, as well as holdings in BBB rated bonds.

Finally, the global securitised segment of the portfolio managed by Wellington underperformed the benchmark. Security selection was a slight detractor early in the period.

Market Review

Amidst the cheers of equity investors over robust economic data, fixed income investors faced a tougher March quarter, given rising yields. Factors such as falling but sticky inflation, resilient economic activity and the Fed's cautious shift from its dovish stance in December collectively contributed to negative returns from government bonds. The macroeconomic landscape also influenced market expectations regarding interest rate reductions which had been previously factored in. Specifically, the anticipated number of US interest rate cuts for 2024 declined from close to seven (towards the end of 2023) to no more than three by the end of the quarter, with market pricing aligning with this at the end of March.

Despite the sell-off in developed government bond markets, credit markets generally performed well during the quarter. Corporate balance sheets remained relatively strong despite modest increases in default rates and downgrades, albeit from very low levels.

Global bonds, as measured by the Bloomberg Global Aggregate index (\$A hedged), fell by -0.31% in Australian dollar terms. Global investment grade and high yield credit meanwhile returned -0.23% and 2.31% respectively, as measured by the Bloomberg Global Aggregate Corporate index (\$A hedged) and Bloomberg Global High Yield index (\$A hedged).

Outlook

Global bond markets are likely to continue to focus on predicted paths for US interest rates. Large drawdowns in recent years, resulting in bonds being available at significantly cheaper prices, lead us to believe returns going forward will likely be reasonable; perhaps around current running yield or a little more, as inflation slows, and central banks cut rates. Furthermore, bonds will likely serve as a diversifier to growth assets in the event of further economic slowdown. Stickier than expected inflation remains a risk, as this could cause a delay to interest rate cuts.

Availability

Product Name	APIR
Flexible Lifetime - Investments (Series 1)	AMP0694AU**
Flexible Lifetime - Investments (Series 2)	AMP1420AU**

**Closed to new and existing investors

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