



Future Directions Australian Bond

Quarterly Investment Option Update

30 June 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	92.32
Cash	7.68

Fund Performance

Over the June quarter, the Investment Option posted a negative return, though outperformed 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 marginally outperformed its inflation linked benchmark. Stepping back to the full financial year, performance was solid and above the benchmark. (All returns before fees.)

Regarding our allocation to Macquarie, outperformance was generated throughout the quarter, though particularly towards the end of the period. This was due to sector rotation, duration and curve positioning. Macquarie moved their portfolio to neutral duration in June, as the RBA's hawkish tilt raised the risk of another hike, particularly if domestic inflation continues to surprise on the upside.

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. Looking ahead, Ardea are anticipating heightened fixed income volatility to persist as the market reassesses the ability of central banks to bring inflation under control and is cognisant central banks may continue to adjust their own expectations.

Market Review

Australian bond yields mirrored global peers to rise over the June quarter, albeit to a greater degree and as a result, returns underperformed global counterparts. The main factor driving this was higher and stickier Australian inflation data than expected, which increased the risk that Australian interest rates may be held at current levels for longer than expected, or even raised higher if the resilience in inflation data does not moderate. Australian yields rose more aggressively than global counterparts as a result with the 10-year yield rising 0.35%, to end at 4.31%, while the 2-year yield rose 0.41%, to end at 4.16%. Australian bonds, as measured by the Bloomberg AusBond Composite (All Maturities) index, returned -0.84% over the period, while the AusBond Credit index returned 0.23% in Australian dollar terms. The inflation-linked market, as measured by the Bloomberg AusBond Inflation Government (All Maturities) index, delivered a return of -1.58% 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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