



Future Directions Australian Bond

Quarterly Investment Option Update

30 September 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.

Actual Allocation	%
Fixed Income	97.92
Cash	2.08

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

Fund Performance

Over the September quarter, the Investment Option posted a solid positive return for the quarter, slightly outperforming the benchmark (before fees). The core composite component of the portfolio, managed by Macquarie, performed in line with its Australian bond composite benchmark, while the inflation-linked component, managed by Ardea outperformed its inflation linked benchmark.

Regarding our allocation to Macquarie, outperformance was generated mid-quarter due to security selection, however this was pulled back early and later in the quarter by duration and curve positioning, resulting in the manager matching the benchmark for the period. Macquarie maintain a bias to long duration, as central banks around the globe unwind their tighter policies.

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.

Market Review

Australian government bonds underperformed compared to global peers, with the 10-year Commonwealth yield dropping by 34 basis points to 3.97%. Unlike many global central banks, including the US, UK and the Eurozone which began to cut rates, the RBA maintained its cash rate target at 4.35%, citing persistent inflationary pressures, especially in services. The RBA highlighted economic uncertainties and rising geopolitical risks, committing to restrictive monetary policy until inflation sustainably returns to target. Market expectations shifted towards the RBA joining the global easing cycle, with the first rate cut anticipated in Australia in early 2025.

Australian bonds, as measured by the Bloomberg AusBond Composite (All Maturities) index, returned 3.02% over the period, while the AusBond Credit index returned 3.06% in Australian dollar terms. The inflation-linked market, as measured by the Bloomberg AusBond Inflation Government (All Maturities) index, delivered a return of 2.96% 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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