



Future Directions Australian Bond

Quarterly Investment Option Update

31 December 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	94.13
Cash	5.87

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 December quarter, the Investment Option posted a solid small negative return, slightly underperforming the benchmark. 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 (noting that inflation linked bonds under-performed versus the composite Australian bond index).

Regarding our allocation to Macquarie, a bias to long duration contributed towards the end of the quarter, as yields rallied. Sector rotation meanwhile added value both early and late in the period. Macquarie are looking to add to duration as yields rise. 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 outperformed global peers over the December quarter, with the 10-year Commonwealth yield rising by 39 basis points, to 4.36%. The RBA left the cash rate unchanged at 4.35% during the quarter, though replaced its neutral policy bias of "not ruling anything in or out" with more dovish language such as "the board is gaining confidence that inflation is moving sustainably towards target". The RBA assessed that economic data had been mixed, but on balance softer than forecast earlier in the quarter. The RBA also noted further progress had been made in closing the output gap and as a result, by quarter-end, expectations grew for rate cuts earlier than previously expected in 2025.

Australian bonds, as measured by the Bloomberg AusBond Composite (All Maturities) index, returned -0.26% over the period, while the AusBond Credit index returned 0.67% in Australian dollar terms. The inflation-linked market, as measured by the Bloomberg AusBond Inflation Government (All Maturities) index, delivered a return of -1.52% 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

Contact Details

Web: www.amp.com.au

Email: 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.