



Future Directions Australian Bond

Quarterly Investment Option Update

31 March 2025

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	98.34
Cash	1.66
Currency Overlay	0.01

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 March quarter, the Investment Option posted a solid positive return, though slightly underperformed 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, sector rotation added value throughout the quarter, particularly early in the period as the manager reduced its semi-government exposure, moving to a slightly short position. Security selection also added value throughout the period, as the Portfolio remained overweight futures versus physical securities.

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 drivers, given the focus on relative value.

Market Review

Australian government bonds outperformed global peers over the March quarter, with the 2-year Commonwealth yield falling by 18 basis points (bps), to 3.68%. The Australian yield curve steepened by 21 bps between 2 and 10 year maturities, on the back of the RBA's February decision to cut the cash rate by 25 bps, to 4.10%, with the long end of the curve seeing modest increases in yields. The rate move was interpreted by markets as a 'hawkish cut', with the RBA noting inflation pressures were moderating, though the outlook remained uncertain.

Australian bonds, as measured by the Bloomberg AusBond Composite (All Maturities) index, returned 1.29% over the quarter, while the AusBond Credit index returned 1.52%. The inflation-linked market, as measured by the Bloomberg AusBond Inflation Government (All Maturities) index, delivered a return of -0.42% 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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