

Future Directions Australian Bond

Quarterly Investment Option Update

30 June 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	97.25
Cash	2.74
Currency Overlay	0.00

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

The Investment Option posted a solid positive return for the June quarter, though slightly underperformed the benchmark after fees. The core composite component of the portfolio, managed by Macquarie, modestly outperformed its Australian bond composite benchmark, while the inflation-linked component, managed by Ardea, marginally underperformed its inflation linked benchmark.

For the allocation to Macquarie, sector rotation added value mid to late quarter, as the manager initially added to its semi-government position in May before slightly trimming this exposure in June. Security selection also added value over the latter part of the quarter, 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, generated by modestly sized trades, with no unusually concentrated drivers, given the focus on relative value.

Market Review

Australian government bonds outperformed their global peers over the June quarter, with the 2-year Commonwealth bond yield falling by 45 basis points (bps), to 3.23%. Similar to the global yield curve steepening witnessed in other developed markets, the Australian yield curve steepened by 24 bps between 2 and 10 year maturities over the quarter. Australia's cash interest rate meanwhile was reduced from 4.10% to 3.85%, following the RBA's May Board meeting, as domestic inflation continued to revert towards the RBA's long-term target band (of 2-3%). Australian bonds, as measured by the Bloomberg AusBond Composite (All Maturities) index, returned 2.63% over the quarter, while the AusBond Credit index returned 2.31%. The inflation-linked bond market, as measured by the Bloomberg AusBond Inflation Government (All Maturities) index, delivered a return of 2.45% 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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