



Future Directions International Bond

Quarterly Investment Option Update

30 June 2021

Aim and Strategy

To provide a total return, after costs and before tax, higher than the return from the Bloomberg Barclays Capital Global Aggregate Index (hedged back to Australian dollars) on a rolling 3 year basis through investing in fixed or floating interest rate securities in countries around the globe. These securities may include government securities, government related securities, corporate securities, asset backed securities and hybrid securities (such as convertible notes) in both developed and emerging markets.

Investment Option Performance

To view the latest investment performances for each product, please visit www.amp.com.au/performance

Investment Option Overview

Investment category	Global fixed interest
Suggested minimum investment timeframe	3 years
Relative risk rating	Medium
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
International Fixed Interest	100
Cash	0

Actual Allocation	%
International Fixed Interest	99.73
Cash	0.27

Fund Performance

The Fund posted a positive return (before fees) in the June quarter and outperformed the benchmark. All of the Fund's underlying managers delivered positive absolute returns and outperformed their respective benchmarks.

The largest segment of the Fund, global government bonds, recorded positive absolute performance. Within the segment, both **Kapstream** and **Colchester** posted positive returns and outperformed the benchmark. **Kapstream's** performance benefited from positioning in the US, Australia, Singapore and Mexico. These more than offset the impact of positioning in Indonesia, Canada and Poland, and long positions in the Korean won and Canadian dollar. **Colchester's** performance benefited primarily from bond selection with currency selection also adding value. The main bond contributors were overweight positions in US inflation-linked bonds and Singaporean nominal bonds and market selection within European nominal bonds. A long position in the Malaysian ringgit was the main currency contributor.

Within global credit, **Morgan Stanley** and **Blackrock** posted positive returns and outperformed the benchmark.

Morgan Stanley's performance benefited from allocations to high-yield bonds and convertible bonds. Investment grade credit positioning had a neutral overall impact as the contribution from an overweight exposure to financials was offset by the impact of positioning within industrials.

Blackrock's performance benefited from overweight allocations to technology, consumer cyclicals, banking, property and casualty insurance. Rates strategies added to performance, as the contributions from inflation positioning in the US and the UK and long positions in Australia and the UK more than offset the impact of yield curve strategies and the directional rates strategy.

The smallest segment of the Fund – the global securitised segment managed by **Wellington** – posted a positive absolute return and outperformed its benchmark. Sector allocation benefited performance, reflecting the contributions from underweight allocations to 30-year and 15-year securities where cashflows are passed to investors and an allocation to non-agency residential mortgage backed securities. Security selection detracted from performance, primarily reflecting the impact of selection within 30-year agency securities where cashflows are passed to investors. Tactical yield curve and duration positioning also had a negative impact on performance.

Market Review

US long-dated government bond yields moved lower over the June quarter, producing a flattening in the US yield curve as shorter dated maturities remained buoyed. The respective movements in yields followed the US Federal Reserve (Fed) bringing forward its likely time horizon for monetary tightening to 2023 (from 2024 previously). Longer-dated yields moved lower in line with the moderation in longer-term inflation expectations, while short-dated yields moved higher in anticipation of the prospective policy shift. Recent economic data has shown that US consumer prices lifted strongly in May, while the broader US economy has rebounded to surpass where it was in the final quarter of 2019 before the pandemic struck. The US 10-year bond yield ended the quarter 27 basis points lower at 1.47%. Its Japanese counterpart ended four basis points lower at 0.05% and the German 10-year bond yield rose by eight basis points to -0.21%. Global bonds, as measured by the Bloomberg Barclays Global Aggregate Index (hedged), rose by 0.94% for the period (in Australian dollar terms).

Outlook

The global economy continues to try and pull itself out of the COVID-19 recessionary hole. With widespread distribution of the newly developed vaccines and the end of a difficult Northern Hemisphere winter case peak, global economic activity is beginning to accelerate again. However, the emergence of the new virulent Delta and Delta Plus coronavirus strains pose a risk to recovery timelines should they result in further lockdowns.

As vaccination programs allow countries to normalise further, it will be important for fiscal and monetary stimulus to continue to support the recovery through lumpy inflation data and activity rebounds. The effect of COVID-19 within an uncertain inflationary backdrop is likely to set a cap on the repricing of duration for the time being. Thus, bond markets will be keeping a keen eye on inflation trends to judge whether inflation is likely to be transitory or more persistent in nature. Despite this, the recovery is unlikely to solve many of the long-term structural issues that have plagued global economies.

Availability

Product Name	APIR
AMP Flexible Super - Retirement	AMP1356AU*
AMP Flexible Super - Super	AMP1485AU*
CustomSuper	AMP0658AU*
Flexible Lifetime - Allocated Pension	AMP0605AU*
Flexible Lifetime - Investments (Series 1)	AMP0694AU**
Flexible Lifetime - Investments (Series 2)	AMP1420AU**
Flexible Lifetime - Super	AMP0658AU*
Flexible Lifetime - Term Pension	AMP0928AU*
SignatureSuper	AMP0802AU*
SignatureSuper - Allocated Pension	AMP1158AU*
SignatureSuper Select	AMP0802AU*

*Closed to new investors

**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 N.M. Superannuation Proprietary Ltd ABN 31 008 428 322, AFSL 234654 (NM Super), AMP Capital Funds Management Limited ABN 15 159 557 721, AFSL 426455 (AMPCFM) and/or 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 NM Super, AMPCFM, 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.