



# Future Directions International Bond

Quarterly Investment Option Update

30 September 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](http://www.amp.com.au/performance)

## Investment Option Overview

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

<b>Asset Allocation</b>	<b>Benchmark (%)</b>
International Fixed Interest	100
Cash	0

  

<b>Actual Allocation</b>	<b>%</b>
International Fixed Interest	99.34
Cash	0.66

## Fund Performance

The Fund posted a negative return (before fees) in the September quarter and underperformed the benchmark. Three of the Fund's underlying managers delivered outperformed their respective benchmarks.

The largest segment of the Fund, global government bonds, recorded negative absolute performance. Within the segment, **Kapstream** and **Colchester** posted negative returns but Kapstream outperformed the benchmark. **Kapstream's** performance benefited from positioning in the US, Belgium, Switzerland and Thailand. These more than offset the impact of positioning in Australia, New Zealand, France and Germany. **Colchester's** performance was impacted by bond selection, which offset the contribution from currency selection. The main bond detractors were overweight positions in Mexico, Norway and South Korea. Long positions in the Malaysian ringgit and Japanese yen were the main currency contributors.

Within global credit, **Blackrock** posted a positive return and outperformed the benchmark. **Morgan Stanley** posted a negative return and underperformed the benchmark.

**Blackrock's** performance benefited from overweight allocations to technology, healthcare, consumer non-cyclicals and consumer cyclicals. The directional rates strategy and interest rate positioning in the US, the UK, Europe, Australia and Canada added to performance.

**Morgan Stanley's** performance was impacted by investment grade credit positioning within the financials, REITs and electricity sectors. This was partially offset by duration positioning and allocations to government bonds and high-yield bonds.

The global securitised segment managed by **Wellington**, delivered a positive absolute return and outperformed its benchmark. Security selection benefited performance, reflecting the contributions from 30-year Government National Mortgage Association (GNMA) securities and commercial mortgage backed securities (CMBS). At the sector level, the impact of an allocation to collateralised mortgage obligations (CMOs) was offset by an underweight allocation to 30-year conventional securities.

## Market Review

US government bond yields shifted lower in July amid increasing concerns over the spread of the Delta variant and its potential impact on growth. Yields subsequently reversed course and headed higher, with the Fed saying in August that "it could be appropriate to start reducing the pace of asset purchases this year" and making a similar comment in September. The rise in yields was reinforced late in the period, as a deepening global energy shortage ahead of the northern winter exacerbated concerns that presently elevated inflation may become more durable than central bankers are anticipating. The US 10-year bond yield ended the quarter two basis points higher at 1.49%. Its Japanese counterpart ended two basis points higher at 0.07% and the German 10-year bond yield rose by one basis point to -0.20%. Global bonds, as measured by the Bloomberg Barclays Global Aggregate Index (hedged), rose by 0.05% for the period (in Australian dollar terms).

## Outlook

The global economy is preparing to try and pull itself out of the COVID-19 recessionary hole in 2021. With widespread distribution of the newly developed vaccines and the end of a difficult Northern Hemisphere winter case peak, global economic activity has been accelerating. However, we are seeing large divergences across the globe.

As vaccination programmes allow countries to normalise, it will be important for fiscal and monetary stimulus to continue to support the recovery through lumpy inflation and activity rebounds. The emergence of COVID-19 within an ongoing weak state of fundamentals is likely to set a cap on the repricing of duration, although it is likely there will be a strong cyclical recovery from vaccine distribution and the normalisation of many economies which, alongside unconventional monetary policy stimulus, will drive a strong recovery in risk asset markets but 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](http://www.amp.com.au)

**Email:** [askamp@amp.com.au](mailto: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.