Future Directions International Bond

Quarterly Investment Option Update

31 March 2023

Aim and Strategy

To provide a total return, after costs and before tax, higher than the return from the Bloomberg Global Aggregate Index (Hedged to AUD) 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 this product, please visit www.amp.com.au/performance

Investment Option Overview

Investment category	Global fixed interest
Suggested minimum investment timeframe	3 years
Standard Risk Measure	5/Medium to High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	**Benchmark (%)**
Cash	0
Global Fixed Interest	100

Actual Allocation	**%**
International Fixed Interest	99.55
Cash	0.45

Fund Performance

The Fund posted a positive return in the March quarter and slightly outperformed the benchmark (before fees).

The global government bond segment of the portfolio underperformed its custom GDP weighted (ex China) sovereign bond benchmark. Colchester underperformed, breaking its recent run of outperformance. Bond selection in February detracted, as did currency selection.

The global credit segment of the portfolio marginally underperformed the benchmark. Despite producing a strong absolute return, BlackRock detracted from relative returns, particularly in February. Overweights to selected food & beverage names, as well as selected midstream energy issuers detracted, as did underweighting selected banking names.

The global securitised segment of the portfolio, managed by Wellington, comfortably outperformed the already-strong benchmark return. Most of this alpha was generated in March, and driven by sector allocation, including through exposure to non-agency residential mortgage-backed securities (RMBS) and asset-backed securities (ABS).

Market Review

Fixed income markets in the March quarter were defined by three distinct phases. Investors started the new year with a continuation of flows into the bond market on expectations rate hiking cycles may be drawing to an end. By the middle of the quarter, US inflation data, which appeared to have peaked months earlier, looked to be stickier than expected by some, with services inflation not yet declining as quickly as goods inflation. In addition, central banks reiterated their firm stance on higher rates for longer periods, thus yields climbed, which largely offset the strong performance in January. The focus in March turned to stresses in the financial sector, with the sudden and seemingly idiosyncratic failures of US regional banks Silvergate, Silicon Valley and Signature. Concerns of broader contagion led to sharp spikes in volatility in both equity and bond markets. US authorities promptly stepped in to assuage market concerns about the health of the banking sector, injecting significant liquidity.

The following weekend, attention turned to Credit Suisse. The longstanding Swiss bank had endured in recent years a stretch of executive turnover, perceptions of a poor risk culture within its investment banking division, and large outflows from its wealth management business over more recent periods. Credit Suisse was subsequently taken over by Swiss rival UBS at a heavily discounted price, while the Swiss National Bank contributed CHF100 billion to ensure the deal went through, in an effort to prevent further contagion and maintain Switzerland's long-standing reputation is a safe and stable global hub for finance.

Global bonds, as measured by the Bloomberg Global Aggregate Index ($A hedged), gained 2.38%, in Australian dollar terms.

Outlook

Inflation, the path of interest rate movements and recession are likely to continue to be the dominant themes driving bond markets over the medium-term. After long, drawn-out falls in bond prices in recent years, yields now have reverted to more attractive valuation levels. We therefore believe there is scope for improved returns from the asset class over the shorter to medium-term.

Availability

Product Name	APIR
Flexible Lifetime - Investments (Series 1)	AMP0694AU**
Flexible Lifetime - Investments (Series 2)	AMP1420AU**

**Closed to new and existing investors

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