



Future Directions International Bond

Quarterly Investment Option Update

31 March 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 to High
Investment style	Active
Manager style	Multi-manager

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

Actual Allocation	%
International Fixed Interest	99.75
Cash	0.25

Fund Performance

The Fund posted a negative return (before fees) in the March quarter and underperformed the benchmark. Two 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 negative absolute performance. Within the segment, both **Kapstream** and **Colchester** posted negative returns and underperformed the benchmark. **Kapstream's** performance was impacted by long positions in the dollar bloc countries, South Korea and Singapore. These more than offset the contributions from positioning in Thailand, Switzerland and Europe, a curve steepening position in Australia and a short position in the US dollar versus the Euro. **Colchester's** performance benefited from bond selection but was offset by currency selection. The main bond contributors were underweight positions in the US, the UK and Europe. Long positions in the Japanese yen and Colombian peso, and a short position in the US dollar, were the main currency detractors.

Within global credit, **Morgan Stanley** and **Blackrock** posted negative returns yet Blackrock outperformed the benchmark. **Morgan Stanley's** performance was impacted by investment grade credit positioning. Overweight exposures to the banking and insurance sectors and positioning within electricity utilities more than offset the contribution from security selection within communications, consumer cyclicals and energy. Allocations to government and high-yield bonds contributed to performance. **Blackrock's** rates strategies benefited performance, primarily through a short position in the US where the market sold off sharply in March. Positioning in Europe and the UK also added value, offsetting the impact of a long position in Australia. Credit security selection detracted from performance, as overweight exposures to healthcare and banks, and underweight exposures to energy, wireless communications and consumer non-cyclicals, more than offset the contributions from overweight exposures to selected consumer cyclicals and technology.

The smallest segment of the Fund – the global securitised segment managed by **Wellington** – posted a negative absolute return yet outperformed its benchmark. Sector allocation benefited performance, primarily reflecting the contribution from an underweight to 30-year conventional bonds. Non-agency residential mortgage backed securities (RMBS), particularly credit risk transfer (CRT) securities, also contributed to performance. Tactical yield curve and duration positioning had a slightly positive impact on performance.

Market Review

Global long-dated government bond yields moved sharply higher over the March quarter as continued progress towards worldwide mass vaccination fuelled expectations for a rebound in global economic activity. Legislative approval of the Biden Administration's \$US1.9 trillion stimulus package and stronger than expected US economic data releases, in particular retail sales, industrial production and job openings, stoked inflation expectations despite Fed Chair Powell saying that "the economy is a long way from our employment and inflation goal". ECB President Lagarde adopted a similarly cautious tone, saying that European monetary policy remains accommodative and that further quantitative easing will be introduced if necessary. The US 10-year bond yield ended the quarter 82 basis points higher at 1.74%. The German 10-year bond yield rose by 28 basis points to -0.29% and its Japanese counterpart rose by seven basis points to 0.09%. Global bonds, as measured by the Bloomberg Barclays Global Aggregate Index (hedged), fell by 2.53% for the period (in Australian dollar terms).

Outlook

The Reserve Bank of Australia (RBA) is maintaining its yield curve control policy. Monetary policy has reduced volatility at the front end of curve and provides attractive opportunities in the mid-curve for carry and roll. However, there has been more recent upward pressure on global yields which is feeding through to the Australian market. Given the structural issues around an indebted consumer sector and upward pressure on the dollar, the RBA will more likely ease further at this juncture rather than tighten monetary policy, unless global conditions significantly change events. However, we expect the current low volatility in Australian rates to continue for the time being.

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.