



Future Directions International Bond

Quarterly Investment Option Update

30 September 2022

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 this 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	5 / Medium to High
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
Global fixed interest	100
Cash	0

Actual Allocation	%
International Fixed Interest	99.87
Cash	0.13

Fund Performance

The Fund posted a negative return in September and underperformed the benchmark (before fees) amid ongoing falls in bond markets paired with compositional differences of our government bond fund (which is ex China government bonds) versus the Global Aggregate Bond Index. The global government bond segment of the portfolio outperformed its custom GDP weighted ex China sovereign bond benchmark. Colchester outperformed, with bond selection adding value through underweight positions in the US and UK. Kapstream underperformed, particularly towards the end of the quarter from modest long duration positioning in the Dollar block, Asia and Poland.

The global credit segment of the portfolio outperformed its benchmark. BlackRock outperformed, with underweights to selected wirelines and media & entertainment communication issuers adding value, as did selected overweights in pharmaceuticals and the consumer non-cyclical sector. Morgan Stanley also outperformed, with positions within investment grade industrials, specifically an underweight to transportation and consumer non-cyclical, contributing to returns. The global securitised segment of the portfolio, managed by Wellington, marginally underperformed its benchmark. Security selection within agency and commercial mortgage back securities contributed to the underperformance towards the end of the quarter.

Market Review

Global government bond yields continued their move higher across the yield curve in the September quarter, with no signs of inflation being tamed as yet, and a misinterpretation by the market, or perhaps misguided hope, that certain weak data points would lead to a quick reversal of interest rate rises seen in many countries. Whilst food and oil prices have fallen from their June highs, inflation driven by wages, goods and services remains stubbornly high. In the short-term, the silver lining for the US consumer is that much of the existing loan stock was fixed for 30 years at relatively low rates; therefore monthly mortgage payments are not as sensitive to rate rises compared to many other countries. Meanwhile, businesses and the labour market continue to show resilience.

The rise in rates across many markets again led to negative returns across most fixed income sectors over the quarter and continued the large sell off in bonds over 2022. Global bonds, as measured by the Bloomberg Global Aggregate Index (\$A hedged), returned -3.78% for the period, in Australian dollar terms. Over the same period, global investment grade and high yield credit also fell 4.85% and 1.94%, respectively, as measured by the Bloomberg Global Aggregate Corporate Index (\$A hedged) and Bloomberg Global High Yield Index (\$A hedged).

Outlook

Ongoing supply chain disruptions, exacerbated by war in Ukraine, continues to be a source of inflationary pressure. Central banks remain focussed on reining in inflation with interest rate hikes, thus continuing to increase recessionary risk. After heavy falls in bond markets in recent years, some yields appear to have peaked, thus there may be scope for returns to improve in the shorter-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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