

# Future Directions International Bond

Quarterly Investment Option Update

30 June 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](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>Standard Risk Measure</b>	5/Medium to High
<b>Investment style</b>	Active
<b>Manager style</b>	Multi-manager

<b>Asset Allocation</b>	<b>Benchmark (%)</b>
Cash	0
Global fixed interest	100
<b>Actual Allocation</b>	<b>%</b>
International Fixed Interest	99.66
Cash	0.34

## Fund Performance

For the June quarter, the Fund posted a negative return and slightly underperformed the benchmark (before fees). The global government bond segment of the portfolio slightly outperformed its custom GDP weighted (ex China) sovereign bond benchmark. Underlying manager Colchester outperformed, largely driven by bond selection mid to late quarter. Kapstream also slightly outperformed this benchmark.

The global credit segment of the portfolio meanwhile marginally underperformed its benchmark. BlackRock underperformed, with overweight positions in selected metals & mining names, as well as underweight positioning to tobacco names and selected chemical issuers impacting performance. Morgan Stanley's performance was also just under-benchmark.

Finally, the global securitised segment of the portfolio, managed by Wellington, slightly outperformed its benchmark. This outperformance was largely generated earlier in the quarter, including through exposures to non-agency residential mortgage-backed securities (RMBS), commercial mortgage-backed securities and asset-backed securities (ABS).

## Market Review

The elevated inflationary environment exerted pressure on sovereign bonds during the June quarter, as bond yields rose aggressively. US treasuries and German bunds experienced declines, albeit to varying degrees, while UK gilts encountered the most pronounced performance deterioration. This underperformance was driven by unexpected inflationary upticks in the UK, where the CPI inflation rate ranked highest among G7 nations, coupled with a 50 bps hike in June and a 25 bps hike in May by the Bank of England.

Against this backdrop, corporate balance sheets remained relatively strong, despite some uptick in default rates. Global high yield outperformed global investment grade, as immediate recessionary concerns were pared back a little. Global bonds, as measured by the Bloomberg Global Aggregate Index (\$A hedged), returned -0.30% over the quarter. Global investment grade and high yield credit meanwhile returned -0.38%% and 1.56% respectively, as measured by the Bloomberg Global Aggregate Corporate Index (\$A hedged) and Bloomberg Global High Yield Index (\$A hedged).

## 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.

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## Availability

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

\*\*Closed to new and existing investors

## Contact Details

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