

# Specialist Diversified Fixed Income

## Quarterly Investment Option Update

30 June 2025

### Aim and Strategy

The strategy aims to provide total returns (interest income and capital growth) after investment fees and costs and before taxes, above the performance benchmark (60% - Bloomberg AusBond Composite Bond 0+ Yr Index / 40% - Bloomberg Global Aggregate Bond Index (hedged to Australian dollars)), on a rolling 3-year basis. The strategy provides exposure to a diversified portfolio of Australian and international fixed income securities including government securities, government-related securities, inflation-linked securities, corporate securities, asset-backed securities, cash, derivatives and foreign currency. The strategy diversifies manager risk across a range of investment managers by using a multi-manager approach. Exposures are to managers who demonstrate competitive advantages, within the various investment styles used when investing in the Australian and international fixed income 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

Investment category	Global fixed interest
Suggested minimum investment timeframe	3 years
Standard Risk Measure	4/Medium
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
Cash	0
Australian bonds	60
Global bonds	40

Actual Allocation	%
Fixed Income	99.69
Cash	0.31

Region Allocation	%
Australasia	99.69
Cash	0.31

## Fund Performance

The Investment Option posted a solid return for the June quarter, though modestly underperformed the benchmark. Our underlying managers' performance was solid in absolute terms, though some slightly underperformed their respective benchmarks.

Within the Australian bonds sector, Macquarie outperformed their benchmark, largely due to both sector rotation and security selection, particularly in May and June.

Schroders underperformed their benchmark, despite having a strong absolute return. Looking ahead, the manager has positioned the portfolio with dovish central banks in mind, and is rotating the portfolio into higher quality credit including Australian residential mortgage-backed securities (RMBS) and investment grade credit.

Within the global bonds sector, JP Morgan performed approximately in line with their benchmark. Towards quarter-end, positioning with regard to duration, sector and currency all aided the manager's relative return. The manager sees global bond valuations as attractive, with relative value opportunities between countries being the most compelling, paired with over-weight positioning in high quality credit sectors that offer attractive levels of coupons.

## Market Review

Over the June quarter, global bond markets were impacted primarily by US tariff policies, but also instability in the Middle East and sovereign fiscal debt concerns. Tariff-related fears peaked following President Trump's "Liberation Day" announcements in early April, before this eased as a 90-day suspension was implemented for negotiations. Markets then pivoted focus on the passage of Trump's reconciliation bill, dubbed "One Big Beautiful Bill", raising concerns over worsening debt dynamics in the US. Moody's responded by downgrading the US sovereign credit rating, citing increased budgetary risks. This episode marked the peak of US treasury yields over the quarter, with other high-deficit countries being caught up in the sell-off. In Japan for example, worsening fiscal conditions, combined with a structural supply and demand imbalance, prompted 30-year Japanese government bond yields to peak at an all-time high of 3.2%. Major central banks meanwhile were either on hold (including in the US Fed and Japan) or modestly eased monetary conditions.

Over the period, yield curves across major government bond markets steepened, moving comparatively higher in longer- maturity bonds compared to shorter-maturity bonds. Credit markets meanwhile performed extremely well, despite the global volatility and uncertainty, supported by strong demand for high all-in-yields and relatively low net issuance. Returns in lower rated sectors tended to deliver higher returns. Global bonds, as measured by the Bloomberg Global Aggregate index (\$A hedged), returned 1.49% in Australian dollar terms for the quarter. Global investment grade and high yield credit meanwhile returned 1.87% and 3.33% respectively, as measured by the Bloomberg Global Aggregate Corporate index (\$A hedged) and Bloomberg Global High Yield index (\$A hedged).

Australian government bonds meanwhile outperformed their global peers over the June quarter, with the 2-year Commonwealth bond yield falling by 45 basis points (bps), to 3.23%. Similar to the global yield curve steepening witnessed in other developed markets, the Australian yield curve steepened by 24 bps between 2 and 10 year maturities over the quarter. Australia's cash interest rate meanwhile was reduced from 4.10% to 3.85%, following the RBA's May Board meeting, as domestic inflation continued to revert towards the RBA's long-term target band (of 2-3%). Australian bonds, as measured by the Bloomberg AusBond Composite (All Maturities) index, returned 2.63% over the quarter, while the AusBond Credit index returned 2.31%. The inflation-linked bond market, as measured by the Bloomberg AusBond Inflation Government (All Maturities) index, delivered a return of 2.45% over the same timeframe.

## Outlook

Global bond markets are likely to continue to focus on the expected path for US interest rates. Large drawdowns in recent years, resulting in bonds being available at significantly cheaper prices, continue to lead us to believe returns going forward will likely be reasonable; perhaps around current running yield or a little more, as inflation slows and central banks cut interest rates. Furthermore, bonds will likely serve as a diversifier to growth assets,

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particularly during economic slowdown. Stickier than expected inflation remains a risk, as this could cause further delays to additional interest rate cuts.

Like their global counterparts, Australian bond valuations have improved significantly in recent years and have moved closer to fair value as yields have risen. We therefore believe forward-looking returns are now significantly more compelling than in recent history when interest rates were close to zero.

## Availability

Product Name	APIR
Flexible Lifetime - Investments (Series 2)	AMP1991AU**
SignatureSuper	AMP1975AU
SignatureSuper - Allocated Pension	AMP1977AU
SignatureSuper - Term Pension	AMP1977AU*

\*Closed to new investors

\*\*Closed to new and existing investors

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