

# AMP Capital Corporate Bond

## Quarterly Investment Option Update

30 September 2019

### Aim and Strategy

To deliver to investors regular monthly income (which exceeds the income from term deposits and government bonds) whilst seeking to provide capital stability to investors over the medium term. The portfolio also seeks provide total returns (primarily income with some capital growth) above the Bloomberg AusBond Bank Bill Index over a rolling three-year basis. The option invests in an actively managed portfolio of corporate bonds , primarily on investment grade rated corporate bonds in the Australian market and also has exposure to global bond markets. Exposure to global credit securities will principally be hedged back to Australian dollars.

### Investment Option Performance

To view the latest investment performances for each product, please visit [www.amp.com.au](http://www.amp.com.au)

### Investment Option Overview

<b>Investment category</b>	Australian Fixed Interest
<b>Suggested minimum investment timeframe</b>	3 years
<b>Relative risk rating</b>	Low to Medium
<b>Investment style</b>	Active
<b>Manager style</b>	Single

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

Actual Allocation	%
International Fixed Interest	5.76
Australian Fixed Interest	91.34
Cash	2.90

Sector Allocation	%
Investment Grade Corporate	85.06
Agency MBS	8.27
High-Yield Corporate	3.91
Cash	2.90
ABS (Non-Mortgage)	1.22

Top Holdings	%
Westpac Banking Corp	4.43
National Australia Bank Ltd	3.67
Commonwealth Bank of Australia	3.31
Australia & New Zealand Banking Group Ltd	3.16
BPCE SA	2.36
VOLKSWAGEN FIN SERV AUST	2.29
BANK OF MONTREAL	1.97
APT PIPELINES LTD	1.85
WELLS FARGO & COMPANY	1.78
Banco Santander SA	1.75

Quality Allocation	%
BBB	38.66
A	33.41
AA	12.29
AAA	10.18
BB	3.20
Cash	2.90
CCC	0.72

## Fund Performance

The Fund delivered another positive return over the September quarter, as Australian credit markets remained largely stable, with movements in domestic credit spreads being relatively muted when compared to their offshore counterparts. At a security level, exposures to Asciano Finance, Westpac Banking Corporation and Volkswagen Financial Services Australia all contributed, while a modest detraction came from a corporate exposure to Discovery Communications.

## Portfolio Positioning

We continue to seek diversification opportunities, and over the medium term are focusing on sectors and issuers that should perform well in an environment where market volatility increases, which we anticipate will have a more meaningful impact on more cyclical sectors. Our preference is for exposures to defensive or non-cyclical industries such as utilities and infrastructure, or to credit that can illustrate solid deleveraging stories.

## Market Review

Monetary policy dominated news flow in the domestic bond market early in the September quarter, with the Reserve Bank of Australia announcing a 0.25% reduction in early July, bringing the official cash rate to 1.0%. The central bank maintained an unchanged monetary policy stance in August, however left the door open for further easing. Against this backdrop, the domestic yield curve mirrored the flattening trend evident in overseas peers and reached its flattest level since 2010. Domestic yields continued to follow the lead of their global counterparts during September, reversing their previous downtrend to end the month higher, although bonds did rally later in the period on the back of rising geopolitical tensions, easier monetary policy in the US and Europe and the release of dovish RBA meeting minutes. The Commonwealth Government 2-year bond yield ended the quarter at 0.77%, while the 10-year bond yield ended at 1.02%.

## Outlook

Low Australian sovereign bond yields point to a low medium-term return potential from Australian sovereign fixed interest. But with benign inflation, ongoing geopolitical risks, and the Reserve Bank of Australia's easing bias, against a backdrop of soft growth, any upwards pressure on bond yields is likely to be subdued for the time being. Lower bond yields may persist, at least until the global and Australian economic environment shows signs of improved sentiment, momentum and visibility.

## Availability

Product Name	APIR
AMP Flexible Lifetime Super	AMP1289AU
AMP Flexible Super - Retirement account	AMP1322AU
AMP Flexible Super - Super account	AMP1452AU
CustomSuper	AMP1289AU
Flexible Lifetime - Allocated Pension	AMP1296AU
Flexible Lifetime - Investments (Series 2)	AMP2037AU
SignatureSuper	AMP1303AU
SignatureSuper - Allocated Pension	AMP1310AU
SignatureSuper Select	AMP1303AU

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