

AMP Capital Floating Rate Income

Quarterly Investment Option Update

30 September 2019

Aim and Strategy

To achieve a higher return than would normally be available through investing in the securities in the benchmark, whilst seeking to minimise interest rate risk. The benchmark for the fund is the Bloomberg AusBond Bank Bill Index. This fund invests in an actively managed portfolio of corporate bonds, focusing predominately on investment grade rated corporate bonds in the Australian and global bond markets. Within these markets, this fund primarily seeks credit securities from companies exhibiting some or all of the following factors: capable management and good governance; transparent financials and sustainable revenues; and stable to improving levels of borrowing. Diversification is achieved mainly through investment in securities across a range of industries such as financials, utilities and telecommunication providers, with the number of securities held at any one time (typically above 100) further adding to the diversified nature of the fund's portfolio. This fund will then enter into derivatives to exchange the underlying fixed rate return of its investment portfolio for short term interest rate returns. The fund may also utilise other derivatives, including options and credit default swaps (CDS).

Investment Option Performance

To view the latest investment performances for each product, please visit www.amp.com.au

Investment Option Overview

Investment category	Australian Fixed Interest
Suggested minimum investment timeframe	None
Relative risk rating	Medium
Investment style	Active
Manager style	Single

Asset Allocation	Benchmark (%)
Australian and Global Fixed Interest	N/A
Cash	N/A

Actual Allocation	%
International Fixed Interest	28.65
Australian Fixed Interest	64.98
Cash	6.37

Sector Allocation	%
Investment Grade Corporate	82.47
Cash	9.28
Agency MBS	7.51
High-Yield Corporate	1.75
ABS (Non-Mortgage)	0.55

Top Holdings	%
Australia & New Zealand Banking Group Ltd	4.28
National Australia Bank Ltd	3.94
Commonwealth Bank of Australia	2.97
Westpac Banking Corp	2.63
Bpce SA	2.63
Bank of Montreal	2.62
Bendigo & Adelaide Bank Ltd	2.62
Energy Partnership Gas	2.12
Bank of America Corporation	2.12
APT Pipelines Ltd	1.71

Quality Allocation	%
A	36.07
BBB	32.88
AA	10.82
AAA	10.75
Cash	9.28
BB	1.75

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
Flexible Lifetime - Investments (Series 1)	AMP0830AU*
Flexible Lifetime - Investments (Series 2)	AMP1446AU

*Closed to new investors

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