

AMP Capital Corporate Bond

Quarterly Investment Option Update

31 December 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

Investment Option Overview

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

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

Actual Allocation	%
International Fixed Interest	5.34
Australian Fixed Interest	92.11
Cash	2.55

Sector Allocation	%
Investment Grade Corporate	83.99
Agency MBS	9.99
High-Yield Corporate	3.49
Cash	2.55
ABS (Non-Mortgage)	1.20

Top Holdings	%
National Australia Bank Ltd	3.95
Australia & New Zealand Banking Group Ltd	3.90
Commonwealth Bank	3.76
Westpac Banking Corp	2.67
VOLKSWAGEN FIN SERV AUST	2.20
BPCE SA	1.98
Sumitomo Mitsui Financial Grou	1.98
BANK OF MONTREAL	1.93
APT PIPELINES LTD	1.91
Wells Fargo & Co	1.85

Quality Allocation	%
BBB	41.23
A	30.67
AAA	11.91
AA	11.37
BB	2.75
Cash	2.55
CCC	0.74

Fund Performance

The Fund delivered a positive return over the December quarter due to both interest rate management and credit positioning, with excess returns coming from both the capital and income components. At a sector level, diversified industrials, financials and subordinated bank exposure were the top contributors to excess returns. At a security level, exposures to Credit Suisse, National Australia Bank and ABN AMRO were the outperformers. There were no material detractors.

Portfolio Positioning

We continue to run a defensive and diversified portfolio, while pursuing opportunities over the medium term in sectors and issuers that we believe should perform well in an environment where market volatility increases. Our preference is for exposures to defensive industries such as utilities and infrastructure, or to companies that can illustrate solid deleveraging stories. Stock selection continues to be an important factor in our process, and we maintain a cautious approach when determining strategic allocations across sectors and issuers to help protect the Fund from any capital drawdowns and ensure we deliver on the monthly income target.

Market Review

Australian government bond yields moved higher over the course of the December quarter, aided primarily by the reduction of key geopolitical risks relating to US-China trade and Brexit. After reacting somewhat earlier in the quarter to a widely-expected cut of 0.25% in the official cash rate by the Reserve Bank of Australia amid continuing mixed local data, domestic bond investors generally largely followed their overseas counterparts during the period as optimism returned to markets. However, the rise in domestic yields was constrained by the negative impacts of ongoing uncertainty with regard to domestic economic growth prospects, which saw the Reserve Bank of Australia slightly downgrade its consumption and economic growth forecasts for the fourth time in 2019, citing the impact on incomes of the drought, higher taxes and a downturn in investments. The Commonwealth Government 2-year bond yield ended the quarter at 0.92%, while the 10-year bond yield ended at 1.31%.

Outlook

Weaker than expected economic conditions are likely to motivate the Reserve Bank of Australia to provide further policy accommodation, despite the easing already provided to date. However, current market pricing largely reflects this outcome and as a result further moves in shorter-dated yields are likely to be more muted unless the outlook materially deteriorates. Longer-dated yields should be inclined to continue to closely reflect global risk sentiment, although the majority of outperformance against the US is likely behind us.

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

Contact Details

Web: www.amp.com.au

Email: askamp@amp.com.au

Phone: 131 267



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