AB Dynamic Global Fixed Income

Quarterly Investment Option Update

31 December 2019

Aim and Strategy

The strategy is designed for investors with higher risk tolerances and who want income returns exceeding Australian bank bill rates over the long term by investing in global debt and fixed income securities. It implements a global, multi-sector strategy investing in a broad range of fixed income securities. The strategy may hold corporate bonds, government bonds, asset-backed securities, mortgage-backed securities, closed and open-ended mutual funds (up to 5% of the assets) and bank loans located anywhere in the world, including developed and emerging countries. Up to 40% of the strategy's assets may be higher risk and rated below investment grade. The strategy intends to hedge to Australian dollars most of the foreign currency exposures of its debt and fixed income securities, however up to 10% of the strategy's net asset value may be exposed to the risks and returns of international currencies.

Derivatives may be used to manage risk exposures, invest cash and gain or reduce investment and currency exposures. Derivatives will not be used for leveraging or gearing purposes.

Investment Option Performance

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

Investment Option Overview

Investment Category	Specialist Fixed Interest
Suggested Investment timeframe	5 years
Relative risk rating	3 / Low to Medium
Investment style	Opportunistic
Manager style	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Global Fixed Interest	N/A	97.2
Aust. Fixed Interest	N/A	1.7
Cash	N/A	1.1

Sector Allocation	%
Investment Grade Corporates	34.0
Global Sovereign	33.6
Securitised	12.4
Emerging Markets	10.8
High Yield Credits	2.2
Other (inc. Derivatives & Currency)	7.0

Regional Allocation	%
North America	42.9
Europe (excl. Great Britain)	28.0
Other (incl. Supranationals)	13.1
Great Britain	6.2
Japan	5.8
Australia & New Zealand	2.6
Latin America	1.4

Top Holdings	%
Japan I/L .1% 03/10/2026	3.2
UST IFL .625% 01/15/2026	2.9
EIB 4.75% 08/07/2024	2.7
LANDWIRTSCHAFTLICHE 4.25% 01/24/23	2.0
Export Development Canada 2.8% 05/31/23	2.0
UST IFL 1.125% 01/15/2021	2.0
Kreditanstalt 4% 02/27/2025	1.7
UST IFX .625% 01/15/2024	1.6
Spain Note 3.8% 04/30/2024	1.5
Italy Bond 3.35% 03/01/2035	1.3

Portfolio Summary
It remains important for fixed-income investors to be selective given tightening financial conditions. Rising trade tensions and tighter financial conditions signpost a step down in the pace of global growth.

Investment Option Commentary
Sector/security selection contributed, primarily because of selection within investment-grade corporates in the eurozone, US and UK. Selection within eurozone high-yield corporates and US inflation-linked securities, commercial mortgage-backed securities and emerging-market (EM) sovereigns also added.

Country/yield-curve positioning detracted, the result of positioning in the US, eurozone, UK, Canada and Sweden.

Although currency decisions did not have a significant impact on overall performance, there were some positions of note. An underweight to the US dollar added, while an overweight to the yen was negative.

Market Commentary
Investors recovered their appetite for risk in the final quarter of 2019, which weighed on higher-quality bond sectors. But for the year, bond returns were strong across sectors, driven by renewed central bank stimulus that was aimed at offsetting slower growth and insulating the market against economic and political risks.

Risk assets rallied toward the end of 2019 as some pressing downside risks started to recede. The US and China made modest progress toward ending the trade war, global manufacturing output appeared to have stabilized, and the UK election result ended uncertainty about when—or whether—the country would leave the European Union (EU) in 2020.

Markets now appear to be pricing in a modest rebound in 2020 growth. Investment-grade credit spreads in the US and Europe narrowed, while the yield on the 10-year US Treasury approached 2% before ending the year at 1.92%, above its 2019 low of 1.47%. The US yield curve steepened after having inverted earlier in the year, a development that has often preceded recession.

The Federal Reserve (the Fed) cut interest rates three times in 2019. More cuts in 2020 will depend on whether stabilization in trade policy and manufacturing persists, or weakness spills over to labor markets and the consumer.

Elsewhere, monetary-policy makers remain accommodative. The European Central Bank (ECB) has started to expand its balance sheet aggressively again, with an asset purchase program helping to keep 10-year German Bund yields in negative territory at (0.19)%.

Likewise, the Bank of Japan (BOJ) will continue its yield-curve control program, while China remains in rate-cutting mode to stimulate the economy.

Outlook
As we enter 2020, the health of the global economic landscape is showing some signs of stabilization. Manufacturing data remain mixed in the US and China, while the recent trade truce between the two countries leaves a significant number of tariffs in place. China appears to be managing its economy through a combination of monetary and fiscal measures, although protests continue to wreak havoc on the Hong Kong economy.

Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP1997AU
AMP Flexible Super - Retirement account	AMP2022AU
AMP Flexible Super - Super account	AMP2027AU
CustomSuper	AMP1997AU
Flexible Lifetime - Allocated Pension	AMP2002AU
Flexible Lifetime Investment (Series 2)	AMP2036AU
SignatureSuper	AMP2007AU
SignatureSuper Allocated Pension	AMP2014AU
SignatureSuper Select	AMP2007AU

Contact Details

Web: www.amp.com.au
Email: askamp@amp.com.au
Phone: 131 267

INSIGHTS
IDEAS
RESULTS