

AMP Australian Bond

Quarterly Investment Option Update

31 March 2020

Aim and Strategy

To provide a total return (income and capital growth) above the Bloomberg AusBond Composite 0+ Yr Index on a rolling 12-month basis. The portfolio invests primarily in Australian government bonds and credit securities and the portfolio may also invest in global fixed income securities, and derivatives in global fixed income markets, which may include a small exposure to emerging markets. Exposure to global fixed interest 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	2 years
Relative risk rating	Medium
Investment style	Active
Manager style	Single

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

Actual Allocation	%
International Fixed Interest	3.03
Australian Fixed Interest	95.26
Cash	1.71

Sector Allocation	%
Investment Grade Corporate	47.62
Government Agencies/Regionals	30.51
Developed (Non-US) Sovereign Debt	9.99
Agency MBS	7.75
Cash	1.71
High-Yield Corporate	1.41
ABS (Non-Mortgage)	0.82
Other	0.19

Top Holdings	%
AUSTRALIAN GOVERNMENT	9.99
NEW S WALES TREASURY CRP	7.51
QUEENSLAND TREASURY CORP	6.21
WESTERN AUST TREAS CORP	3.01
SOUTH AUST GOVT FIN AUTH	2.85
Australia & New Zealand Banking Group Ltd	2.76
Westpac Banking Corp	2.68
National Australia Bank Ltd	2.08
INTL BK RECON & DEVELOP	2.01
TREASURY CORP VICTORIA	1.73

Quality Allocation	%
Agency/Government	30.51
BBB	21.71
A	17.42
AAA	12.74
Treasury	9.99
AA	4.30
Cash	1.71
BB	1.20
CCC	0.22
Not Rated	0.19

Fund Performance

The Fund posted a positive return (before fees) in the March quarter but underperformed the benchmark. The largest component of the portfolio, held in conventional government bonds and managed by **AMP Capital**, posted a positive absolute return but underperformed its benchmark. The smaller inflation-linked component, managed by **Ardea**, posted a negative return and underperformed its benchmark.

AMP Capital's performance was impacted by short duration positions in the US, Europe and the UK. These positions more than offset the contribution from duration positioning in Canada, Australia and New Zealand.

Inflation-linked bond fund manager **Ardea** held a material overweight exposure to inflation, which detracted from performance amid a sharp fall in oil prices and a deteriorating outlook for global growth. This was partially offset by an inflation protection position, held via an overweight exposure to long-term inflation, and an underweight exposure to short-term inflation. An overweight exposure to semi-government bonds and bond-swap positioning further detracted from performance, more than offsetting the contribution from positioning in the nominal yield curve.

Market Review

Australian government bond yields moved lower in January against the backdrop of a softening in domestic economic momentum over the preceding months. Yields subsequently exhibited heightened volatility over the remainder of the March quarter as a sharp fall in response to the deepening impact of the COVID-19 crisis gave way to an upward spike amid fears of a liquidity crunch. The RBA addressed the issue of market liquidity by cutting the cash rate by 0.25%, setting a 0.25% yield target for Commonwealth 3-year bonds, and providing funding for domestic banks. The Commonwealth Government 10-year bond yield declined by 61 basis points over the quarter to 0.76%, while the Commonwealth Government 2-year bond yield ended 67 basis points lower at 0.25%.

Outlook

Against the backdrop of the liquidity and pricing dislocation caused by the economic and financial market impact of COVID-19, the Reserve Bank of Australia (RBA) has acted decisively to lower the cash rate, purchase bonds and provide low cost funding for banks. The RBA's actions will undoubtedly help the Australian economy and the banking sector to weather the storm, but they will take their time to play out.

Availability

Product Name	APIR
AMP Flexible Lifetime Super	AMP0343AU
AMP Flexible Super - Retirement account	AMP1319AU
AMP Flexible Super - Super account	AMP1449AU
CustomSuper	AMP0343AU
Flexible Lifetime - Allocated Pension	AMP0590AU
Flexible Lifetime - Investments (Series 1)	AMP1048AU*
Flexible Lifetime - Investments (Series 2)	AMP1388AU
Flexible Lifetime - Term Pension	AMP0890AU
SignatureSuper	AMP0738AU
SignatureSuper - Allocated Pension	AMP1128AU
AMP Growth Bond	AMP1188AU

*Closed to new investors

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