

Franklin Templeton Multi-Sector Bond

Quarterly Investment Option Update

31 March 2020

Aim and Strategy

To maximise total investment returns consisting of a combination of interest income, capital appreciation and currency gains. The benchmark for performance comparison purposes is the Bloomberg Barclays Capital Multiverse Index (hedged into Australian dollars). The option will seek to achieve its objective by investing primarily in a portfolio of fixed income securities and debt obligations (including convertible bonds) of government, government-related, securitised and corporate issuers worldwide. Sub-investment grade and non-rated exposure may be up to 50% of the portfolio and may take the form of emerging market debt or high yield credit exposure. The option may also invest in securities linked to the assets or currencies of any nation. The option may purchase foreign currency denominated fixed income securities, debt obligations, and may also invest in derivatives.

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	4/ Medium
Investment style	Specialist - Opportunistic
Manager style	Single Manager

Asset Allocation	Benchmark (%)	Actual (%)
Global Fixed Interest	N/A	74.46
Cash	N/A	25.54

Sector Allocation	%
International Government / Agency Bonds	68.26
Corporate Bonds	0.00
Sovereign Bonds	0.00
Derivatives	6.19
Cash & Cash Equivalents	25.54
Other	0.01

Regional Allocation	%
Australia / NZ	0.00
Japan	10.44
Developed Asia (ex Japan)	6.73
Europe (ex-UK)	7.01
United Kingdom	0.00
North America	0.00
Middle East & Africa	5.24
Emerging / Frontier Europe	0.00
Latin & South America	27.55
Emerging / Frontier Asia	11.31
Other	31.72

Top Holdings	%
Government of Indonesia, senior bond, FR61, 7.00%, 5/15/22	6.66
Government of Mexico, senior note, M, 7.25%, 12/09/21	6.02
Government of Mexico, senior bond, M, 6.50%, 6/09/22	4.79
Korea Treasury Bond, senior note, 1.875%, 3/10/22	3.99
Letra Tesouro Nacional, Strip, 1/01/22	3.84
Government of Ghana, 24.75%, 7/19/21	3.47
Titulos de Tesoreria, senior bond, B, 7.50%, 8/26/26	1.91
Government of Norway, 144A, Reg S, 3.75%, 5/25/21	1.86
Government of Norway, 144A, Reg S, 3.00%, 3/14/24	1.80
Government of Norway, 144A, Reg S, 2.00%, 5/24/23	1.76

Portfolio Summary

- Currency positions and interest-rate strategies detracted from the portfolio's absolute performance, while overall credit exposures had a largely neutral effect.
- The portfolio maintained a defensive approach regarding interest rates in developed markets, while holding duration exposures in select emerging markets.

Investment Option Commentary

In the first quarter of 2020, currency positions and interest-rate strategies detracted from the portfolio's absolute performance, while overall credit exposures had a largely neutral effect.

Amongst currencies, positions in Latin America (the Brazilian real, Colombian peso, Argentine peso and Mexican peso) and Asia ex-Japan (the Indonesian rupiah and Thai baht) detracted from absolute results, as did positions in northern European currencies (the Norwegian krone). However, the portfolio's net-negative position in the euro contributed to absolute return.

The portfolio maintained a defensive approach regarding interest rates in developed markets, while holding duration exposures in select emerging markets. Negative duration exposure to US Treasuries detracted from absolute performance, as did select duration exposures in Latin America (Argentina).

Market Commentary

The COVID-19 pandemic profoundly impacted economies and global financial markets during 2020's first quarter. Lockdown orders from governments trying to "flatten the curve" (i.e., stem the rate of infection) brought entire countries, regions and continents to an economic standstill in March. The speed and pervasiveness of the economic shocks were unprecedented.

Sovereign bond yields declined in higher-rated countries but rose in more vulnerable ones during the quarter. The yield on the 10-year US Treasury note finished the period 125 basis points lower at 0.67%.

The US dollar broadly strengthened against a wide range of developed and emerging market currencies, with some notable exceptions.

Outlook

The investment manager think it is too early to pursue additional risk as the world is still in the initial stages of the economic repercussions. We're currently focusing on specific perceived safe-haven investments, while emphasising a select set of higher-yielding emerging markets that have relatively resilient domestic economies. Our aim is to position our strategies to be uncorrelated to vulnerable asset classes while delivering high income and defending capital. We are also emphasising elevated levels of cash and short-term US Treasuries to be able to quickly pursue opportunities as they arise. We currently remain cautious on the broad outlook for emerging markets as a whole, but we see risk-adjusted value in specific countries. It remains crucial to be selective. Countries that were in stronger fundamental shape before the crisis generally have better prospects to endure the substantial economic headwinds.

Availability

Product name	APIR
AMP Flexible Lifetime Super	AMP1851AU
AMP Flexible Super - Retirement account	AMP1871AU
AMP Flexible Super - Super account	AMP1867AU
CustomSuper	AMP1851AU
Flexible Lifetime - Allocated Pension	AMP1855AU
SignatureSuper	AMP1859AU
SignatureSuper Allocated Pension	AMP1863AU
SignatureSuper Select	AMP1859AU

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