

AMP International Bond

Quarterly Investment Option Update

30 June 2020

Aim and Strategy

To provide total returns (income and capital growth) after costs and before tax, above the performance benchmark on a rolling 3-year basis. The benchmark is the Bloomberg Barclays Capital Global Aggregate Index in AUD (AUD Hedged). The portfolio provides investors with access to a diversified portfolio of short and long-term global fixed income securities. Generally, this portfolio is hedged 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	Global fixed interest
Suggested minimum investment timeframe	3 years
Relative risk rating	Medium
Investment style	Active
Manager style	Multi-manager

Asset Allocation	Benchmark (%)
International and Australian Fixed Interest	100
Cash	0
Actual Allocation	%
International Fixed Interest	99.82
Cash	0.18

Market Review

Global government bond yields moved higher in April despite the US Federal Reserve only slightly slowing its pace of government bond purchases, which had capped upward pressure on yields over prior weeks. Yields subsequently traded sideways through most of May despite shifts in sentiment variously associated with the tentative easing of lockdown restrictions, economic stimulus measures and speculation regarding progress in the development of a COVID-19 treatment. Favourable US economic data provided renewed upward momentum in early June, however yields subsequently reversed course as economic sentiment deteriorated 'second wave' fears. The US 10-year bond yield ended the quarter one basis point lower at 0.66%. In contrast, the German and Japanese 10-year bond yields rose by one basis point to -0.46% and 0.02% respectively. Total returns for global bonds, as measured by the Bloomberg Barclays Global Aggregate Index Hedged, returned around 2.3% for the period in Australian dollar terms.

In credit markets meanwhile, global spreads tightened over the June quarter. This was initially prompted by the US Federal Reserve extending its bond buying program and subsequently reinforced by the market's ongoing expectation of further policy support measures on the part of central bankers, which outweighed the impact of renewed trade tensions between the US and China and a surge in COVID-19 infections in the US (which prompted several states to partially reintroduce lockdown measures.)

Outlook

The outbreak of COVID-19 has likely triggered a global recession and policy makers around the world are having to respond with dramatic levels of monetary and fiscal stimulus. The emergence of COVID-19 within an ongoing weak state of fundamentals and consistently weak inflation, as well as the adoption of yield curve targeting and quantitative easing monetary programs, continues to argue for a bias towards long duration positions, although as global cases peak and the first wave is brought under control we expect there may be some risk asset retracement.

Availability

Product Name	APIR
CustomSuper	AMP0344AU*
Flexible Lifetime - Allocated Pension	AMP0610AU*
Flexible Lifetime - Super	AMP0344AU*
Flexible Lifetime - Term Pension	AMP0900AU*

*Closed to new investors

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